

# **City of Romulus, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2012**

# 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, 2012, 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, 2012 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.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012 on our consideration of the City of Romulus, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Morse, PLLC*

December 19, 2012

# 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, 2012. 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, 2012:

- Total revenue within the General Fund decreased by \$555,696, a decrease of 3.19 percent.
- Property taxes are the City's single largest source of revenue. The City's tax revenue for fiscal year 2011/2012 was \$7,711,010, which represents a decrease of \$1,499,061 or 16.28 percent. Considering the current economic crisis within the state of Michigan, it is expected that the City will continue to sustain losses in tax revenue in future tax years.
- The State of Michigan has replaced statutory revenue sharing with the "Economic Vitality Incentive Program" (EVIP) which in fiscal year 2011/2012 the City qualified for all three incentive programs by demonstrating best practices through transparency, service sharing, and employee benefit reductions. The result of this and the increase in population in the last census provided the City with a slight increase in state revenue sharing.
- There was an increase of \$375,680 in fines and forfeitures. This can be attributed to both an increase in tickets issued and an increase in staffing of the traffic control unit.
- Due to the loss of principal, investment income within the General Fund decreased by \$28,529 or 82.11 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 decreased by \$25,091 or 3.08 percent. This decrease can be mainly attributed to a decrease in building permits and certifications.
- Total expenditures and transfers out within the General Fund decreased \$1,699,252, a decrease of 9.47 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 2011/2012; the fund balances in the Major Streets Fund increased and fund balance in the Local Streets Fund decreased to \$587,571 and \$253,528, respectively. The City continues to take advantage of federal and state grant funding programs when available.
- The Romulus Athletic Center (the "Center") reduced its deficit by \$40,524. Due to future budgeted revenue reductions, it may be difficult for the Center to maintain this trend.

# City of Romulus, Michigan

## Management's Discussion and Analysis (Continued)

- The Vehicle and Equipment Fund's unrestricted net assets have decreased by approximately 45 percent to \$321,436. 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, 2012 and 2011 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current assets	\$ 10,205	\$ 9,934	\$ 14,198	\$ 14,968	\$ 24,403	\$ 24,902
Capital assets	59,891	63,724	61,466	61,643	121,357	125,367
Total assets	70,096	73,658	75,664	76,611	145,760	150,269
<b>Liabilities</b>						
Current liabilities	4,215	3,983	4,803	4,250	9,018	8,233
Long-term liabilities	7,701	7,125	26,229	28,424	33,930	35,549
Total liabilities	11,916	11,108	31,032	32,674	42,948	43,782
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	56,597	59,550	33,239	30,499	89,836	90,049
Restricted	2,720	2,728	5,480	6,239	8,200	8,967
Unrestricted	(1,137)	272	5,913	7,199	4,776	7,471
Total net assets	<u>\$ 58,180</u>	<u>\$ 62,550</u>	<u>\$ 44,632</u>	<u>\$ 43,937</u>	<u>\$ 102,812</u>	<u>\$ 106,487</u>

# City of Romulus, Michigan

## Management's Discussion and Analysis (Continued)

The City's combined net assets decreased by \$3,675,000. The net assets of the governmental activities decreased by approximately \$4,370,000 or 7.0 percent and business-type activities increased by \$695,000 or 1.6 percent. The decrease in the governmental activities net assets was primarily related to reduced capital contributions. The increase in business-type activities net assets primarily relates to 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	
	2012	2011	2012	2011	2012	2011
<b>Net Assets</b> - Beginning of year	\$ 62,550	\$ 63,218	\$ 43,937	\$ 43,237	\$ 106,487	\$ 106,455
<b>Revenue</b>						
Program revenue:						
Charges for services	6,136	5,615	10,410	9,809	16,546	15,424
Operating grants and contributions	3,042	2,822	-	-	3,042	2,822
Capital grants and contributions	188	5,705	623	114	811	5,819
General revenue:						
Property taxes:						
City	7,601	8,408	-	-	7,601	8,408
Sanitation	987	779	-	-	987	779
Street lighting	469	446	-	-	469	446
EPA	-	-	1,946	2,299	1,946	2,299
State-shared revenue	3,498	3,354	-	-	3,498	3,354
Unrestricted investment earnings	9	45	18	45	27	90
Transfers	159	160	(159)	(160)	-	-
Miscellaneous revenue	902	854	207	1	1,109	855
Total revenue	22,991	28,188	13,045	12,108	36,036	40,296
<b>Program Expenses</b>						
General government	4,494	5,071	-	-	4,494	5,071
Public safety	12,611	13,740	-	-	12,611	13,740
Public works	7,320	6,875	-	-	7,320	6,875
Health and welfare	503	459	-	-	503	459
Community and economic development	15	18	-	-	15	18
Recreation and cultural	2,255	2,499	-	-	2,255	2,499
Interest on long-term debt	163	194	-	-	163	194
Water and sewer	-	-	12,350	11,408	12,350	11,408
Total program expenses	27,361	28,856	12,350	11,408	39,711	40,264
<b>Change in Net Assets</b>	(4,370)	(668)	695	700	(3,675)	32
<b>Net Assets</b> - End of year	<u>\$ 58,180</u>	<u>\$ 62,550</u>	<u>\$ 44,632</u>	<u>\$ 43,937</u>	<u>\$ 102,812</u>	<u>\$ 106,487</u>

### Governmental Activities

The City's total governmental revenue decreased by approximately \$5,197,000, primarily due to capital contributions by the TIFA that did not recur in 2012.

Total program expenses decreased by \$1,495,000 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 2011/2012 was \$1,081,780. Since the increase in water loss was minimal, this indicates that water and sewer rates will need to be adjusted to reduce future operating losses. The City is currently undergoing a rate review study which will enable proper rate setting.

### **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 2012 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 \$10.5 million in 2012. Additionally, the building and grounds department is significant in that it contains 8.7 percent of the total General Fund expenditures.

### **General Fund Budgetary Highlights**

Due to staffing reductions, public safety grant funding, and minimal capital expenditures, fund balance increased by 40 percent to \$2,191,366. However, legacy costs have continued to rise and tax revenue continues to decrease; 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. It is also important to note that capital expenditures have been minimal in recent years. These postponed expenditures will need to be addressed in the near future.

The most significant negative budget variance was related to property tax revenues. The City continues to experience significant tax appeals on a year-over-year basis. In addition, personal property tax is in peril and although replacement revenue has been promised, there is definitely no guarantee at this time.

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

Capital projects included the completion of the reconstruction of the Goddard Road water main from Inkster to Middlebelt. The cost of this project was shared by the Tax Increment Finance Authority and Water and Sewer Fund. The Downtown Development Authority and Major Streets Fund participated in the Phase #1 Goddard Road reconstruction project from Romaine Street to Five Points. The design phase of the Middlebelt Road water main replacement project from Ecorse Road to Smith Road was completed during this year with construction expected to be completed during 2012-2013. 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**

The City has weathered the deteriorating state and local economies that have had such a major impact on our City's revenues; however, without additional revenue enhancement, reductions related to personnel and City services may be required in order to maintain a balanced budget.

### **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, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 6,957,876	\$ 4,968,096	\$ 11,925,972	\$ 1,655,237
Receivables - Net (Note 4)	2,479,945	2,869,136	5,349,081	35,250
Accounts receivable from component units (Note 6)	246,108	-	246,108	-
Accounts receivable from primary government (Note 6)	-	-	-	6,000
Advances to primary government (Note 6)	-	-	-	471,671
Inventories (Note 1)	360,974	77,846	438,820	-
Prepaid costs and other assets	159,633	-	159,633	19,838
Restricted assets (Note 7)	-	6,145,989	6,145,989	-
Capital assets - Net (Note 5):				
Assets not being depreciated	6,332,154	1,280,524	7,612,678	3,240,381
Assets being depreciated	53,559,284	60,185,073	113,744,357	23,064,069
Other assets	-	137,307	137,307	894,355
<b>Total assets</b>	<b>70,095,974</b>	<b>75,663,971</b>	<b>145,759,945</b>	<b>29,386,801</b>
<b>Liabilities</b>				
Accounts payable	978,475	1,273,210	2,251,685	75,615
Due to other governmental units	-	-	-	574,339
Accounts payable to component units (Note 6)	6,000	-	6,000	-
Accounts payable to primary government (Note 6)	-	-	-	246,108
Customer deposits payable	-	106,891	106,891	-
Accrued liabilities and other	1,306,258	731,463	2,037,721	1,028,735
Advances from component units (Note 6)	471,671	-	471,671	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 9)	540,267	103,761	644,028	23,319
Debt obligations (Note 9)	912,370	2,587,815	3,500,185	1,675,000
Due in more than one year:				
Compensated absences (Note 9)	265,334	25,940	291,274	5,830
Net OPEB obligation (Note 14)	5,053,111	564,256	5,617,367	105,169
Debt obligations (Note 9)	2,382,271	25,638,532	28,020,803	18,365,000
<b>Total liabilities</b>	<b>11,915,757</b>	<b>31,031,868</b>	<b>42,947,625</b>	<b>22,099,115</b>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	56,596,797	33,239,250	89,836,047	7,839,450
Restricted for:				
Roads	870,425	-	870,425	-
Debt service	-	5,480,122	5,480,122	-
Police	1,382,108	-	1,382,108	-
Rubbish	23,873	-	23,873	-
Grants	36,725	-	36,725	-
PEG fees	270,071	-	270,071	-
Cemetery operations	1,455	-	1,455	-
Library	135,284	-	135,284	-
Unrestricted	(1,136,521)	5,912,731	4,776,210	(551,764)
<b>Total net assets</b>	<b>\$ 58,180,217</b>	<b>\$ 44,632,103</b>	<b>\$ 102,812,320</b>	<b>\$ 7,287,686</b>

# 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	\$ 4,493,598	\$ 1,078,127	\$ -	\$ -
Public safety	12,611,561	2,392,004	991,435	91,912
Public works	7,320,510	992,156	1,670,663	96,307
Health and welfare	503,217	-	-	-
Community and economic development	14,916	-	5,230	-
Recreation and culture	2,254,779	1,673,989	375,000	-
Interest on long-term debt	162,845	-	-	-
Total governmental activities	27,361,426	6,136,276	3,042,328	188,219
Business-type activities - Water and sewer	12,350,506	10,409,576	-	623,255
Total primary government	<u>\$ 39,711,932</u>	<u>\$ 16,545,852</u>	<u>\$ 3,042,328</u>	<u>\$ 811,474</u>
Component units:				
Tax Increment Financing Authority	\$ 3,047,755	\$ -	\$ -	\$ 80,211
Downtown Development Authority	393,822	-	-	208,000
Total component units	<u>\$ 3,441,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 288,211</u>
General revenue:				
Property taxes				
State-shared revenue				
Unrestricted investment earnings				
Miscellaneous				
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, 2012**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,415,471)	\$ -	\$ (3,415,471)	\$ -
(9,136,210)	-	(9,136,210)	-
(4,561,384)	-	(4,561,384)	-
(503,217)	-	(503,217)	-
(9,686)	-	(9,686)	-
(205,790)	-	(205,790)	-
(162,845)	-	(162,845)	-
(17,994,603)	-	(17,994,603)	-
-	(1,317,675)	(1,317,675)	-
(17,994,603)	(1,317,675)	(19,312,278)	-
-	-	-	(2,967,544)
-	-	-	(185,822)
-	-	-	(3,153,366)
9,057,224	1,946,279	11,003,503	3,702,096
3,497,455	-	3,497,455	-
8,577	18,239	26,816	-
902,389	207,435	1,109,824	185,323
13,465,645	2,171,953	15,637,598	3,887,419
158,820	(158,820)	-	-
(4,370,138)	695,458	(3,674,680)	734,053
62,550,355	43,936,645	106,487,000	6,553,633
<b>\$ 58,180,217</b>	<b>\$ 44,632,103</b>	<b>\$ 102,812,320</b>	<b>\$ 7,287,686</b>

# City of Romulus, Michigan

## Governmental Funds Balance Sheet June 30, 2012

	General Fund	Nonmajor Governmental Funds	Total
<b>Assets</b>			
Cash and investments	\$ 2,510,606	\$ 2,942,364	\$ 5,452,970
Receivables - Net	1,192,784	1,347,161	2,539,945
Accounts receivable from component units (Note 6)	246,108	-	246,108
Due from other funds (Note 6)	134,875	-	134,875
Inventory	24,601	273,589	298,190
Prepaid expenses and other assets	159,633	-	159,633
Total assets	<u>\$ 4,268,607</u>	<u>\$ 4,563,114</u>	<u>\$ 8,831,721</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 430,783	\$ 422,695	\$ 853,478
Accounts payable to component units (Note 6)	6,000	-	6,000
Due to other funds (Note 6)	28,400	134,875	163,275
Accrued and other liabilities	1,138,467	156,143	1,294,610
Advances from component units (Note 6)	-	471,671	471,671
Deferred revenue (Note 4)	473,591	893,015	1,366,606
Total liabilities	2,077,241	2,078,399	4,155,640
<b>Fund Balances</b>			
Nonspendable - Inventory and prepaids	184,234	273,589	457,823
Restricted:			
Roads	-	633,818	633,818
Police	-	1,380,152	1,380,152
Grants	-	25,077	25,077
PEG fees	-	270,071	270,071
Cemetery operations	-	1,455	1,455
Library operations	-	135,265	135,265
Assigned:			
Subsequent year's budget	104,428	43,461	147,889
Cable television operations	-	63,667	63,667
Debt service	-	273,231	273,231
Unassigned	1,902,704	(615,071)	1,287,633
Total fund balances	<u>2,191,366</u>	<u>2,484,715</u>	<u>4,676,081</u>
Total liabilities and fund balances	<u>\$ 4,268,607</u>	<u>\$ 4,563,114</u>	<u>\$ 8,831,721</u>

# City of Romulus, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2012

<b>Fund Balance Reported in Governmental Funds</b>	\$ 4,676,081
Capital assets used in governmental activities are not financial resources and are not reported in the funds	58,156,102
Delinquent property tax receivables (net of allowance for uncollectible accounts) are expected to be collected over several years and are not available to pay for current year expenditures	219,629
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	739,819
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	347,159
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(3,294,641)
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	(769,279)
Net OPEB obligation does not present a claim on current financial resources and is not reported as fund liabilities	(4,871,812)
Internal service funds are included as part of governmental activities	<u>2,977,159</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 58,180,217</u></b>

# City of Romulus, Michigan

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2012

	General Fund	Nonmajor Governmental Funds	Total
<b>Revenue</b>			
Property taxes	\$ 7,711,010	\$ 1,549,411	\$ 9,260,421
Licenses and permits	788,052	-	788,052
Federal sources	647,366	289,434	936,800
Intergovernmental revenue	3,652,108	1,560,177	5,212,285
Charges for services	1,589,099	1,516,959	3,106,058
Fines and forfeitures	2,085,617	370,512	2,456,129
Investment income	6,215	2,394	8,609
Other	394,630	1,192,427	1,587,057
Total revenue	16,874,097	6,481,314	23,355,411
<b>Expenditures</b>			
Current:			
General government	4,494,631	247,833	4,742,464
Public safety	10,601,595	858,875	11,460,470
Public works	205,649	3,141,588	3,347,237
Health and welfare	503,217	-	503,217
Community and economic development	10,382	242,356	252,738
Recreation and culture	165,889	1,976,861	2,142,750
Debt service	-	553,215	553,215
Total expenditures	15,981,363	7,020,728	23,002,091
<b>Excess of Revenue Over (Under) Expenditures</b>	892,734	(539,414)	353,320
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	626,089	626,089
Transfers out	(267,269)	(200,000)	(467,269)
Total other financing (uses) sources	(267,269)	426,089	158,820
<b>Net Change in Fund Balances</b>	625,465	(113,325)	512,140
<b>Fund Balances - Beginning of year</b>	1,565,901	2,598,040	4,163,941
<b>Fund Balances - End of year</b>	\$ 2,191,366	\$ 2,484,715	\$ 4,676,081

# 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, 2012**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 512,140</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	835,642
Depreciation expense	(4,608,290)
Capital contributions from TIFA and outside developers	81,962
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	(267,080)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	879,194
Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	(44,617)
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	(1,422,036)
Internal service funds are included as part of governmental activities	<u>(337,053)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (4,370,138)</u></b>

# City of Romulus, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2012

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,968,096	\$ 1,504,906
Receivables - Net	2,869,136	-
Due from other funds (Note 6)	-	28,400
Inventories	77,846	62,784
Total current assets	7,915,078	1,596,090
Noncurrent assets:		
Restricted assets	6,145,989	-
Capital assets:		
Assets not subject to depreciation	1,280,524	-
Assets subject to depreciation	60,185,073	1,735,336
Other assets	137,307	-
Total noncurrent assets	67,748,893	1,735,336
Total assets	75,663,971	3,331,426
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	1,273,210	124,997
Customer deposits payable	106,891	-
Accrued and other liabilities	731,463	11,648
Current portion of compensated absences	103,761	29,057
Current portion of long-term debt	2,587,815	-
Total current liabilities	4,803,140	165,702
Noncurrent liabilities:		
Provision for compensated absences - Net of current portion	25,940	7,265
Net OPEB obligation	564,256	181,300
Long-term debt - Net of current portion	25,638,532	-
Total noncurrent liabilities	26,228,728	188,565
Total liabilities	31,031,868	354,267
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	33,239,250	1,735,336
Restricted	5,480,122	-
Unrestricted	5,912,731	1,241,823
Total net assets	\$ 44,632,103	\$ 2,977,159

# City of Romulus, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2012

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
<b>Operating Revenue</b>		
Charges for services	\$ 10,238,854	\$ 2,072,756
Other charges for services	140,267	131,122
Total operating revenue	10,379,121	2,203,878
<b>Operating Expenses</b>		
Cost of water	2,726,800	-
Cost of sewage treatment	2,597,623	-
Insurance	103,860	569,245
Cost of vehicle and equipment maintenance	-	1,341,854
Cost of computer and equipment maintenance	-	336,791
Salaries and fringes	2,344,249	-
Administrative and other	1,860,113	-
Depreciation	1,828,256	295,834
Total operating expenses	11,460,901	2,543,724
<b>Operating Loss</b>	(1,081,780)	(339,846)
<b>Nonoperating Revenue (Expenses)</b>		
Property taxes	1,946,279	-
Investment income	18,239	1,247
Interest expense	(889,605)	-
Gain on disposal of assets	-	1,546
Debt service charge	30,455	-
Adjustments to joint venture debt balance	207,435	-
Total nonoperating revenue	1,312,803	2,793
<b>Income (Loss) - Before contributions and transfers</b>	231,023	(337,053)
<b>Capital Contributions - Other capital contributions</b>	623,255	-
<b>Transfers Out</b>	(158,820)	-
<b>Increase (Decrease) in Net Assets</b>	695,458	(337,053)
<b>Net Assets - Beginning of year</b>	43,936,645	3,314,212
<b>Net Assets - End of year</b>	\$ 44,632,103	\$ 2,977,159

# City of Romulus, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2012

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 9,956,127	\$ 2,203,878
Payments for interfund services and reimbursements	-	(28,400)
Payments to suppliers	(6,789,992)	(1,550,158)
Payments to employees	(2,157,066)	(522,082)
	1,009,069	103,238
<b>Cash Flows from Noncapital Financing Activities -</b>		
Transfers to other funds	(158,820)	-
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from sales of capital assets	-	1,546
Proceeds from property tax levy - Restricted for debt service	1,965,504	-
Purchase of capital assets	(618,005)	(154,413)
Principal and interest paid on capital debt	(878,320)	-
Debt service charge	30,455	-
Payments to County from the Debt Service Fund	(2,526,919)	-
	(2,027,285)	(152,867)
<b>Cash Flows from Investing Activities - Investment income</b>	18,239	1,247
<b>Net Decrease in Cash and Cash Equivalents</b>	(1,158,797)	(48,382)
<b>Cash and Cash Equivalents - Beginning of year</b>	12,272,882	1,553,288
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 11,114,085</b>	<b>\$ 1,504,906</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>		
Cash and investments	\$ 4,968,096	\$ 1,504,906
Restricted cash	6,145,989	-
	<b>\$ 11,114,085</b>	<b>\$ 1,504,906</b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (1,081,780)	\$ (339,846)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	1,828,256	295,834
Changes in assets and liabilities:		
Receivables	(422,994)	-
Due from others	-	(28,400)
Inventories	(2,137)	40,566
Accounts payable	500,541	81,456
Accrued and other liabilities	(3,155)	2,252
Net OPEB obligation	190,338	51,376
	<b>\$ 1,009,069</b>	<b>\$ 103,238</b>

**Noncash Capital and Related Financing Activities** - During the year, \$623,255 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 \$207,435 through nonoperating revenue. The County also issued completion bonds for the Downriver Sewage Disposal Treatment System. The City has recorded its share of the debt and related utility improvements in the amount of \$402,945 at June 30, 2012.

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

# City of Romulus, Michigan

## Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2012

	Other Employee Benefits Trust Retirees' Insurance Benefits Fund	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 866,745	\$ 3,134,617
Investments:		
U.S. government securities	203,143	-
Common stock	845,907	-
Corporate bonds and notes	278,531	-
Mutual funds	42,201	-
Asset-backed securities	49,194	-
Accounts receivable	1,408	151,294
Prepaid expenses	180,697	-
	2,467,826	\$ 3,285,911
Total assets		
<b>Liabilities</b>		
Accounts payable	1,740	\$ 107,211
Due to other governmental units	-	1,048,157
Accrued and other liabilities	-	2,130,543
	1,740	\$ 3,285,911
Total liabilities		
<b>Net Assets Held in Trust for Other Postemployment Benefits</b>	<b>\$ 2,466,086</b>	

# 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, 2012

<b>Additions</b>	
Investment loss	\$ (28,520)
Contributions:	
Employer	1,770,472
Employee	<u>53,403</u>
Total contributions	<u>1,823,875</u>
Total additions - Net	1,795,355
<b>Deductions - Benefit payments</b>	<u>2,177,794</u>
<b>Net Decrease in Net Assets Held in Trust</b>	(382,439)
<b>Net Assets Held in Trust for Other Postemployment Benefits - Beginning of year</b>	<u>2,848,525</u>
<b>Net Assets Held in Trust for Other Postemployment Benefits - End of year</b>	<u><u>\$ 2,466,086</u></u>

# City of Romulus, Michigan

## Component Units Statement of Net Assets (Deficit) June 30, 2012

	Tax Increment Finance Authority	Downtown Development Authority	Total
<b>Assets</b>			
Cash and investments	\$ 1,421,886	\$ 233,351	\$ 1,655,237
Receivables:			
Property taxes receivable	28,291	3,741	32,032
Accrued interest receivable	3,218	-	3,218
Receivable from primary government	-	6,000	6,000
Advances to primary government (Note 6)	471,671	-	471,671
Prepaid expenses and other assets	3,466	16,372	19,838
Capital assets (Note 5):			
Assets not subject to depreciation	3,014,887	225,494	3,240,381
Assets subject to depreciation	22,658,858	405,211	23,064,069
Other assets	894,355	-	894,355
Total assets	28,496,632	890,169	29,386,801
<b>Liabilities</b>			
Accounts payable	62,585	13,030	75,615
Due to other governmental units	573,271	1,068	574,339
Payable to primary government (Note 6)	246,108	-	246,108
Accrued and other liabilities	990,709	38,026	1,028,735
Due within one year:			
Compensated absences (Note 9)	17,195	6,124	23,319
Current portion of long-term debt (Note 9)	1,095,000	580,000	1,675,000
Due in more than one year:			
Compensated absences (Note 9)	4,299	1,531	5,830
Net OPEB obligation	63,512	41,657	105,169
Long-term debt (Note 9)	17,370,000	995,000	18,365,000
Total liabilities	20,422,679	1,676,436	22,099,115
<b>Net Assets (Deficit)</b>			
Invested in capital assets - Net of related debt	7,208,745	630,705	7,839,450
Unrestricted	865,208	(1,416,972)	(551,764)
Total net assets (deficit)	\$ 8,073,953	\$ (786,267)	\$ 7,287,686

# 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	\$ 2,068,311	\$ -	\$ -	\$ 80,211
Recreation and culture	979,444	-	-	-
Total Tax Increment Finance Authority	3,047,755	-	-	80,211
Downtown Development Authority - Public works	393,822	-	-	208,000
Total component units	<b>\$ 3,441,577</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 288,211</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, 2012**

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Tax Increment Finance Authority</u>	<u>Downtown Development Authority</u>	<u>Total</u>
\$ (1,988,100)	\$ -	\$ (1,988,100)
(979,444)	-	(979,444)
(2,967,544)	-	(2,967,544)
-	(185,822)	(185,822)
(2,967,544)	(185,822)	(3,153,366)
3,033,508	668,588	3,702,096
31,418	153,905	185,323
3,064,926	822,493	3,887,419
97,382	636,671	734,053
7,976,571	(1,422,938)	6,553,633
<b>\$ 8,073,953</b>	<b>\$ (786,267)</b>	<b>\$ 7,287,686</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, 2012.

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 2011 taxable valuation of the City totaled \$1,090,547,178, on which ad valorem taxes levied consisted of 9.2863 mills for the City's operating purposes, 1.2200 mills for sanitation, .1200 mills for library and 1.5274 mills for an EPA judgment levy. The ad valorem taxes levied (net of tax captures) raised approximately \$7.8 million for operations, \$1.0 million for sanitation, \$93 thousand for the library levy, and \$1.5 million for the EPA judgment levy. These amounts are recognized in the respective General Fund, Special Revenue Funds, 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 I - Nature of Business and Significant Accounting Policies (Continued)

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

Land improvements, infrastructure, utility system assets, meters, buildings and building improvements, equipment and machinery, and vehicles are depreciated using the straight-line method over the following useful lives:

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

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

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

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

**Fund Equity** - In the fund financial statements, governmental funds report 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.
- **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.

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

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

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

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

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

1. In February, the mayor holds a meeting with all departments. At this time, the finance department provides the necessary budget materials with instructions and discusses intended strategies.
2. In March, the mayor and 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.

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

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

Budget appropriations lapse at year end; encumbrances are not included as expenditures. Encumbrances outstanding of \$74,305 at June 30, 2012 have been reappropriated into next year's budget. During the current year, the budget was amended in a legally permissible manner with the exception of budget amendments made subsequent to year end. A comparison of the budget with statements of actual revenue and expenditures, including budget variances, for the General Fund is presented as required supplemental information. Budgetary comparisons for the special revenue funds can be obtained at City Hall.

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

- 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, 2012.

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2012

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

**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, 2011		\$ (3,339,109)
Current year building permit revenue		570,341
Related expenses:		
Direct costs	\$ 849,965	
Estimated indirect costs	<u>90,065</u>	
Total construction code expenses		<u>940,030</u>
Current year shortfall		<u>(369,689)</u>
Cumulative shortfall at June 30, 2012		<u>\$ (3,708,798)</u>

**Fund Deficits** - There was a fund deficit in the Romulus Athletic Center Fund of \$445,244 as of June 30, 2012. There was a fund deficit in the Street Lighting Fund of \$42,522 as well as the Sanitation Fund of \$89,726 as of June 30 2012. 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.

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

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 eight 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 \$13,695,044 in bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$726,966 of bank deposits that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

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

Primary Government	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Negotiable CDs	\$ 1,527,093	\$ 1,427,234	\$ 99,859	\$ -	\$ -
U.S. government agency securities	1,809	741	1,068	-	-
Total	\$ 1,528,902	\$ 1,427,975	\$ 100,927	\$ -	\$ -

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2012

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

Fiduciary Funds	Fair Value	Less than 1	1-5	6-10	More than 10
		Year	Years	Years	Years
Corporate bonds and notes	\$ 278,531	\$ 19,521	\$ 163,215	\$ 95,795	\$ -
U.S. government agency securities	203,143	44,349	77,889	80,905	-
Asset-backed securities	49,194	-	12,100	5,734	31,360
<b>Total</b>	<b>\$ 530,868</b>	<b>\$ 63,870</b>	<b>\$ 253,204</b>	<b>\$ 182,434</b>	<b>\$ 31,360</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: AA-	S&P: A+	S&P: A	S&P: A-	S&P: BBB+	S&P: BBB	AI/PI/FI	Not Rated
<b>Primary Government</b>										
Negotiable CDs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,527,093
Money market	-	-	-	-	-	-	-	-	-	741
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,527,834</b>							
<b>Fiduciary Funds</b>										
Corporate bonds and notes	\$ 10,329	\$ 12,091	\$ 15,404	\$ 45,961	\$ 90,858	\$ 63,745	\$ 29,898	\$ 10,245	\$ -	\$ -
Asset-backed securities	-	-	-	-	-	-	-	-	-	49,195
<b>Total</b>	<b>\$ 10,329</b>	<b>\$ 12,091</b>	<b>\$ 15,404</b>	<b>\$ 45,961</b>	<b>\$ 90,858</b>	<b>\$ 63,745</b>	<b>\$ 29,898</b>	<b>\$ 10,245</b>	<b>\$ -</b>	<b>\$ 49,195</b>
<b>Component Units -</b>										
Money market	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 822,050	\$ 243,705

### 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:

	General Fund	Nonmajor	Enterprise Fund	Fiduciary Fund	Total
		Governmental Funds			
Receivables:					
Taxes	\$ 188,437	\$ 114,348	\$ 244,685	\$ -	\$ 547,470
Special assessment	-	739,819	-	-	739,819
Accounts	138,383	173,209	2,624,386	-	2,935,978
Due from other governmental units	865,964	319,785	65	152,702	1,338,516
<b>Net receivables</b>	<b>\$ 1,192,784</b>	<b>\$ 1,347,161</b>	<b>\$ 2,869,136</b>	<b>\$ 152,702</b>	<b>\$ 5,561,783</b>

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2012

### Note 4 - Receivables and Deferred Revenue (Continued)

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:

	<u>Unavailable</u>
Delinquent property taxes	\$ 279,628
Special assessments	739,819
Receivable from other governmental units	<u>347,159</u>
Total	<u><u>\$ 1,366,606</u></u>

### Note 5 - Capital Assets

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

<b>Governmental Activities</b>	Balance July 1, 2011	Reclassifications	Additions	Disposals	Balance June 30, 2012
Capital assets not being depreciated:					
Land	\$ 5,566,341	\$ -	\$ -	\$ -	\$ 5,566,341
Construction in progress	715,862	(68,692)	273,165	(154,522)	765,813
Subtotal	6,282,203	(68,692)	273,165	(154,522)	6,332,154
Capital assets being depreciated:					
Infrastructure	72,887,580	-	18,450	-	72,906,030
Buildings and improvements	19,550,084	68,692	147,592	-	19,766,368
Machinery and equipment	9,100,371	-	658,845	(122,762)	9,636,454
Vehicles	5,857,540	-	132,938	(110,781)	5,879,697
Land improvements	889,087	-	9,240	-	898,327
Subtotal	108,284,662	68,692	967,065	(233,543)	109,086,876
Accumulated depreciation:					
Infrastructure	33,162,288	-	3,574,687	-	36,736,975
Buildings and improvements	5,536,863	-	439,528	-	5,976,391
Machinery and equipment	7,331,915	-	663,667	(112,237)	7,883,345
Vehicles	4,267,396	-	200,576	(107,613)	4,360,359
Land improvements	544,856	-	25,666	-	570,522
Subtotal	50,843,318	-	4,904,124	(219,850)	55,527,592
Net capital assets being depreciated	57,441,344	68,692	(3,937,059)	(13,693)	53,559,284
Net capital assets	<u>\$ 63,723,547</u>	<u>\$ -</u>	<u>\$ (3,663,894)</u>	<u>\$ (168,215)</u>	<u>\$ 59,891,438</u>

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2012

### Note 5 - Capital Assets (Continued)

Business-type Activities	Balance	Reclassifications	Additions	Disposals	Balance
	July 1, 2011				June 30, 2012
Capital assets not being depreciated:					
Land	\$ 88,065	\$ -	\$ -	\$ -	\$ 88,065
Construction in progress	65,474	-	1,126,985	-	1,192,459
Subtotal	153,539	-	1,126,985	-	1,280,524
Capital assets being depreciated:					
Water and sewer lines	90,820,964	-	495,483	-	91,316,447
Machinery and equipment	537,542	-	21,737	-	559,279
Other depreciable assets	1,701,533	-	-	-	1,701,533
Subtotal	93,060,039	-	517,220	-	93,577,259
Accumulated depreciation:					
Water and sewer lines	30,048,659	-	1,755,897	-	31,804,556
Machinery and equipment	322,702	-	29,951	-	352,653
Other depreciable assets	1,192,569	-	42,408	-	1,234,977
Subtotal	31,563,930	-	1,828,256	-	33,392,186
Net capital assets being depreciated	61,496,109	-	(1,311,036)	-	60,185,073
Net capital assets	<u>\$ 61,649,648</u>	<u>\$ -</u>	<u>\$ (184,051)</u>	<u>\$ -</u>	<u>\$ 61,465,597</u>
<b>Component Units</b>					
	Balance				Balance
	July 1, 2011	Reclassifications	Additions	Disposals	June 30, 2012
Capital assets not being depreciated:					
Land	\$ 3,203,186	\$ -	\$ -	\$ -	\$ 3,203,186
Construction in progress	1,177,550	(1,263,497)	123,142	-	37,195
Subtotal	4,380,736	(1,263,497)	123,142	-	3,240,381
Capital assets being depreciated:					
Machinery and equipment	590,344	-	-	-	590,344
Buildings	23,607,955	1,263,497	-	-	24,871,452
Building improvements	33,865	-	-	-	33,865
Land improvements	134,792	-	-	-	134,792
Subtotal	24,366,956	1,263,497	-	-	25,630,453
Accumulated depreciation:					
Machinery and equipment	234,607	-	78,392	-	312,999
Buildings	1,647,884	-	550,884	-	2,198,768
Building improvements	5,380	-	1,844	-	7,224
Land improvements	32,620	-	14,773	-	47,393
Subtotal	1,920,491	-	645,893	-	2,566,384
Net capital assets being depreciated	22,446,465	1,263,497	(645,893)	-	23,064,069
Net capital assets	<u>\$ 26,827,201</u>	<u>\$ -</u>	<u>\$ (522,751)</u>	<u>\$ -</u>	<u>\$ 26,304,450</u>

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2012

### Note 5 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 201,255
Public safety	582,574
Public works	3,698,619
Recreation and culture	125,842
Internal service fund depreciation is charged to the various functions based on their usage of the asset	<u>295,834</u>

Total governmental activities \$ 4,904,124

Business-type activities - Water and sewer \$ 1,828,256

Component unit activities:

TIFA	\$ 604,444
DDA	<u>41,449</u>

Total component unit activities \$ 645,893

### 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	\$ 134,875
Internal service funds	General Fund	28,400
<b>Advances to/from Primary Government and Component Units</b>		
Component unit - Tax Increment Finance Authority	Primary government - Other nonmajor governmental funds	\$ 471,671
<b>Due to/from Primary Government and Component Units</b>		
Primary government - General Fund	Component unit - Tax Increment Finance Authority	\$ 246,108
Component unit - Downtown Development Authority	Primary government - General Fund	6,000

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2012

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

Interfund balances arise from the centralized disbursement system as well as the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The advance between the Tax Increment Finance Authority and other nonmajor governmental funds is related to cash provided to the Romulus Athletic Center Fund for operating expenses. This advance will be repaid over a number of years.

#### Interfund Transfers

Transfers In	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Water and Sewer Fund
Nonmajor governmental funds	\$ 267,269	\$ 200,000	\$ 158,820

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.

### Note 7 - Restricted Assets

Restricted assets at June 30, 2012 consist of the following:

	Business-type Activities
Cash deposits at Wayne County	\$ 3,443,158
Cash and investments	2,702,831
Total business-type activities	<u>\$ 6,145,989</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 \$1,946,000 compared to principal and interest payments of \$2,880,810 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.

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2012

### 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, 2013 through June 30, 2015 and the net present value are as follows:

Years Ending June 30	Amount
2013	\$ 491,495
2014	491,495
2015	491,495
Total minimum lease payments	1,474,485
Less amount representing interest	<u>(104,844)</u>
Present value	<u>\$ 1,369,641</u>

### Note 9 - Long-term Debt

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

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2012

### Note 9 - Long-term Debt (Continued)

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

	Interest Rate Ranges	Maturity Date Range	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>								
General obligation bonds:								
Building Authority Bonds - \$2,080,000	2.50%-3.25%	2013	\$255,000- \$270,000	\$ 770,000	\$ -	\$ 245,000	\$ 525,000	\$ 255,000
Beverly Road Bond - \$1,650,000	4.00%-5.10%	2016	\$135,000- \$155,000	705,000	-	130,000	575,000	135,000
Capital lease - Honeywell agreement - \$2,499,858	4.29%	2015	\$437,370- \$475,936	1,788,835	-	419,194	1,369,641	437,370
Special assessment bonds - Beverly Road - \$1,650,000	4.00%-5.10%	2022	\$85,000- \$90,000	910,000	-	85,000	825,000	85,000
Total bonds payable				4,173,835	-	879,194	3,294,641	912,370
Compensated absences				761,525	554,461	510,385	805,601	540,267
Total governmental activities				<u>\$ 4,935,360</u>	<u>\$ 554,461</u>	<u>\$ 1,389,579</u>	<u>\$ 4,100,242</u>	<u>\$ 1,452,637</u>
<b>Business-type Activities</b>								
Wayne County contractual obligations - \$41,663,856	1.63%-6.30%	2031	\$96,250- \$2,350,878	\$ 24,526,471	\$ 402,945	\$ 2,453,069	\$ 22,476,347	\$ 2,307,815
Capital improvement bonds - Water and sewer - \$7,000,000	3.5%-5.0%	2027	\$280,000- \$535,000	6,020,000	-	270,000	5,750,000	280,000
Total bonds payable				30,546,471	402,945	2,723,069	28,226,347	2,587,815
Compensated absences				138,575	101,986	110,860	129,701	103,761
Total business-type activities				<u>\$ 30,685,046</u>	<u>\$ 504,931</u>	<u>\$ 2,833,929</u>	<u>\$ 28,356,048</u>	<u>\$ 2,691,576</u>

### 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	\$355,000-\$470,000	\$ 3,610,000	\$ -	\$ 340,000	\$ 3,270,000	\$ 355,000
General obligation bonds - \$18,500,000	4.0%-5.0%	2027	\$740,000-\$1,355,000	15,910,000	-	715,000	15,195,000	740,000
Compensated absences				21,406	17,213	17,125	21,494	17,195
Total - Tax Increment Finance Authority				19,541,406	17,213	1,072,125	18,486,494	1,112,195
Downtown Development Authority:								
General obligation bonds - \$2,500,000	2.00%-3.80%	2014	\$215,000-\$235,000	660,000	-	210,000	450,000	215,000
General obligation bonds - \$3,400,000	2.50%-3.60%	2015	\$365,000-\$385,000	1,475,000	-	350,000	1,125,000	365,000
Compensated absences				7,800	6,095	6,240	7,655	6,124
Total - Downtown Development Authority				2,142,800	6,095	566,240	1,582,655	586,124
Total component units				\$ 21,684,206	\$ 23,308	\$ 1,638,365	\$ 20,069,149	\$ 1,698,319

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
2013	\$ 912,370	\$ 132,580	\$ 1,044,950	\$ 2,587,815	\$ 776,009	\$ 3,363,824	\$ 1,675,000	\$ 828,635	\$ 2,503,635
2014	951,334	95,536	1,046,870	2,742,552	702,973	3,445,525	1,750,000	762,908	2,512,908
2015	705,937	56,677	762,614	2,730,628	626,670	3,357,298	1,575,000	697,344	2,272,344
2016	240,000	30,375	270,375	2,745,895	550,582	3,296,477	1,235,000	639,864	1,874,864
2017	85,000	22,568	107,568	2,689,247	475,022	3,164,269	1,290,000	587,226	1,877,226
2018-2022	400,000	51,000	451,000	9,345,944	1,367,357	10,713,301	6,310,000	2,082,896	8,392,896
2023-2027	-	-	-	4,504,897	344,050	4,848,947	6,205,000	726,088	6,931,088
2027-2031	-	-	-	879,369	(80,634)	798,735	-	-	-
Total	\$ 3,294,641	\$ 388,736	\$ 3,683,377	\$ 28,226,347	\$ 4,762,029	\$ 32,988,376	\$ 20,040,000	\$ 6,324,961	\$ 26,364,961

### 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.

### **Note 10 - Risk Management (Continued)**

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

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 \$347,000,000, with the City's share estimated to be approximately \$47,000,000. The outstanding balance payable at June 30, 2012 was approximately \$17,200,000. 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, 2012 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. 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.

**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, 2012, the City's annual pension cost of \$1,530,396 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, 2009 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		
	2012	2011	2010
Annual pension cost (APC)	\$ 1,530,396	\$ 1,630,648	\$ 1,517,296
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2012

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

	Actuarial Valuation as of December 31		
	2011	2010	2009
Actuarial value of assets	\$ 20,559,823	\$ 19,946,665	\$ 18,990,578
Actuarial accrued liability (AAL) (entry age)	\$ 44,627,337	\$ 42,414,806	\$ 40,993,307
Unfunded AAL (UAAL)	\$ 24,067,514	\$ 22,468,141	\$ 22,002,729
Funded ratio	46.1 %	47.0 %	46.3 %
Covered payroll	\$ 4,847,101	\$ 4,854,341	\$ 6,342,769
UAAL as a percentage of covered payroll	496.5 %	462.8 %	346.9 %

### 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, 2012. Employees who participate are required to contribute 0.5 percent to 1.0 percent of earnings and may contributed 0-10 percent of after-tax earnings. In accordance with these requirements, the City contributed \$441,843 during the current year and employees contributed \$70,568.

### 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 308 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

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

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2012

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

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

**Funding Progress** - For the year ended June 30, 2012, 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:

Annual required contribution (recommended)	\$ 3,390,306
Interest on the prior year's net OPEB obligation	241,634
Less adjustment to the annual required contribution	<u>(166,159)</u>
Annual OPEB cost	3,465,781
Amounts contributed	<u>(1,770,472)</u>
Increase in net OPEB obligation	1,695,309
OPEB obligation - Beginning of year	<u>4,027,227</u>
OPEB obligation - End of year	<u><u>\$ 5,722,536</u></u>

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

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual OPEB Costs	Employer Contributions		Net OPEB Obligation
				Percentage of ARC Contributed	Percentage OPEB Costs Contributed	
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
6/30/12	6/30/09	3,390,306	3,465,781	52.2	51.0	5,722,536

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

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/07	\$ 2,188,000	\$ 32,275,721	\$ 30,087,721	6.8	\$ 12,935,421	232.6
6/30/09	2,891,009	48,005,400	45,114,391	6.0	12,435,976	362.8
6/30/11	2,848,525	79,709,849	76,861,324	3.6	10,850,519	708.4

Approximately \$7,500,000 of the actuarial accrued liability at June 30, 2011 relates to the 34th District Court.

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

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

In the June 30, 2011 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 if the division is open to new hires and as a level dollar amount if the division is closed to new hires. The remaining amortization period at June 30, 2011 was 28 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 \$2,085,617. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the 34th District Court can be obtained from the administrative offices at 11131 Wayne Road, Romulus, Michigan.

The City, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System. The City's share of capital assets, restricted assets (for debt service), and related debt is recorded in the Water and Sewer Fund. During the year, the City paid \$2,396,735 for operations of the system and \$2,880,809 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 related 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 No. 14 and Statement No. 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.

### Note 16 - Upcoming Accounting Pronouncements (Continued)

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.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the City as of June 30, 2014.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

## **Required Supplemental Information**

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# City of Romulus, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 9,036,870	\$ 9,036,870	\$ 7,711,010	\$ (1,325,860)
Licenses and permits	699,850	719,850	788,052	68,202
Federal sources	725,908	725,908	647,366	(78,542)
State sources	3,310,658	3,310,658	3,652,108	341,450
Charges for services	1,666,767	1,666,767	1,589,099	(77,668)
Fines and forfeitures	1,700,000	1,700,000	2,085,617	385,617
Interest income	25,000	25,000	6,215	(18,785)
Other	340,662	340,662	394,630	53,968
Total revenue	17,505,715	17,525,715	16,874,097	(651,618)
<b>Expenditures - Current</b>				
General government:				
City Council	74,401	74,401	73,344	1,057
Mayor	346,488	363,244	358,301	4,943
Finance department	535,537	572,545	572,085	460
Treasurer	356,508	372,779	350,729	22,050
Assessing	266,791	296,914	289,055	7,859
Board of Review	1,777	1,777	1,238	539
Clerk	303,317	316,764	291,347	25,417
Elections	128,918	132,177	92,788	39,389
Buildings and grounds	1,804,175	1,804,175	1,391,231	412,944
Attorney	390,650	415,650	408,701	6,949
Human resources	216,881	233,475	231,347	2,128
Nondepartmental	1,120,508	617,681	384,183	233,498
City-owned property	13,000	13,000	6,198	6,802
Cemetery	51,080	51,080	44,084	6,996
Total general government	5,610,031	5,265,662	4,494,631	771,031
Public safety:				
Police	7,771,697	8,038,392	7,439,406	598,986
Fire	2,691,370	2,781,211	2,312,156	469,055
Building inspection	789,062	834,539	745,236	89,303
Planning and zoning	173,816	185,158	104,797	80,361
Total public safety	11,425,945	11,839,300	10,601,595	1,237,705
Public works:				
Department of Public Works	120,204	125,429	121,706	3,723
Drains-at-large	89,000	94,000	83,943	10,057
Total public works	209,204	219,429	205,649	13,780

# City of Romulus, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures - Current (Continued)</b>				
Health and welfare:				
Ordinance	\$ 231,656	\$ 244,131	\$ 239,724	\$ 4,407
Animal control	252,871	267,528	263,493	4,035
Total health and welfare	484,527	511,659	503,217	8,442
Community and economic development:				
Community and development	12,402	12,866	9,823	3,043
Community service	2,725	2,725	254	2,471
Public relations	8,550	8,550	305	8,245
Total community and economic development	23,677	24,141	10,382	13,759
Recreation and culture:				
Historical	300	300	299	1
Senior services	203,691	207,805	165,590	42,215
Total recreation and culture	203,991	208,105	165,889	42,216
Total expenditures	17,957,375	18,068,296	15,981,363	2,086,933
<b>Excess of Expenditures Over (Under) Revenue</b>	(451,660)	(542,581)	892,734	1,435,315
<b>Other Financing Uses - Transfers out</b>	(267,269)	(267,269)	(267,269)	-
<b>Net Change in Fund Balance</b>	(718,929)	(809,850)	625,465	1,435,315
<b>Fund Balance - Beginning of year</b>	1,565,901	1,565,901	1,565,901	-
<b>Fund Balance - End of year</b>	<b>\$ 846,972</b>	<b>\$ 756,051</b>	<b>\$ 2,191,366</b>	<b>\$ 1,435,315</b>

## **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	\$ 465,683	\$ 105,707	\$ 312,995	\$ 246,139	\$ 146,333	\$ 31,361
Receivables:						
Property taxes receivable	-	-	-	-	113,564	-
Special assessments receivable	-	-	-	-	-	-
Other receivables	-	-	82,091	52,817	-	-
Due from other governmental units	189,573	67,740	-	-	-	13,235
Inventories	92,771	139,109	2,153	-	730	-
<b>Total assets</b>	<b>\$ 748,027</b>	<b>\$ 312,556</b>	<b>\$ 397,239</b>	<b>\$ 298,956</b>	<b>\$ 260,627</b>	<b>\$ 44,596</b>
<b>Liabilities and Fund Balances (Deficit)</b>						
<b>Liabilities</b>						
Accounts payable	\$ 152,810	\$ 54,649	\$ 17,010	\$ 8,869	\$ 157,110	\$ 7,871
Due to other funds	-	-	-	-	-	-
Accrued liabilities and other:						
Accrued salaries and wages	2,919	4,379	1,947	-	526	-
Accrued and other liabilities	-	-	-	-	79,118	-
Advances from component units	-	-	-	-	-	-
Deferred revenue	4,727	-	-	-	113,597	11,648
<b>Total liabilities</b>	<b>160,456</b>	<b>59,028</b>	<b>18,957</b>	<b>8,869</b>	<b>350,351</b>	<b>19,519</b>
<b>Fund Balances (Deficit)</b>						
Nonspendable - Inventory	92,771	139,109	2,153	-	730	-
Restricted:						
Roads	494,800	114,419	-	-	-	-
Police	-	-	-	290,087	-	-
Grants	-	-	-	-	-	25,077
PEG fees	-	-	270,071	-	-	-
Cemetery operations	-	-	-	-	-	-
Library operations	-	-	-	-	-	-
Assigned:						
Subsequent year's budget	-	-	42,391	-	-	-
Cable television operations	-	-	63,667	-	-	-
Debt service	-	-	-	-	-	-
Unassigned	-	-	-	-	(90,454)	-
<b>Total fund balances (deficit)</b>	<b>587,571</b>	<b>253,528</b>	<b>378,282</b>	<b>290,087</b>	<b>(89,724)</b>	<b>25,077</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 748,027</b>	<b>\$ 312,556</b>	<b>\$ 397,239</b>	<b>\$ 298,956</b>	<b>\$ 260,627</b>	<b>\$ 44,596</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012**

Nonmajor Special Revenue Funds						Nonmajor Debt Service Funds		Total
Street Lighting	Merriman Road Special Assessment District	Narcotics Enforcement	Romulus Athletic Center	Cemetery Perpetuation	Library	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds
\$ -	\$ 31,934	\$ 1,098,292	\$ 110,600	\$ 1,455	\$ 117,564	\$ 530	\$ 273,771	\$ 2,942,364
-	-	-	-	-	784	-	-	114,348
-	-	-	-	-	-	-	739,819	739,819
-	-	-	38,301	-	-	-	-	173,209
-	-	-	-	-	49,237	-	-	319,785
-	-	1,956	36,851	-	19	-	-	273,589
<b>\$ -</b>	<b>\$ 31,934</b>	<b>\$ 1,100,248</b>	<b>\$ 185,752</b>	<b>\$ 1,455</b>	<b>\$ 167,604</b>	<b>\$ 530</b>	<b>\$ 1,013,590</b>	<b>\$ 4,563,114</b>
\$ -	\$ 7,335	\$ 4,189	\$ 10,441	\$ -	\$ 2,411	\$ -	\$ -	\$ 422,695
42,522	-	-	92,353	-	-	-	-	134,875
-	-	4,038	16,174	-	1,459	-	-	31,442
-	-	-	40,357	-	5,226	-	-	124,701
-	-	-	471,671	-	-	-	-	471,671
-	-	-	-	-	23,224	-	739,819	893,015
42,522	7,335	8,227	630,996	-	32,320	-	739,819	2,078,399
-	-	1,956	36,851	-	19	-	-	273,589
-	24,599	-	-	-	-	-	-	633,818
-	-	1,090,065	-	-	-	-	-	1,380,152
-	-	-	-	-	-	-	-	25,077
-	-	-	-	-	-	-	-	270,071
-	-	-	-	1,455	-	-	-	1,455
-	-	-	-	-	135,265	-	-	135,265
-	-	-	-	-	-	490	580	43,461
-	-	-	-	-	-	-	-	63,667
-	-	-	-	-	-	40	273,191	273,231
(42,522)	-	-	(482,095)	-	-	-	-	(615,071)
(42,522)	24,599	1,092,021	(445,244)	1,455	135,284	530	273,771	2,484,715
<b>\$ -</b>	<b>\$ 31,934</b>	<b>\$ 1,100,248</b>	<b>\$ 185,752</b>	<b>\$ 1,455</b>	<b>\$ 167,604</b>	<b>\$ 530</b>	<b>\$ 1,013,590</b>	<b>\$ 4,563,114</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	\$ -	\$ -	\$ -	\$ -	\$ 987,307	\$ -
Federal sources	-	-	-	-	-	239,972
State sources	1,137,994	407,283	-	7,720	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment income	283	52	219	273	226	-
Other revenue	1,311	8,071	314,520	149,249	6,346	-
<b>Total revenue</b>	<b>1,139,588</b>	<b>415,406</b>	<b>314,739</b>	<b>157,242</b>	<b>993,879</b>	<b>239,972</b>
<b>Expenditures</b>						
Current:						
General government	-	-	247,833	-	-	-
Public safety	-	-	-	271,506	-	-
Public works	851,455	627,966	-	-	1,057,117	-
Community and economic development - Redevelopment and housing	-	-	-	-	-	242,356
Recreation and culture:						
Library	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-
<b>Total expenditures</b>	<b>851,455</b>	<b>627,966</b>	<b>247,833</b>	<b>271,506</b>	<b>1,057,117</b>	<b>242,356</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>288,133</b>	<b>(212,560)</b>	<b>66,906</b>	<b>(114,264)</b>	<b>(63,238)</b>	<b>(2,384)</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>88,133</b>	<b>(12,560)</b>	<b>66,906</b>	<b>(114,264)</b>	<b>(63,238)</b>	<b>(2,384)</b>
<b>Fund Balances (Deficit) - Beginning 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>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ 587,571</b>	<b>\$ 253,528</b>	<b>\$ 378,282</b>	<b>\$ 290,087</b>	<b>\$ (89,724)</b>	<b>\$ 25,077</b>

**Other Supplemental Information  
Combining Statement of Revenue, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2012**

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	Library	Debt Service Fund	Capital Projects Fund	
\$ 469,309	\$ -	\$ -	\$ -	\$ -	\$ 92,795	\$ -	\$ -	\$ 1,549,411
-	-	49,462	-	-	-	-	-	289,434
-	-	-	-	-	7,180	-	-	1,560,177
-	-	-	1,497,146	-	19,813	-	-	1,516,959
-	-	256,037	-	-	114,475	-	-	370,512
59	32	1,047	143	-	60	-	-	2,394
-	80,396	86,984	403,833	-	16,224	-	125,493	1,192,427
469,368	80,428	393,530	1,901,122	-	250,547	-	125,493	6,481,314
-	-	-	-	-	-	-	-	247,833
-	-	587,369	-	-	-	-	-	858,875
525,462	79,588	-	-	-	-	-	-	3,141,588
-	-	-	-	-	-	-	-	242,356
-	-	-	-	-	116,263	-	-	116,263
-	-	-	1,860,598	-	-	-	-	1,860,598
-	-	-	-	-	-	245,724	215,700	461,424
-	-	-	-	-	-	21,044	70,747	91,791
525,462	79,588	587,369	1,860,598	-	116,263	266,768	286,447	7,020,728
(56,094)	840	(193,839)	40,524	-	134,284	(266,768)	(160,954)	(539,414)
-	-	-	-	-	1,000	266,269	158,820	626,089
-	-	-	-	-	-	-	-	(200,000)
-	-	-	-	-	1,000	266,269	158,820	426,089
(56,094)	840	(193,839)	40,524	-	135,284	(499)	(2,134)	(113,325)
13,572	23,759	1,285,860	(485,768)	1,455	-	1,029	275,905	2,598,040
<b>\$ (42,522)</b>	<b>\$ 24,599</b>	<b>\$ 1,092,021</b>	<b>\$ (445,244)</b>	<b>\$ 1,455</b>	<b>\$ 135,284</b>	<b>\$ 530</b>	<b>\$ 273,771</b>	<b>\$ 2,484,715</b>

# City of Romulus, Michigan

## Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2012

	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	\$ 490,476	\$ 617,854	\$ 356,862	\$ 39,714	\$ 1,504,906
Due from other funds	28,400	-	-	-	28,400
Inventories and prepaid expenses	61,361	1,423	-	-	62,784
Total current assets	580,237	619,277	356,862	39,714	1,596,090
Noncurrent assets - Capital assets	1,689,031	46,305	-	-	1,735,336
Total assets	2,269,268	665,582	356,862	39,714	3,331,426
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	107,565	17,432	-	-	124,997
Accrued wages	9,849	1,799	-	-	11,648
Current portion of compensated absences	20,454	8,603	-	-	29,057
Total current liabilities	137,868	27,834	-	-	165,702
Noncurrent liabilities:					
Provision for compensated absences - Net of current portion	5,114	2,151	-	-	7,265
Net OPEB obligation	115,819	65,481	-	-	181,300
Total noncurrent liabilities	120,933	67,632	-	-	188,565
Total liabilities	258,801	95,466	-	-	354,267
<b>Net Assets</b>					
Invested in capital assets	1,689,031	46,305	-	-	1,735,336
Unrestricted	321,436	523,811	356,862	39,714	1,241,823
Total net assets	<u>\$ 2,010,467</u>	<u>\$ 570,116</u>	<u>\$ 356,862</u>	<u>\$ 39,714</u>	<u>\$ 2,977,159</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, 2012

	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	\$ 1,160,498	\$ 329,978	\$ 582,280	\$ -	\$ 2,072,756
Other	46,855	220	84,047	-	131,122
Total operating revenue	1,207,353	330,198	666,327	-	2,203,878
<b>Operating Expenses</b>					
Cost of insurance claims	-	-	569,245	-	569,245
Cost of vehicle and equipment maintenance	1,341,854	-	-	-	1,341,854
Cost of computer and equipment maintenance	-	336,791	-	-	336,791
Depreciation	270,008	25,826	-	-	295,834
Total operating expenses	1,611,862	362,617	569,245	-	2,543,724
<b>Operating (Loss) Income</b>	(404,509)	(32,419)	97,082	-	(339,846)
<b>Nonoperating Revenue</b>					
Investment income	570	495	149	33	1,247
Gain on sale of assets	-	1,546	-	-	1,546
<b>Change in Net Assets</b>	(403,939)	(30,378)	97,231	33	(337,053)
<b>Net Assets - Beginning of year</b>	2,414,406	600,494	259,631	39,681	3,314,212
<b>Net Assets - End of year</b>	<b>\$ 2,010,467</b>	<b>\$ 570,116</b>	<b>\$ 356,862</b>	<b>\$ 39,714</b>	<b>\$ 2,977,159</b>

# City of Romulus, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2012

	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	\$ 1,207,353	\$ 330,198	\$ 666,327	\$ -	\$ 2,203,878
Payments for interfund services and reimbursements	(28,400)	-	-	-	(28,400)
Payments to suppliers	(765,470)	(215,443)	(569,245)	-	(1,550,158)
Payments to employees	(426,821)	(95,261)	-	-	(522,082)
Net cash (used in) provided by operating activities	(13,338)	19,494	97,082	-	103,238
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds from sales of capital assets	-	1,546	-	-	1,546
Purchase of capital assets	(129,771)	(24,642)	-	-	(154,413)
Net cash used in capital and related financing activities	(129,771)	(23,096)	-	-	(152,867)
<b>Cash Flows from Investing Activities -</b>					
Interest received on investments	570	495	149	33	1,247
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(142,539)	(3,107)	97,231	33	(48,382)
<b>Cash and Cash Equivalents - Beginning of year</b>	633,015	620,961	259,631	39,681	1,553,288
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 490,476</u>	<u>\$ 617,854</u>	<u>\$ 356,862</u>	<u>\$ 39,714</u>	<u>\$ 1,504,906</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents - Cash and investments</b>					
	<u>\$ 490,476</u>	<u>\$ 617,854</u>	<u>\$ 356,862</u>	<u>\$ 39,714</u>	<u>\$ 1,504,906</u>
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>					
Operating (loss) income	\$ (404,509)	\$ (32,419)	\$ 97,082	\$ -	\$ (339,846)
Adjustments to reconcile operating (loss) income to net cash from operating activities:					
Depreciation and amortization	270,008	25,826	-	-	295,834
Changes in assets and liabilities:					
Due from others	(28,400)	-	-	-	(28,400)
Inventories	40,195	371	-	-	40,566
Accounts payable	65,038	16,418	-	-	81,456
Accrued and other liabilities	2,873	(621)	-	-	2,252
Net OPEB obligation	41,457	9,919	-	-	51,376
Net cash (used in) provided by operating activities	<u>\$ (13,338)</u>	<u>\$ 19,494</u>	<u>\$ 97,082</u>	<u>\$ -</u>	<u>\$ 103,238</u>

# City of Romulus, Michigan

## Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds June 30, 2012

	Revolving Fund	General Tax Fund	Current Tax Fund	Delinquent Personal Property Tax Fund	Payroll Fund	Total Agency Funds
<b>Assets</b>						
Cash and investments	\$ 2,000,312	\$ 50,749	\$ 896,480	\$ 72,492	\$ 114,584	\$ 3,134,617
Due from other governmental units	-	-	151,192	-	102	151,294
Total assets	<u>\$ 2,000,312</u>	<u>\$ 50,749</u>	<u>\$ 1,047,672</u>	<u>\$ 72,492</u>	<u>\$ 114,686</u>	<u>\$ 3,285,911</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 50,749	\$ -	\$ -	\$ 56,462	\$ 107,211
Due to other governmental units	-	-	1,047,672	485	-	1,048,157
Accrued and other liabilities	2,000,312	-	-	72,007	58,224	2,130,543
Total liabilities	<u>\$ 2,000,312</u>	<u>\$ 50,749</u>	<u>\$ 1,047,672</u>	<u>\$ 72,492</u>	<u>\$ 114,686</u>	<u>\$ 3,285,911</u>