

City of Romulus, Michigan

**Financial Report
with Supplemental Information
June 30, 2013**

City of Romulus, Michigan

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Romulus, Michigan (the "City") as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City of Romulus, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Romulus, Michigan as of June 30, 2013 and the respective changes in its financial position and cash flows, where applicable, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the 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.

Other Information

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 other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013 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 an opinion 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* in considering the City of Romulus, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 17, 2013

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, 2013. 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, 2013:

- Total revenue within the General Fund increased by \$1,464,631, an increase of 8.68 percent.
- Property taxes are the City's single largest source of revenue. The City's tax revenue for fiscal year 2012-2013 was \$7,705,923, which represents a decrease of \$5,087 or 0.07 percent. Although this loss is significantly less than previous years, considering the current economic crisis within the state of Michigan, it is expected that the City could 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 2012-2013, 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 an increase of \$101,121 in state revenue sharing.
- There was an increase of \$1,113,106 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. Funds in excess of budget are being set aside for current and future police and court facility capital improvements.
- Due to the lower cash reserves, investment income within the General Fund decreased by \$46 or 0.7 percent. Any future decreases in the General Fund's fund balance will only escalate this revenue loss.
- The \$225,735 increase in other income was mainly due to one-time revenue from the sale of a wetland conservation easement.
- Total expenditures within the General Fund increased by \$1,250,522, an increase of 7.7 percent. This increase in expenditures can be mainly attributed to an increase in public safety and general government expenses.
- Road funding through the State of Michigan's gas tax has slightly increased in fiscal year 2012-2013; the fund balances in the Major Streets Fund increased to \$612,066 and fund balance in the Local Streets Fund decreased to \$185,787. The City continues to take advantage of federal and state grant funding programs when available.

City of Romulus, Michigan

Management's Discussion and Analysis (Continued)

- The Romulus Athletic Center (the "Center") decreased its deficit by \$225,272. This is primarily due to an operating transfer from the General Fund. This transfer accounts for the significant increase in operating transfers out within the General Fund.
- The Vehicle and Equipment Fund's unrestricted net position has increased by approximately 23 percent to \$396,646. Essentially, with this level of unrestricted net position, 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 position 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 position as of June 30, 2013 and 2012 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current assets	\$ 11,088	\$ 10,205	\$ 14,810	\$ 14,198	\$ 25,898	\$ 24,403
Capital assets	56,900	59,891	62,186	61,466	119,086	121,357
Total assets	67,988	70,096	76,996	75,664	144,984	145,760
Liabilities						
Current liabilities	4,211	4,215	5,358	4,803	9,569	9,018
Long-term liabilities	10,778	7,701	24,832	26,229	35,610	33,930
Total liabilities	14,989	11,916	30,190	31,032	45,179	42,948
Net Position						
Net investment in capital assets	54,518	56,597	35,802	33,239	90,320	89,836
Restricted	2,390	2,720	5,213	5,480	7,603	8,200
Unrestricted	(3,909)	(1,137)	5,791	5,913	1,882	4,776
Total net position	<u>\$ 52,999</u>	<u>\$ 58,180</u>	<u>\$ 46,806</u>	<u>\$ 44,632</u>	<u>\$ 99,805</u>	<u>\$ 102,812</u>

City of Romulus, Michigan

Management's Discussion and Analysis (Continued)

The City's combined net position decreased by approximately \$3,007,000. The net position of the governmental activities decreased by approximately \$5,181,000 or 8.9 percent and business-type activities increased by \$2,174,000 or 4.9 percent. The decrease in the governmental activities net position was primarily related to the increase in the OPEB liability. The increase in business-type activities net position is the result of the recent increase in water and sewer use rates through our rate review study.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Net Position - Beginning of year	\$ 58,180	\$ 62,550	\$ 44,632	\$ 43,937	\$ 102,812	\$ 106,487
Revenue						
Program revenue:						
Charges for services	7,286	6,136	11,094	10,410	18,380	16,546
Operating grants and contributions	3,110	3,042	-	-	3,110	3,042
Capital grants and contributions	996	188	189	623	1,185	811
General revenue:						
Property taxes:						
City	7,774	7,601	-	-	7,774	7,601
Sanitation	1,115	987	-	-	1,115	987
Street lighting	603	469	-	-	603	469
EPA	-	-	2,176	1,946	2,176	1,946
State-shared revenue	3,574	3,498	-	-	3,574	3,498
Unrestricted investment earnings	9	9	12	18	21	27
Transfers	52	159	(52)	(159)	-	-
Income from joint venture	-	-	983	-	983	-
Miscellaneous revenue	1,305	902	424	207	1,729	1,109
Total revenue	25,824	22,991	14,826	13,045	40,650	36,036
Program Expenses						
General government	5,131	4,494	-	-	5,131	4,494
Public safety	14,987	12,611	-	-	14,987	12,611
Public works	7,399	7,320	-	-	7,399	7,320
Health and welfare	531	503	-	-	531	503
Community and economic developmen	11	15	-	-	11	15
Recreation and cultural	2,818	2,255	-	-	2,818	2,255
Interest on long-term debt	128	163	-	-	128	163
Water and sewer	-	-	12,652	12,350	12,652	12,350
Total program expenses	31,005	27,361	12,652	12,350	43,657	39,711
Change in Net Position	(5,181)	(4,370)	2,174	695	(3,007)	(3,675)
Net Position - End of year	\$ 52,999	\$ 58,180	\$ 46,806	\$ 44,632	\$ 99,805	\$ 102,812

City of Romulus, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

The City's total governmental revenue increased by approximately \$2,833,000, primarily due to an increase in fines and forfeiture revenue and property tax revenue in 2013.

Total program expenses increased by \$3,644,000 primarily due to increases in public safety expenditures.

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 2012-2013 of \$769,026 decreased over the prior year by 29 percent. This decrease was primarily due to the increase in water and sewer rates recommended through the rate review study.

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 2013 include the General Fund and the Water and Sewer Fund. The Water and Sewer Fund is described above.

The General Fund pays for most of the City's governmental services. The most noteworthy are police and fire, which incurred expenses of approximately \$11.2 million in 2013. Additionally, the building and grounds department is significant in that it contains 9.4 percent of the total General Fund expenditures.

General Fund Budgetary Highlights

Due to staffing vacancies, increased fines and forfeiture, and minimal capital expenditures, fund balance increased by 38 percent to \$3,030,940. However, funds in the amount of \$747,228 are assigned for current and future police and court facility capital improvements. It is important to note, however, that even though tax revenues seem to have stabilized, legacy costs have continued to rise at an alarming rate; 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 as previously discussed, capital expenditures have been minimal in recent years. These postponed expenditures will need to be addressed in the near future.

City of Romulus, Michigan

Management's Discussion and Analysis (Continued)

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

Phase #1 of the Goddard Road reconstruction project from Romaine Street to Five Points was completed. In addition, Tobine Road was resurfaced from Wick Road to Shook Road. The Middlebelt Road water main replacement project from Ecorse Road to Smith Road was also completed during this year. The City did not issue debt for these projects.

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 Position June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 7,944,568	\$ 4,728,674	\$ 12,673,242	\$ 1,987,099
Receivables - Net (Note 4)	2,514,475	3,047,291	5,561,766	51,470
Due from component units (Note 6)	246,108	-	246,108	-
Advances to primary government (Note 6)	-	-	-	502,921
Inventory (Note 1)	359,308	44,624	403,932	-
Prepaid expenses and other assets	23,836	-	23,836	180
Restricted assets (Note 7)	-	5,879,160	5,879,160	-
Investment in joint ventures (Note 15)	-	982,753	982,753	-
Capital assets - Net (Note 5):				
Assets not being depreciated	6,389,910	1,170,576	7,560,486	3,240,381
Assets being depreciated	50,510,455	61,015,348	111,525,803	22,394,180
Other assets	-	127,499	127,499	860,883
Total assets	67,988,660	76,995,925	144,984,585	29,037,114
Liabilities				
Accounts payable	981,492	1,399,350	2,380,842	32,586
Due to other governmental units	12,412	-	12,412	1,896,687
Due to primary government (Note 6)	-	-	-	246,108
Customer deposits payable	-	78,417	78,417	-
Accrued liabilities and other	1,292,764	1,055,858	2,348,622	305,524
Advances from component units (Note 6)	502,921	-	502,921	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 9)	470,102	111,240	581,342	9,806
Debt obligations (Note 9)	951,334	2,713,400	3,664,734	1,750,000
Due in more than one year:				
Compensated absences (Note 9)	247,204	27,810	275,014	2,452
Net OPEB obligation (Note 14)	9,099,981	1,132,981	10,232,962	174,842
Debt obligations (Note 9)	1,430,936	23,671,121	25,102,057	16,615,000
Total liabilities	14,989,146	30,190,177	45,179,323	21,033,005
Net Position				
Net investment in capital assets	54,518,095	35,801,403	90,319,498	8,264,561
Restricted for:				
Roads	876,319	-	876,319	-
Debt service	-	5,213,358	5,213,358	-
Police	961,132	-	961,132	-
Rubbish	20,387	-	20,387	-
Grants	36,008	-	36,008	-
PEG fees	290,553	-	290,553	-
Street lighting	13,313	-	13,313	-
Cemetery operations	1,547	-	1,547	-
Library	191,379	-	191,379	-
Unrestricted	(3,909,219)	5,790,987	1,881,768	(260,452)
Total net position	\$ 52,999,514	\$ 46,805,748	\$ 99,805,262	\$ 8,004,109

City of Romulus, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,130,613	\$ 1,056,893	\$ -	\$ -
Public safety	14,986,680	3,491,028	956,174	24,789
Public works	7,398,449	1,036,236	1,769,300	970,967
Health and welfare	531,188	-	-	-
Community and economic development	11,237	-	-	-
Recreation and culture	2,818,374	1,702,246	384,640	-
Interest on long-term debt	128,437	-	-	-
Total governmental activities	31,004,978	7,286,403	3,110,114	995,756
Business-type activities - Water and sewer	12,651,861	11,093,523	-	188,737
Total primary government	<u>\$ 43,656,839</u>	<u>\$ 18,379,926</u>	<u>\$ 3,110,114</u>	<u>\$ 1,184,493</u>
Component units:				
Tax Increment Financing Authority	\$ 3,357,743	\$ -	\$ -	\$ -
Downtown Development Authority	435,784	-	-	211,509
Total component units	<u>\$ 3,793,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,509</u>
General revenue:				
Property taxes				
State-shared revenue				
Unrestricted investment earnings				
Miscellaneous				
Income from joint venture				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Statement of Activities
Year Ended June 30, 2013**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (4,073,720)	\$ -	\$ (4,073,720)	\$ -
(10,514,689)	-	(10,514,689)	-
(3,621,946)	-	(3,621,946)	-
(531,188)	-	(531,188)	-
(11,237)	-	(11,237)	-
(731,488)	-	(731,488)	-
(128,437)	-	(128,437)	-
(19,612,705)	-	(19,612,705)	-
-	(2,071,529)	(2,071,529)	-
(19,612,705)	(1,369,601)	(20,982,306)	-
-	-	-	(3,357,743)
-	-	-	(224,275)
-	-	-	(3,582,018)
9,492,249	2,175,971	11,668,220	4,273,007
3,574,118	-	3,574,118	-
8,694	11,978	20,672	-
1,304,990	424,495	1,729,485	25,434
-	982,753	982,753	-
14,380,051	3,595,197	17,975,248	4,298,441
51,951	(51,951)	-	-
(5,180,703)	2,173,645	(3,007,058)	716,423
58,180,217	44,632,103	102,812,320	7,287,686
\$ 52,999,514	\$ 46,805,748	\$ 99,805,262	\$ 8,004,109

City of Romulus, Michigan

Governmental Funds Balance Sheet June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total
Assets			
Cash and investments	\$ 3,772,659	\$ 2,585,268	\$ 6,357,927
Receivables - Net	1,153,456	1,395,169	2,548,625
Due from component units (Note 6)	246,108	-	246,108
Due from other funds (Note 6)	-	257,647	257,647
Inventory	23,128	287,578	310,706
Prepaid expenses and other assets	23,836	-	23,836
	<u>\$ 5,219,187</u>	<u>\$ 4,525,662</u>	<u>\$ 9,744,849</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 262,580	\$ 663,598	\$ 926,178
Due to other governmental units	12,412	-	12,412
Due to other funds (Note 6)	257,647	-	257,647
Accrued and other liabilities	1,154,671	127,412	1,282,083
Advances from component units (Note 6)	-	502,921	502,921
Deferred revenue (Note 4)	500,937	736,054	1,236,991
	<u>2,188,247</u>	<u>2,029,985</u>	<u>4,218,232</u>
Fund Balances			
Nonspendable - Inventory and prepaids	46,964	287,578	334,542
Restricted:			
Roads	-	573,220	573,220
Police	-	960,867	960,867
Sanitation	-	8,512	8,512
Grants	-	25,154	25,154
PEG fees	-	290,553	290,553
Street lighting	-	13,313	13,313
Cemetery operations	-	1,547	1,547
Library operations	-	190,703	190,703
Assigned:			
Subsequent year's budget	940,568	-	940,568
Cable television operations	-	113,020	113,020
Debt service	-	290,217	290,217
Court/Police Building Project	747,228	-	747,228
Unassigned	1,296,180	(259,007)	1,037,173
	<u>3,030,940</u>	<u>2,495,677</u>	<u>5,526,617</u>
Total fund balances	<u>3,030,940</u>	<u>2,495,677</u>	<u>5,526,617</u>
Total liabilities and fund balances	<u>\$ 5,219,187</u>	<u>\$ 4,525,662</u>	<u>\$ 9,744,849</u>

City of Romulus, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2013

Fund Balance Reported in Governmental Funds	\$ 5,526,617
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	55,395,532
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	64,195
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	657,747
Grant and other receivables not collected within 60 days of year end are recognized as revenue in the statement of net position, but shown as deferred revenue in the funds	455,049
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(2,382,270)
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	(678,967)
Net OPEB obligation does not present a claim on current financial resources and is not reported as fund liabilities	(8,774,895)
Internal service funds are included as part of governmental activities	<u>2,736,506</u>
Net Position of Governmental Activities	<u>\$ 52,999,514</u>

City of Romulus, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total
Revenue			
Property taxes	\$ 7,705,923	\$ 1,941,760	\$ 9,647,683
Licenses and permits	799,389	-	799,389
Federal grants	662,290	342,207	1,004,497
State-shared revenue and grants	3,739,505	1,697,531	5,437,036
Charges for services	1,606,364	1,580,431	3,186,795
Fines and forfeitures	3,198,723	114,748	3,313,471
Investment income	6,169	1,910	8,079
Other	620,365	1,341,433	1,961,798
Total revenue	18,338,728	7,020,020	25,358,748
Expenditures			
Current:			
General government	4,749,315	315,162	5,064,477
Public safety	11,247,536	897,232	12,144,768
Public works	165,045	3,306,888	3,471,933
Health and welfare	531,188	-	531,188
Community and economic development	10,153	222,512	232,665
Recreation and culture	169,023	2,395,372	2,564,395
Debt service	-	550,737	550,737
Total expenditures	16,872,260	7,687,903	24,560,163
Excess of Revenue Over (Under) Expenditures	1,466,468	(667,883)	798,585
Other Financing (Uses) Sources			
Transfers in	-	885,375	885,375
Transfers out	(626,894)	(206,530)	(833,424)
Total other financing (uses) sources	(626,894)	678,845	51,951
Net Change in Fund Balances	839,574	10,962	850,536
Fund Balances - Beginning of year	2,191,366	2,484,715	4,676,081
Fund Balances - End of year	\$ 3,030,940	\$ 2,495,677	\$ 5,526,617

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, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 850,536

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	1,087,975
Depreciation expense	(4,678,665)
Capital contributions from TIFA and outside developers	830,120

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	(129,615)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	912,371
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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	90,312
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Increase in net OPEB obligation reported in the statement of activities does not require the use of current resources, and therefore is not reported in the fund statements until it comes due for payment	(3,903,084)
--	-------------

Internal service funds are included as part of governmental activities	<u>(240,653)</u>
--	------------------

Change in Net Position of Governmental Activities **\$ (5,180,703)**

City of Romulus, Michigan

Proprietary Funds Statement of Net Position June 30, 2013

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,728,674	\$ 1,586,641
Receivables - Net	3,047,291	25,850
Inventories	44,624	48,602
Total current assets	7,820,589	1,661,093
Noncurrent assets:		
Restricted assets	5,879,160	-
Investment in joint ventures	982,753	-
Capital assets:		
Assets not subject to depreciation	1,170,576	-
Assets subject to depreciation	61,015,348	1,504,833
Other assets	127,499	-
Total noncurrent assets	69,175,336	1,504,833
Total assets	76,995,925	3,165,926
Liabilities		
Current liabilities:		
Accounts payable	1,399,350	55,314
Customer deposits payable	78,417	-
Accrued and other liabilities	1,055,858	10,681
Current portion of compensated absences	111,240	30,671
Current portion of long-term debt	2,713,400	-
Total current liabilities	5,358,265	96,666
Noncurrent liabilities:		
Provision for compensated absences - Net of current portion	27,810	7,668
Net OPEB obligation	1,132,981	325,086
Long-term debt - Net of current portion	23,671,121	-
Total noncurrent liabilities	24,831,912	332,754
Total liabilities	30,190,177	429,420
Net Position		
Net investment in capital assets	35,801,403	1,504,833
Restricted	5,213,358	-
Unrestricted	5,790,987	1,231,673
Total net position	\$ 46,805,748	\$ 2,736,506

City of Romulus, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2013

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Operating Revenue		
Charges for services	\$ 10,922,339	\$ 2,273,933
Other charges for services	135,283	93,601
Total operating revenue	11,057,622	2,367,534
Operating Expenses		
Cost of water	2,766,798	-
Cost of sewage treatment	2,467,350	-
Insurance	103,860	535,330
Cost of vehicle and equipment maintenance	-	1,426,958
Cost of computer and equipment maintenance	-	374,573
Salaries and fringes	2,934,350	-
Administrative and other	1,720,157	-
Depreciation	1,834,133	277,202
Total operating expenses	11,826,648	2,614,063
Operating Loss	(769,026)	(246,529)
Nonoperating Revenue (Expense)		
Property taxes	2,175,971	-
Investment income	11,978	639
Income from joint venture	982,753	-
Interest expense	(825,213)	-
Gain on disposal of assets	-	5,237
Debt service charge	35,901	-
Adjustments to joint venture debt balance	424,495	-
Total nonoperating revenue	2,805,885	5,876
Income (Loss) - Before contributions and transfers	2,036,859	(240,653)
Capital Contributions - Other capital contributions	188,737	-
Transfers Out	(51,951)	-
Increase (Decrease) in Net Position	2,173,645	(240,653)
Net Position - Beginning of year	44,632,103	2,977,159
Net Position - End of year	\$ 46,805,748	\$ 2,736,506

City of Romulus, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2013

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 11,127,848	\$ 2,341,684
Payments for interfund services and reimbursements	-	28,400
Payments to suppliers	(6,839,897)	(1,683,645)
Payments to employees	(2,355,229)	(563,881)
Net cash provided by operating activities	1,932,722	122,558
Cash Flows from Noncapital Financing Activities -		
Transfers to other funds	(51,951)	-
Cash Flows from Capital and Related Financing Activities		
Proceeds from sales of capital assets	-	15,650
Proceeds from property tax levy - Restricted for debt service	2,173,366	-
Purchase of capital assets	(1,223,210)	(57,112)
Principal and interest paid on capital debt	(860,010)	-
Debt service charge	35,901	-
Payments to County from the Debt Service Fund	(2,525,047)	-
Net cash used in capital and related financing activities	(2,399,000)	(41,462)
Cash Flows from Investing Activities - Investment income	11,978	639
Net (Decrease) Increase in Cash and Cash Equivalents	(506,251)	81,735
Cash and Cash Equivalents - Beginning of year	11,114,085	1,504,906
Cash and Cash Equivalents - End of year	\$ 10,607,834	\$ 1,586,641
Balance Sheet Classification of Cash and Cash Equivalents		
Cash and investments	\$ 4,728,674	\$ 1,586,641
Restricted cash	5,879,160	-
Total cash and cash equivalents	\$ 10,607,834	\$ 1,586,641

City of Romulus, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2013

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (769,026)	\$ (246,529)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	1,834,133	277,202
Changes in assets and liabilities:		
Receivables	70,226	(25,850)
Due from others	-	28,400
Inventories	33,222	14,182
Accounts payable	185,046	(69,683)
Accrued and other liabilities	10,396	1,050
Net OPEB obligation	568,725	143,786
Net cash provided by operating activities	\$ 1,932,722	\$ 122,558

Noncash Capital and Related Financing Activities - During the year, \$188,737 of water and sewer lines were 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 \$424,495 through nonoperating revenue. The County 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 \$1,142,513 at June 30, 2013. The City also has recorded its share of the unrestricted net position of the Downriver Sewage Disposal Treatment System in the amount of \$982,753 at June 30, 2013.

City of Romulus, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2013

	Other Employee Benefits Trust Retirees' Insurance Benefits Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,214,362	\$ 2,892,340
Investments:		
U.S. government securities	235,482	-
Common stock	1,008,884	-
Corporate bonds and notes	245,852	-
Mutual funds	48,004	-
Asset-backed securities	41,602	-
Accounts receivable:		
Other receivables	321	-
Due from other governmental units	-	160,221
Prepaid expenses	420	-
	2,794,927	\$ 3,052,561
Liabilities		
Accounts payable	1,188	\$ 29,647
Due to other governmental units	-	928,577
Accrued and other liabilities	-	2,094,337
	1,188	\$ 3,052,561
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 2,793,739	

City of Romulus, Michigan

Fiduciary Funds

Statement of Changes in Fiduciary Net Position - Other Employee Benefits Trust Retirees' Insurance Benefits Fund Year Ended June 30, 2013

Additions	
Investment gain	\$ 170,497
Contributions:	
Employer	2,376,800
Employee	<u>51,558</u>
Total contributions	<u>2,428,358</u>
Total additions - Net	2,598,855
Deductions - Benefit payments	<u>2,271,202</u>
Net Increase in Net Position Held in Trust	327,653
Net Position Held in Trust for Other Postemployment Benefits - Beginning of year	<u>2,466,086</u>
Net Position Held in Trust for Other Postemployment Benefits - End of year	<u><u>\$ 2,793,739</u></u>

City of Romulus, Michigan

Component Units Statement of Net Position (Deficit) June 30, 2013

	<u>Tax Increment Finance Authority</u>	<u>Downtown Development Authority</u>	<u>Total</u>
Assets			
Cash and investments	\$ 1,814,205	\$ 172,894	\$ 1,987,099
Receivables:			
Property taxes receivable	40,384	9,419	49,803
Accrued interest receivable	1,667	-	1,667
Advances to primary government (Note 6)	502,921	-	502,921
Prepaid expenses and other assets	120	60	180
Capital assets (Note 5):			
Assets not subject to depreciation	3,014,887	225,494	3,240,381
Assets subject to depreciation	22,042,638	351,542	22,394,180
Other assets	860,883	-	860,883
Total assets	28,277,705	759,409	29,037,114
Liabilities			
Accounts payable	10,259	22,327	32,586
Due to other governmental units	1,873,429	23,258	1,896,687
Due to primary government (Note 6)	246,108	-	246,108
Accrued and other liabilities	263,272	42,252	305,524
Noncurrent liabilities:	-	-	-
Due within one year:			
Compensated absences (Note 9)	3,363	6,443	9,806
Current portion of long-term debt (Note 9)	1,140,000	610,000	1,750,000
Due in more than one year:			
Compensated absences (Note 9)	841	1,611	2,452
Net OPEB obligation	101,813	73,029	174,842
Long-term debt (Note 9)	16,230,000	385,000	16,615,000
Total liabilities	19,869,085	1,163,920	21,033,005
Net Position (Deficit)			
Net investment in capital assets	7,687,525	577,036	8,264,561
Unrestricted	721,095	(981,547)	(260,452)
Total net position (deficit)	\$ 8,408,620	\$ (404,511)	\$ 8,004,109

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	\$ 2,391,523	\$ -	\$ -	\$ -
Recreation and culture	966,220	-	-	-
Total Tax Increment Finance Authority	3,357,743	-	-	-
Downtown Development Authority -				
Public works	435,784	-	-	211,509
Total component units	\$ 3,793,527	\$ -	\$ -	\$ 211,509
General revenue:				
Property taxes				
Interest income and other				
Total general revenue				
Change in Net Position (Deficit)				
Net Position (Deficit) - Beginning of year				
Net Position (Deficit) - End of year				

**Component Units
Statement of Activities
Year Ended June 30, 2013**

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Tax Increment Finance Authority</u>	<u>Downtown Development Authority</u>	<u>Total</u>
\$ (2,391,523)	\$ -	\$ (2,391,523)
(966,220)	-	(966,220)
(3,357,743)	-	(3,357,743)
-	(224,275)	(224,275)
(3,357,743)	(224,275)	(3,582,018)
3,676,993	596,014	4,273,007
15,417	10,017	25,434
3,692,410	606,031	4,298,441
334,667	381,756	716,423
8,073,953	(786,267)	7,287,686
\$ 8,408,620	\$ (404,511)	\$ 8,004,109

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, 2013.

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 No. 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 position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, 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 system 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 I - 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.

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 position is 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 2012 taxable valuation of the City totaled \$950,967,486, on which ad valorem taxes levied consisted of 9.4063 mills for the City's operating purposes, 1.4500 mills for sanitation, .3000 mills for library, and 1.8412 mills for an EPA judgment levy. The ad valorem taxes levied (net of tax captures) raised approximately \$7.5 million for operations, \$1.1 million for sanitation, \$225,000 for the library, and \$1.6 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 Position 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 is 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 position. 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 \$369,649 at June 30, 2013 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, 2013.

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, 2012		\$ (3,708,798)
Current year building permit revenue		636,526
Related expenses:		
Direct costs	\$ 902,480	
Estimated indirect costs	<u>89,167</u>	
Total construction code expenses		<u>991,647</u>
Current year shortfall		<u>(355,121)</u>
Cumulative shortfall at June 30, 2013		<u>\$ (4,063,919)</u>

Fund Deficits - There was a fund deficit in the Romulus Athletic Center Fund of \$219,972 as of June 30, 2013. 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. The accompanying other supplemental income includes a combining schedule to demonstrate that the Downtown Development Authority does not have a deficit on a modified accrual basis.

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.

City of Romulus, Michigan

Notes to Financial Statements June 30, 2013

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

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

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

At year end, the City had \$16,782,025 in bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$228,649 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	\$ 712,049	\$ 250,017	\$ 462,032	\$ -	\$ -
U.S. government agency securities	492	-	492	-	-
Total	\$ 712,541	\$ 250,017	\$ 462,524	\$ -	\$ -

City of Romulus, Michigan

Notes to Financial Statements June 30, 2013

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	\$ 245,852	\$ 20,609	\$ 205,619	\$ 19,624	\$ -
U.S. government agency securities	235,482	20,315	125,349	89,818	-
Asset-backed securities	41,602	-	-	14,749	26,853
Total	\$ 522,936	\$ 40,924	\$ 330,968	\$ 124,191	\$ 26,853

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
Primary Government										
Negotiable CDs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 712,049
Money market	-	-	-	-	-	-	-	-	-	81
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 712,130
Fiduciary Funds										
Corporate bonds and notes	\$ 10,338	\$ 5,167	\$ -	\$ 61,919	\$ 86,469	\$ 52,409	\$ 19,229	\$ 10,321	\$ -	\$ -
Asset-backed securities	-	-	-	-	-	-	-	-	-	41,602
Total	\$ 10,338	\$ 5,167	\$ -	\$ 61,919	\$ 86,469	\$ 52,409	\$ 19,229	\$ 10,321	\$ -	\$ 41,602
Component Units -										
Money market	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 593,440	\$ 422,321

Note 4 - Receivables and Deferred Revenue

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

	Nonmajor					Total
	General Fund	Governmental Funds	Enterprise Fund	Internal Service Fund	Fiduciary Fund	
Receivables:						
Property taxes receivable	\$ 167,352	\$ 12,495	\$ 247,355	\$ -	\$ -	\$ 427,202
Special assessments receivable	-	657,747	-	-	-	657,747
Sales to customers on account	-	-	2,776,466	-	-	2,776,466
Other receivables	178,750	268,277	23,470	11,650	321	482,468
Due from other governmental units	807,354	456,650	-	14,200	160,221	1,438,425
Net receivables	\$ 1,153,456	\$ 1,395,169	\$ 3,047,291	\$ 25,850	\$ 160,542	\$ 5,782,308

City of Romulus, Michigan

Notes to Financial Statements June 30, 2013

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	\$ 124,195
Special assessments	657,747
Receivable from other governmental units	<u>455,049</u>
Total	<u><u>\$ 1,236,991</u></u>

Note 5 - Capital Assets

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

	Balance July 1, 2012	Reclassifications	Additions	Disposals	Balance June 30, 2013
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 5,566,341	\$ -	\$ -	\$ -	\$ 5,566,341
Construction in progress	765,813	(299,745)	357,501	-	823,569
Subtotal	6,332,154	(299,745)	357,501	-	6,389,910
Capital assets being depreciated:					
Infrastructure	72,906,030	299,745	830,120	-	74,035,895
Buildings and improvements	19,766,368	-	12,759	-	19,779,127
Machinery and equipment	9,636,454	-	736,164	(240,389)	10,132,229
Vehicles	5,879,697	-	-	(102,978)	5,776,719
Land improvements	898,327	-	38,663	-	936,990
Subtotal	109,086,876	299,745	1,617,706	(343,367)	110,660,960
Accumulated depreciation:					
Infrastructure	36,736,975	-	3,623,739	-	40,360,714
Buildings and improvements	5,976,391	-	448,941	-	6,425,332
Machinery and equipment	7,883,345	-	659,980	(229,976)	8,313,349
Vehicles	4,360,359	-	198,092	(102,978)	4,455,473
Land improvements	570,522	-	25,115	-	595,637
Subtotal	55,527,592	-	4,955,867	(332,954)	60,150,505
Net capital assets being depreciated	<u>53,559,284</u>	<u>299,745</u>	<u>(3,338,161)</u>	<u>(10,413)</u>	<u>50,510,455</u>
Net capital assets	<u><u>\$ 59,891,438</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (2,980,660)</u></u>	<u><u>\$ (10,413)</u></u>	<u><u>\$ 56,900,365</u></u>

City of Romulus, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance	Reclassifications	Additions	Disposals	Balance
	July 1, 2012				June 30, 2013
Capital assets not being depreciated:					
Land	\$ 88,065	\$ -	\$ -	\$ -	\$ 88,065
Construction in progress	1,192,459	(1,150,088)	1,040,140	-	1,082,511
Subtotal	1,280,524	(1,150,088)	1,040,140	-	1,170,576
Capital assets being depreciated:					
Water and sewer lines	91,316,447	1,150,088	1,366,845	-	93,833,380
Machinery and equipment	559,279	-	-	-	559,279
Other depreciable assets	1,701,533	-	147,475	(163,526)	1,685,482
Subtotal	93,577,259	1,150,088	1,514,320	(163,526)	96,078,141
Accumulated depreciation:					
Water and sewer lines	31,804,556	-	1,762,542	-	33,567,098
Machinery and equipment	352,653	-	29,608	-	382,261
Other depreciable assets	1,234,977	-	41,983	(163,526)	1,113,434
Subtotal	33,392,186	-	1,834,133	(163,526)	35,062,793
Net capital assets being depreciated	60,185,073	1,150,088	(319,813)	-	61,015,348
Net capital assets	\$ 61,465,597	\$ -	\$ 720,327	\$ -	\$ 62,185,924
Component Units					
	Balance	Reclassifications	Additions	Disposals	Balance
	July 1, 2012				June 30, 2013
Capital assets not being depreciated:					
Land	\$ 3,203,186	\$ -	\$ -	\$ -	\$ 3,203,186
Construction in progress	37,195	-	-	-	37,195
Subtotal	3,240,381	-	-	-	3,240,381
Capital assets being depreciated:					
Machinery and equipment	590,344	-	-	-	590,344
Buildings	24,871,452	-	-	(9,981)	24,861,471
Building improvements	33,865	-	-	-	33,865
Land improvements	134,792	-	-	-	134,792
Subtotal	25,630,453	-	-	(9,981)	25,620,472
Accumulated depreciation:					
Machinery and equipment	312,999	-	78,392	-	391,391
Buildings	2,198,768	-	564,900	-	2,763,668
Building improvements	7,224	-	1,844	-	9,068
Land improvements	47,393	-	14,772	-	62,165
Subtotal	2,566,384	-	659,908	-	3,226,292
Net capital assets being depreciated	23,064,069	-	(659,908)	(9,981)	22,394,180
Net capital assets	\$ 26,304,450	\$ -	\$ (659,908)	\$ (9,981)	\$ 25,634,561

City of Romulus, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 199,327
Public safety		605,825
Public works		3,747,671
Recreation and culture		125,842
Internal service fund depreciation is charged to the various functions based on their usage of the asset		<u>277,202</u>
	Total governmental activities	<u>\$ 4,955,867</u>
	Business-type activities - Water and sewer	<u>\$ 1,834,133</u>
Component unit activities:		
TIFA		\$ 616,218
DDA		<u>43,690</u>
	Total component unit activities	<u>\$ 659,908</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
Nonmajor governmental funds	General Fund	\$ 257,647
Advances to/from Primary Government and Component Units		
Component unit - Tax Increment Finance Authority	Primary government - Other nonmajor governmental funds	\$ 502,921
Due to/from Primary Government and Component Units		
Primary government - General Fund	Component unit - Tax Increment Finance Authority	\$ 246,108

City of Romulus, Michigan

Notes to Financial Statements June 30, 2013

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	\$ 626,894	\$ 206,530	\$ 51,951

The transfers from the General Fund to nonmajor governmental funds were related to debt service expenditures except for \$350,000 which was transferred to the Romulus Athletic Fund to support recreational programming. 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, 2013 consist of the following:

	Business-type Activities
Cash deposits at Wayne County	\$ 3,322,285
Cash and investments	2,556,875
Total business-type activities	<u>\$ 5,879,160</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 position has been restricted for these amounts. Total tax and other collections received in the current year were approximately \$2,176,000 compared to principal and interest payments of \$2,859,000 on the related debt.

City of Romulus, Michigan

Notes to Financial Statements June 30, 2013

Note 7 - Restricted Assets (Continued)

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 position has been restricted for the amounts related to the property tax collections.

Note 8 - Lease Agreement

The City has entered into a lease agreement as lessee for financing the purchase of various City renovations. The lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the future minimum lease payments as of the inception date (see Note 9). The future minimum lease obligations for the years ending June 30, 2014 through June 30, 2015 and the net present value are as follows:

Years Ending June 30	Amount
2014	\$ 491,495
2015	491,495
Total minimum lease payments	982,990
Less amount representing interest	<u>(50,720)</u>
Present value	<u>\$ 932,270</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, 2013

Note 9 - Long-term Debt (Continued)

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

	Interest Rate Ranges	Maturity Date Range	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities								
General obligation bonds:								
Building Authority Bonds - \$2,080,000	2.50%-3.25%	2013	\$270,000	\$ 525,000	\$ -	\$ 255,000	\$ 270,000	\$ 270,000
Beverly Road Bond - \$1,650,000	4.00%-5.10%	2016	\$140,000- \$155,000	575,000	-	135,000	440,000	140,000
Capital lease - Honeywell agreement - \$2,499,858	4.29%	2015	\$456,334- \$475,936	1,369,641	-	437,371	932,270	456,334
Special assessment bonds - Beverly Road - \$1,650,000	4.00%-5.10%	2022	\$85,000- \$90,000	825,000	-	85,000	740,000	85,000
Total bonds payable				3,294,641	-	912,371	2,382,270	951,334
Compensated absences				805,601	451,972	540,267	717,306	470,102
Total governmental activities				<u>\$ 4,100,242</u>	<u>\$ 451,972</u>	<u>\$ 1,452,638</u>	<u>\$ 3,099,576</u>	<u>\$ 1,421,436</u>
Business-type Activities								
Wayne County contractual obligations - \$42,381,873	1.63%-6.30%	2031	\$96,250- \$2,350,878	\$ 22,476,347	\$ 718,017	\$ 2,279,843	\$ 20,914,521	\$ 2,418,400
Capital improvement bonds - Water and sewer - \$7,000,000	3.5%-5.0%	2027	\$280,000- \$535,000	5,750,000	-	280,000	5,470,000	295,000
Total bonds payable				28,226,347	718,017	2,559,843	26,384,521	2,713,400
Compensated absences				129,701	113,110	103,761	139,050	111,240
Total business-type activities				<u>\$ 28,356,048</u>	<u>\$ 831,127</u>	<u>\$ 2,663,604</u>	<u>\$ 26,523,571</u>	<u>\$ 2,824,640</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	\$370,000- \$470,000	\$ 3,270,000	\$ -	\$ 355,000	\$ 2,915,000	\$ 370,000
General obligation bonds - \$18,500,000	4.0%-5.0%	2027	\$770,000- \$1,355,000	15,195,000	-	740,000	14,455,000	770,000
Compensated absences				21,494	5,500	22,790	4,204	3,363
Total - Tax Increment Finance Authority				18,486,494	5,500	1,117,790	17,374,204	1,143,363
Downtown Development Authority:								
General obligation bonds - \$2,500,000	2.00%-3.80%	2014	\$235,000	450,000	-	215,000	235,000	235,000
General obligation bonds - \$3,400,000	2.50%-3.60%	2015	\$375,000- \$385,000	1,125,000	-	365,000	760,000	375,000
Compensated absences				7,655	6,523	6,124	8,054	6,443
Total - Downtown Development Authority				1,582,655	6,523	586,124	1,003,054	616,443
Total component units				\$ 20,069,149	\$ 12,023	\$ 1,703,914	\$ 18,377,258	\$ 1,759,806

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
2014	\$ 951,334	\$ 95,536	\$ 1,046,870	\$ 2,713,400	\$ 702,973	\$ 3,416,373	\$ 1,750,000	\$ 762,908	\$ 2,512,908
2015	705,936	56,677	762,613	2,731,323	715,864	3,447,187	1,575,000	697,344	2,272,344
2016	240,000	30,375	270,375	2,750,142	639,822	3,389,964	1,235,000	639,864	1,874,864
2017	85,000	22,568	107,568	2,689,247	564,309	3,253,556	1,290,000	587,226	1,877,226
2018	80,000	18,360	98,360	2,746,577	488,110	3,234,687	1,340,000	532,180	1,872,180
2019-2023	320,000	32,640	352,640	7,800,937	1,533,946	9,334,883	6,100,000	1,807,341	7,907,341
2024-2028	-	-	-	4,420,333	597,476	5,017,809	5,075,000	469,463	5,544,463
2029-2033	-	-	-	532,562	39,479	572,041	-	-	-
Total	\$ 2,382,270	\$ 256,156	\$ 2,638,426	\$ 26,384,521	\$ 5,281,979	\$ 31,666,500	\$ 18,365,000	\$ 5,496,326	\$ 23,861,326

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.

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 \$15,100,000. 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 and \$9,400,000 of capital improvement bonds were issued in the current year. The City's share of the outstanding balance payable at June 30, 2013 was approximately \$5,800,000. 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.

Note 12 - Defined Benefit Pension Plan (Continued)

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

Annual Pension Cost - For the year ended June 30, 2013, the City's annual pension cost of \$1,526,359 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, 2010 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 1 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		
	2013	2012	2011
Annual pension cost (APC)	\$ 1,526,359	\$ 1,530,396	\$ 1,630,648
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2012	2011	2010
Actuarial value of assets	\$ 20,815,343	\$ 20,559,823	\$ 19,946,665
Actuarial accrued liability (AAL) (entry age)	\$ 46,256,844	\$ 44,627,337	\$ 42,414,806
Unfunded AAL (UAAL)	\$ 25,441,501	\$ 24,067,514	\$ 22,468,141
Funded ratio	45.0 %	46.1 %	47.0 %
Covered payroll	\$ 4,742,971	\$ 4,847,101	\$ 4,854,341
UAAL as a percentage of covered payroll	536.4 %	496.5 %	462.8 %

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 nonunion employees and 11.5 percent of employees' gross earnings for Teamsters and AFSCME employees during the year ended June 30, 2013. Employees who participate are required to contribute 0.5 percent to 1.0 percent of earnings and may contribute 0-10 percent of after-tax earnings. In accordance with these requirements, the City contributed \$451,861 during the current year and employees contributed \$71,684.

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.

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, 2013, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2011, which is the most recent valuation. The City is currently in the process of obtaining a new valuation. There have been no significant changes to healthcare costs, payroll, or other factors that would cause the City to expect a significant increase in the funding progress. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

City of Romulus, Michigan

Notes to Financial Statements June 30, 2013

Note 14 - Other Postemployment Benefits (Continued)

Annual required contribution (recommended)	\$ 6,954,822
Interest on the prior year's net OPEB obligation	343,352
Less adjustment to the annual required contribution	<u>(236,106)</u>
Annual OPEB cost	7,062,068
Amounts contributed	<u>(2,376,800)</u>
Increase in net OPEB obligation	4,685,268
OPEB obligation - Beginning of year	<u>5,722,536</u>
OPEB obligation - End of year	<u>\$ 10,407,804</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	
6/30/11	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
6/30/13	6/30/11	6,954,822	7,062,068	34.2	33.7	10,407,804

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.

Note 14 - Other Postemployment Benefits (Continued)

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

In the June 30, 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 \$3,337,286. 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), related debt, and equity interest is recorded in the Water and Sewer Fund. During the year, the City paid \$2,217,277 for operations of the system and \$2,859,027 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 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

City of Romulus, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 8,142,290	\$ 8,142,290	\$ 7,705,923	\$ (436,367)
Licenses and permits	751,600	781,600	799,389	17,789
Federal sources	528,999	710,934	662,290	(48,644)
State sources	3,718,520	3,718,520	3,739,505	20,985
Charges for services	1,712,361	1,712,361	1,606,364	(105,997)
Fines and forfeitures	2,425,000	2,425,000	3,198,723	773,723
Interest income	10,000	10,000	6,169	(3,831)
Other	534,762	539,762	620,365	80,603
Total revenue	17,823,532	18,040,467	18,338,728	298,261
Expenditures - Current				
General government:				
City Council	74,355	74,355	73,014	1,341
Mayor	377,822	369,470	362,987	6,483
Finance department	589,839	593,949	591,071	2,878
Treasurer	376,156	378,156	376,022	2,134
Assessing	287,727	296,077	276,959	19,118
Board of Review	1,454	1,454	1,291	163
Clerk	337,374	330,694	314,384	16,310
Elections	153,160	174,955	174,459	496
Buildings and grounds	1,792,658	1,795,268	1,578,671	216,597
Attorney	321,200	321,200	308,322	12,878
Human resources	235,336	243,336	237,464	5,872
Nondepartmental	353,760	371,012	363,910	7,102
City-owned property	13,049	13,049	3,974	9,075
Cemetery	97,407	97,407	86,787	10,620
Total general government	5,011,297	5,060,382	4,749,315	311,067
Public safety:				
Police	8,279,604	8,291,399	7,912,280	379,119
Fire	2,459,625	2,624,258	2,432,776	191,482
Building inspection	856,072	886,072	793,681	92,391
Planning and zoning	139,604	139,604	108,799	30,805
Total public safety	11,734,905	11,941,333	11,247,536	693,797
Public works:				
Department of Public Works	122,640	122,640	120,637	2,003
Drains-at-large	68,500	68,500	44,408	24,092
Total public works	191,140	191,140	165,045	26,095

City of Romulus, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures - Current (Continued)				
Health and welfare:				
Ordinance	\$ 255,287	\$ 261,287	\$ 258,559	\$ 2,728
Animal control	276,099	284,099	272,629	11,470
Total health and welfare	531,386	545,386	531,188	14,198
Community and economic development:				
Community and development	10,533	10,623	9,648	975
Community service	1,000	1,000	362	638
Public relations	500	500	143	357
Total community and economic development	12,033	12,123	10,153	1,970
Recreation and culture:				
Historical	300	300	23	277
Senior services	170,005	175,005	169,000	6,005
Total recreation and culture	170,305	175,305	169,023	6,282
Total expenditures	17,651,066	17,925,669	16,872,260	1,053,409
Excess of Revenue Over Expenditures	172,466	114,798	1,466,468	1,351,670
Other Financing Uses - Transfers out	(276,894)	(626,894)	(626,894)	-
Net Change in Fund Balance	(104,428)	(512,096)	839,574	1,351,670
Fund Balance - Beginning of year	2,191,366	2,191,366	2,191,366	-
Fund Balance - End of year	\$ 2,086,938	\$ 1,679,270	\$ 3,030,940	\$ 1,351,670

Other Supplemental Information

City of Romulus, Michigan

Nonmajor Special Revenue Funds						
	Major Streets	Local Streets	Cable TV	911	Sanitation	Community Development Block Grant
Assets						
Cash and investments	\$ 565,600	\$ 22,859	\$ 370,863	\$ 231,508	\$ 232,490	\$ 28,067
Receivables:						
Property taxes receivable	-	-	-	-	11,864	-
Special assessments receivable	-	-	-	-	-	-
Other receivables	-	-	86,685	17,475	-	-
Due from other governmental units	248,877	68,142	-	5,700	-	7,941
Due from other funds	-	-	-	-	-	-
Inventory	99,236	148,881	81	-	10	-
Total assets	\$ 913,713	\$ 239,882	\$ 457,629	\$ 254,683	\$ 244,364	\$ 36,008
Liabilities and Fund Balances (Deficit)						
Liabilities						
Accounts payable	\$ 243,869	\$ 49,762	\$ 51,589	\$ 19,034	\$ 162,815	\$ -
Accrued liabilities and other:						
Accrued salaries and wages	2,796	4,333	2,386	-	369	-
Accrued and other liabilities	-	-	-	-	60,793	-
Advances from component units	-	-	-	-	-	-
Deferred revenue	54,982	-	-	-	11,865	10,854
Total liabilities	301,647	54,095	53,975	19,034	235,842	10,854
Fund Balances (Deficit)						
Nonspendable - Inventory	99,236	148,881	81	-	10	-
Restricted:						
Roads	512,830	36,906	-	-	-	-
Police	-	-	-	235,649	-	-
Sanitation	-	-	-	-	8,512	-
Grants	-	-	-	-	-	25,154
PEG fees	-	-	290,553	-	-	-
Street lighting	-	-	-	-	-	-
Cemetery operations	-	-	-	-	-	-
Library operations	-	-	-	-	-	-
Assigned:						
Cable television operations	-	-	113,020	-	-	-
Debt service	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficit)	612,066	185,787	403,654	235,649	8,522	25,154
Total liabilities and fund balances (deficit)	\$ 913,713	\$ 239,882	\$ 457,629	\$ 254,683	\$ 244,364	\$ 36,008

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

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
\$ 59,760	\$ 50,034	\$ 582,917	\$ 33,746	\$ 1,547	\$ 115,660	\$ 31	\$ 290,186	\$ 2,585,268
24	-	-	-	-	607	-	-	12,495
-	-	-	-	-	-	-	657,747	657,747
-	-	123,300	40,817	-	-	-	-	268,277
-	-	35,797	-	-	90,193	-	-	456,650
-	-	-	257,647	-	-	-	-	257,647
-	-	265	39,035	-	70	-	-	287,578
\$ 59,784	\$ 50,034	\$ 742,279	\$ 371,245	\$ 1,547	\$ 206,530	\$ 31	\$ 947,933	\$ 4,525,662
\$ 46,471	\$ 26,550	\$ 12,593	\$ 48,862	\$ -	\$ 2,053	\$ -	\$ -	\$ 663,598
-	-	4,203	19,283	-	2,413	-	-	35,783
-	-	-	20,151	-	10,685	-	-	91,629
-	-	-	502,921	-	-	-	-	502,921
-	-	-	-	-	606	-	657,747	736,054
46,471	26,550	16,796	591,217	-	15,757	-	657,747	2,029,985
-	-	265	39,035	-	70	-	-	287,578
-	23,484	-	-	-	-	-	-	573,220
-	-	725,218	-	-	-	-	-	960,867
-	-	-	-	-	-	-	-	8,512
-	-	-	-	-	-	-	-	25,154
-	-	-	-	-	-	-	-	290,553
13,313	-	-	-	-	-	-	-	13,313
-	-	-	-	1,547	-	-	-	1,547
-	-	-	-	-	190,703	-	-	190,703
-	-	-	-	-	-	-	-	113,020
-	-	-	-	-	-	31	290,186	290,217
-	-	-	(259,007)	-	-	-	-	(259,007)
13,313	23,484	725,483	(219,972)	1,547	190,773	31	290,186	2,495,677
\$ 59,784	\$ 50,034	\$ 742,279	\$ 371,245	\$ 1,547	\$ 206,530	\$ 31	\$ 947,933	\$ 4,525,662

City of Romulus, Michigan

Nonmajor Special Revenue Funds

	Major Streets	Local Streets	Cable TV	911	Sanitation	Community Development Block Grant
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,115,011	\$ -
Federal grants	-	-	-	-	-	222,589
State-shared revenue and grants	1,256,920	411,548	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment income	308	26	201	131	174	-
Other revenue	40,024	9,804	340,333	104,513	5,783	-
Total revenue	1,297,252	421,378	340,534	104,644	1,120,968	222,589
Expenditures						
Current:						
General government	-	-	315,162	-	-	-
Public safety	-	-	-	159,082	-	-
Public works	1,066,227	589,119	-	-	1,022,722	-
Community and economic development - Redevelopment and housing	-	-	-	-	-	222,512
Recreation and culture:						
Library	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-
Total expenditures	1,066,227	589,119	315,162	159,082	1,022,722	222,512
Excess of Revenue Over (Under) Expenditures	231,025	(167,741)	25,372	(54,438)	98,246	77
Other Financing (Uses) Sources						
Transfers in	-	100,000	-	-	-	-
Transfers out	(206,530)	-	-	-	-	-
Total other financing (uses) sources	(206,530)	100,000	-	-	-	-
Net Change in Fund Balances	24,495	(67,741)	25,372	(54,438)	98,246	77
Fund Balances (Deficit) - Beginning of year	587,571	253,528	378,282	290,087	(89,724)	25,077
Fund Balances (Deficit) - End of year	\$ 612,066	\$ 185,787	\$ 403,654	\$ 235,649	\$ 8,522	\$ 25,154

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013**

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	
\$ 602,982	\$ -	\$ -	\$ -	\$ -	\$ 223,767	\$ -	\$ -	\$ 1,941,760
-	-	119,618	-	-	-	-	-	342,207
-	-	-	-	-	29,063	-	-	1,697,531
-	-	-	1,566,082	-	14,349	-	-	1,580,431
-	-	31,215	-	-	83,533	-	-	114,748
87	24	602	207	2	147	1	-	1,910
-	71,697	220,177	379,090	90	29,895	-	140,027	1,341,433
603,069	71,721	371,612	1,945,379	92	380,754	1	140,027	7,020,020
-	-	-	-	-	-	-	-	315,162
-	-	738,150	-	-	-	-	-	897,232
547,234	81,586	-	-	-	-	-	-	3,306,888
-	-	-	-	-	-	-	-	222,512
-	-	-	-	-	325,265	-	-	325,265
-	-	-	2,070,107	-	-	-	-	2,070,107
-	-	-	-	-	-	255,725	220,700	476,425
-	-	-	-	-	-	12,919	61,393	74,312
547,234	81,586	738,150	2,070,107	-	325,265	268,644	282,093	7,687,903
55,835	(9,865)	(366,538)	(124,728)	92	55,489	(268,643)	(142,066)	(667,883)
-	8,750	-	350,000	-	-	268,144	158,481	885,375
-	-	-	-	-	-	-	-	(206,530)
-	8,750	-	350,000	-	-	268,144	158,481	678,845
55,835	(1,115)	(366,538)	225,272	92	55,489	(499)	16,415	10,962
(42,522)	24,599	1,092,021	(445,244)	1,455	135,284	530	273,771	2,484,715
\$ 13,313	\$ 23,484	\$ 725,483	\$ (219,972)	\$ 1,547	\$ 190,773	\$ 31	\$ 290,186	\$ 2,495,677

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2013

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Long-term Disability Self-insurance Fund	Total
Assets					
Current assets:					
Cash and investments	\$ 648,741	\$ 415,630	\$ 482,532	\$ 39,738	\$ 1,586,641
Receivables:					
Other receivables	11,650	-	-	-	11,650
Due from other governmental units	14,200	-	-	-	14,200
Inventories and prepaid expenses	48,508	94	-	-	48,602
Total current assets	723,099	415,724	482,532	39,738	1,661,093
Noncurrent assets - Capital assets	1,455,821	49,012	-	-	1,504,833
Total assets	2,178,920	464,736	482,532	39,738	3,165,926
Liabilities					
Current liabilities:					
Accounts payable	54,767	547	-	-	55,314
Accrued wages	8,124	2,557	-	-	10,681
Current portion of compensated absences	19,004	11,667	-	-	30,671
Total current liabilities	81,895	14,771	-	-	96,666
Noncurrent liabilities:					
Provision for compensated absences - Net of current portion	4,751	2,917	-	-	7,668
Net OPEB obligation	239,807	85,279	-	-	325,086
Total noncurrent liabilities	244,558	88,196	-	-	332,754
Total liabilities	326,453	102,967	-	-	429,420
Net Position					
Net investment in capital assets	1,455,821	49,012	-	-	1,504,833
Unrestricted	396,646	312,757	482,532	39,738	1,231,673
Total net position	<u>\$ 1,852,467</u>	<u>\$ 361,769</u>	<u>\$ 482,532</u>	<u>\$ 39,738</u>	<u>\$ 2,736,506</u>

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2013

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Long-term Disability Self-insurance Fund	Total
Operating Revenue					
Charges to other funds	\$ 1,494,894	\$ 196,759	\$ 582,280	\$ -	\$ 2,273,933
Other	15,006	107	78,488	-	93,601
Total operating revenue	1,509,900	196,866	660,768	-	2,367,534
Operating Expenses					
Cost of insurance claims	-	-	535,330	-	535,330
Cost of vehicle and equipment maintenance	1,426,958	-	-	-	1,426,958
Cost of computer and equipment maintenance	-	374,573	-	-	374,573
Depreciation	256,674	20,528	-	-	277,202
Total operating expenses	1,683,632	395,101	535,330	-	2,614,063
Operating (Loss) Income	(173,732)	(198,235)	125,438	-	(246,529)
Nonoperating Revenue (Expenses)					
Investment income	82	301	232	24	639
Gain (loss) on sale of assets	15,650	(10,413)	-	-	5,237
Change in Net Position	(158,000)	(208,347)	125,670	24	(240,653)
Net Position - Beginning of year	2,010,467	570,116	356,862	39,714	2,977,159
Net Position - End of year	<u>\$ 1,852,467</u>	<u>\$ 361,769</u>	<u>\$ 482,532</u>	<u>\$ 39,738</u>	<u>\$ 2,736,506</u>

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2013

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Long-term Disability Self- insurance Fund	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 1,484,050	\$ 196,866	\$ 660,768	\$ -	\$ 2,341,684
Receipts from interfund services and reimbursements	28,400	-	-	-	28,400
Payments to suppliers	(891,797)	(256,518)	(535,330)	-	(1,683,645)
Payments to employees	(454,656)	(109,225)	-	-	(563,881)
Net cash provided by (used in) operating activities	165,997	(168,877)	125,438	-	122,558
Cash Flows from Capital and Related Financing Activities					
Proceeds from sales of capital assets	15,650	-	-	-	15,650
Purchase of capital assets	(23,464)	(33,648)	-	-	(57,112)
Net cash used in capital and related financing activities	(7,814)	(33,648)	-	-	(41,462)
Cash Flows from Investing Activities - Interest received on investments					
	82	301	232	24	639
Net Increase (Decrease) in Cash and Cash Equivalents	158,265	(202,224)	125,670	24	81,735
Cash and Cash Equivalents - Beginning of year	490,476	617,854	356,862	39,714	1,504,906
Cash and Cash Equivalents - End of year	<u>\$ 648,741</u>	<u>\$ 415,630</u>	<u>\$ 482,532</u>	<u>\$ 39,738</u>	<u>\$ 1,586,641</u>
Balance Sheet Classification of Cash and Cash Equivalents - Cash and investments	<u>\$ 648,741</u>	<u>\$ 415,630</u>	<u>\$ 482,532</u>	<u>\$ 39,738</u>	<u>\$ 1,586,641</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities					
Operating (loss) income	\$ (173,732)	\$ (198,235)	\$ 125,438	\$ -	\$ (246,529)
Adjustments to reconcile operating (loss) income to net cash from operating activities:					
Depreciation and amortization	256,674	20,528	-	-	277,202
Changes in assets and liabilities:					
Receivables	(25,850)	-	-	-	(25,850)
Due from others	28,400	-	-	-	28,400
Inventories	12,853	1,329	-	-	14,182
Accounts payable	(52,798)	(16,885)	-	-	(69,683)
Accrued and other liabilities	(3,538)	4,588	-	-	1,050
Net OPEB obligation	123,988	19,798	-	-	143,786
Net cash provided by (used in) operating activities	<u>\$ 165,997</u>	<u>\$ (168,877)</u>	<u>\$ 125,438</u>	<u>\$ -</u>	<u>\$ 122,558</u>

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds June 30, 2013

	Revolving Fund	General Tax Fund	Current Tax Fund	Delinquent Personal Property Tax Fund	Payroll Fund	Total Agency Funds
Assets						
Cash and investments	\$ 1,937,856	\$ 4,080	\$ 760,020	\$ 101,622	\$ 88,762	\$ 2,892,340
Due from other governmental units	-	-	160,151	-	70	160,221
Total assets	<u>\$ 1,937,856</u>	<u>\$ 4,080</u>	<u>\$ 920,171</u>	<u>\$ 101,622</u>	<u>\$ 88,832</u>	<u>\$ 3,052,561</u>
Liabilities						
Accounts payable	\$ -	\$ 4,080	\$ -	\$ -	\$ 25,567	\$ 29,647
Due to other governmental units	-	-	920,171	8,406	-	928,577
Accrued and other liabilities	1,937,856	-	-	93,216	63,265	2,094,337
Total liabilities	<u>\$ 1,937,856</u>	<u>\$ 4,080</u>	<u>\$ 920,171</u>	<u>\$ 101,622</u>	<u>\$ 88,832</u>	<u>\$ 3,052,561</u>

City of Romulus, Michigan

Other Supplemental Information Downtown Development Authority Fund Based Balance Sheet June 30, 2013

	Downtown Development Authority	Full Accrual Adjustments	Total
Assets			
Cash and cash equivalents	\$ 172,894	\$ -	\$ 172,894
Receivables - Property taxes receivable	9,419	-	9,419
Prepaid expenses and other assets	60	-	60
Capital assets	-	577,036	577,036
Total assets	\$ 182,373	577,036	759,409
Liabilities			
Accounts payable	22,327	-	22,327
Due to other governmental units	23,258	-	23,258
Accrued liabilities and other	42,252	-	42,252
Deferred revenue	9,418	(9,418)	-
Compensated absences	-	8,054	8,054
Net OPEB or pension obligation	-	73,029	73,029
Long-term debt	-	995,000	995,000
Total liabilities	97,255	1,066,665	1,163,920
Equity			
Fund balance:			
Nonspendable - Prepaid expenses	60	-	
Restricted	85,058	-	
Total fund balance	85,118	-	
Total liabilities and fund balance	\$ 182,373		
Net position:			
Net investment in capital assets		577,036	577,036
Unrestricted		(1,066,665)	(981,547)
Total net position		\$ (489,629)	\$ (404,511)

City of Romulus, Michigan

Other Supplemental Information Downtown Development Authority Fund Based Schedule of Revenues and Expenditures Year Ended June 30, 2013

	Downtown Development Authority	Full Accrual Adjustments	Total
Revenue			
Property taxes	\$ 590,336	\$ 5,678	\$ 596,014
State-shared revenue and grants	211,509	-	211,509
Other revenue	10,017	-	10,017
	<u>811,862</u>	<u>5,678</u>	<u>817,540</u>
Expenditures - Current			
Salaries and wages	83,511	-	83,511
Fringe benefits	59,639	31,771	91,410
Other current services	159,662	-	159,662
Depreciation	-	43,690	43,690
Capital outlay/loss on disposal of asset	1,091	9,980	11,071
Principal expenditures	580,000	(580,000)	-
Interest expense	46,440	-	46,440
	<u>930,343</u>	<u>(494,559)</u>	<u>435,784</u>
Change in Fund Balance/Net Position	(118,481)	500,237	381,756
Fund Balance/Net Position - Beginning of year	<u>203,599</u>	<u>(989,866)</u>	<u>(786,267)</u>
Fund Balance/Net Position - End of year	<u><u>\$ 85,118</u></u>	<u><u>\$ (489,629)</u></u>	<u><u>\$ (404,511)</u></u>