

CITY OF FLAT ROCK, MICHIGAN

ANNUAL REPORT

June 30, 2005

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ANNUAL REPORT
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Flat Rock, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Flat Rock, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Flat Rock's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a text basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flat Rock, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 30, 2005, on our consideration of the City of Flat Rock's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 36 through 48, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Flat Rock, basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



September 30, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Flat Rock's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's net assets increased by \$1,603,349 (or 7.4%). The governmental net assets increased by \$1,709,194 (or 11.9%) and the business-type net assets decreased by \$105,845 (or 1.5%).
- Of the \$23,389,411 reported in net assets, \$1,358,656 may be used to meet the ongoing obligations to citizens and creditors.
- At the end of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$6,319,193 an increase of \$2,006,477 from the previous year.
- At the end of the current fiscal year the fund balance for the General Fund increased \$238,256 to a final balance of \$2,423,798.
- The Tax Increment Finance Authority issued bonds in the amount of \$1,750,000 to complete the construction of the new recreation center

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components:

1. Government-wide financial statements.
2. Fund financial statements.
3. Notes to the financial statements.

The financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow users to address relevant questions, broaden a basis for comparison (interperiod or intergovernmental) and enhance the City's accountability. This report also contains supplementary information in addition to the basic financial statements which further explains and supports the information presented in these statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. The Statement of Net Assets and the Statement of Activities are designed to be corporate-like in that all the governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. These statements should help the reader to answer the question: Is the City, as a whole, better off or worse off as a result of this year's activities. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are recognized regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The focus of the Statement of Net Assets is designed to be similar to the bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations (total economic resources). This statement presents all of the City's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases and decreases in net assets may indicate whether the City's financial position is improving or deteriorating. However, in order to assess the overall health of the City, non-financial factors such as the City's property tax base and condition of the City's infrastructure may also need to be considered.

The Statement of Activities is focused on both the gross and net cost of the various activities (governmental, business-type, and component unit) which are supported by the City's general tax and other revenues. This presentation is intended to summarize and simplify the user's analysis of the cost of the various governmental services and/or the subsidy to various business-type activities and/or component units. This statement shows how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying events occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both statements report two activities:

1. *Governmental Activities:* Most of the City's basic services (i.e., police, fire, public works, parks, etc) are reported under this category. Taxes and intergovernmental revenues generally fund these services. The City's governmental activities include general government, police, fire, building and safety, public works, recreation and culture, library, community enrichment and development, road maintenance and repair and tax refund.
2. *Business-type Activities:* The City charges fees to customers to help cover all or most of the cost of certain services it provides. The City operates one business-type activity that reflects private sector type operations: Water and Sewer service.

FUND FINANCIAL STATEMENTS

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. These statements provide more detailed information about the City's most significant funds (Major Funds), not the city as a whole. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to maintain control over resources that have been segregated for specific activities or objectives. In addition to major funds, the City presents individual fund data for non-major funds in the supplementary information section. All of the funds of the City can be divided in three categories: governmental, proprietary, and fiduciary. Each category uses different accounting approaches.

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund statements are presented on a modified accrual basis, which focuses on the near-term sources and use of available resources. This is the manner in which the budget is typically developed. The City establishes Funds for various purposes, and the Fund Financial Statements allow the demonstration of sources and uses and/or budgetary compliance associated therewith. Governmental Funds include the General Fund, special revenue funds, capital project funds, and debt service funds.

The focus of governmental funds (current financial resources) is narrower than that of the government-wide financial statements (total economic resources). Therefore, the reader may better understand the long-term impact of the City's near-term financing decision by comparing information presented for governmental funds with the information presented for the governmental activities in the government-wide financial statements. Both the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Proprietary funds are used to account for services provided by the City where the City charges customers (whether external or internal) for the services it provides. These funds use accrual accounting; the same method used by private sector businesses. The City maintains one type of proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer service.

Fiduciary Funds:

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. While these funds represent trust responsibilities of the City, these assets are restricted in purpose and do not represent discretionary assets of the City. Therefore, these assets are not reflected in the government-wide financial statements. The City acts as a trustee or fiduciary for its employee deferred compensation plan. It is a trustee/agent for the other governmental units for which it collects tax payments. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These funds are reported using accrual accounting.

NOTES TO BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION

Following the basic financial statements is additional required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes budgetary comparison schedules.

NON-MAJOR GOVERNMENTAL FUNDS

Following the required supplementary information is combining financial statements for non-major governmental funds. These funds are added together and presented in a single column in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded its liabilities at the end of the fiscal year by \$23,389,411. However, 94.2% of the City's net assets represents its investment in capital assets (e.g., land, roads, storm sewers, water and sewer systems, building, and equipment) less any related debt used to acquire or construct these assets that is still outstanding. The City uses these capital assets to provide essential services to citizens; therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF FLAT ROCK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE (continued)

CITY OF FLAT ROCK'S NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 3,098,453	\$ 814,500	\$ 3,912,955
Capital assets, net of accumulated depreciation	<u>30,238,286</u>	<u>11,370,764</u>	<u>41,609,050</u>
Total Assets	<u>33,336,739</u>	<u>12,185,264</u>	<u>45,522,005</u>
Long-term liabilities outstanding	15,446,631	3,985,697	19,432,328
Other liabilities	<u>1,766,651</u>	<u>933,613</u>	<u>2,700,264</u>
Total Liabilities	<u>17,213,282</u>	<u>4,919,310</u>	<u>22,132,592</u>
Net Assets:			
Invested in capital, net of related debt	15,002,760	7,027,995	22,030,755
Restricted	1,572,785	-	1,572,785
Unrestricted (deficit)	<u>(452,088)</u>	<u>237,959</u>	<u>(214,129)</u>
Total Net Assets	<u>\$16,123,457</u>	<u>\$ 7,265,954</u>	<u>\$23,389,411</u>

CITY OF FLAT ROCK'S CHANGE IN NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 2,413,144	\$2,532,907	\$ 4,946,051
Operating grants	1,812,952	-	1,812,952
General Revenues:			
Taxes and special assessments	11,141,719	-	11,141,719
Sale of naming rights	2,200,000	-	2,200,000
Investment earnings	<u>435,404</u>	<u>6,156</u>	<u>441,560</u>
Total Revenues	<u>18,003,219</u>	<u>2,539,063</u>	<u>20,542,282</u>
Expenses:			
General government	1,403,288	-	1,403,288
Police	3,457,080	-	3,457,080
Fire	905,374	-	905,374
Building and safety	569,780	-	569,780
Public works	1,762,265	-	1,762,265
Recreation and culture	1,014,196	-	1,014,196
Library	615,842	-	615,842
Community enrichment and development	1,275,983	-	1,275,983
Road maintenance and repair	1,228,567	-	1,228,567
Tax refund	3,117,375	-	3,117,375
Debt service	941,577	-	941,577
Miscellaneous	2,698	-	2,698
Water and sewer	-	<u>2,644,908</u>	<u>2,644,908</u>
Total Expenses	<u>16,294,025</u>	<u>2,644,908</u>	<u>18,938,933</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE (continued)

CITY OF FLAT ROCK’S CHANGE IN NET ASSETS (continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Changes in Net Assets	1,709,194	(105,845)	1,603,349
Net Assets, July 1, 2004	<u>14,414,263</u>	<u>7,371,799</u>	<u>21,786,062</u>
Net Assets, June 30, 2005	<u>\$16,123,457</u>	<u>\$7,265,954</u>	<u>\$23,389,411</u>

Governmental Activities:

Governmental activities increased the City’s net assets by \$1,709,194, thereby accounting for 107% of the total increase in the net assets of the City. Key factors of this increase are as follows:

- Property tax revenue increased \$498,445 (4.8%) while operating expenses were held constant.
- Sale of naming rights in the amount of \$2,200,000 was received by the general fund and loaned to TIFA to complete the construction of a new recreational community center.
- Various construction projects are in progress and amounted to \$6,127,547 in construction cost that were capitalize during the fiscal year.

Business-Type Activities:

Business-type activities decreased the City’s net assets by \$105,845. Key factors of this decrease are as follows:

- Operating revenues decreased by 4.7% and operating expenses increased by 3.8% during the year.

As the City completed the year, its governmental funds reported combined fund balances of \$6,319,193.

Of this total amount, \$4,516,799 was reserved for inventory, prepaid expenses and advance to other funds. The remainder of the fund balance is undesignated and reported in the general, special revenue, debt service and capital project funds.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance was (\$2,093,011) and reserved fund balance was \$4,477,823 which is the amount of the general fund’s advance to the Tax Increment Finance Authority for the construction of the new recreation center. Total fund balance increased by \$238,256 during the fiscal year.

Tax Increment Finance Authority

The Tax Increment Finance Authority has fund balance of \$651,124.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE (continued)

Recreation Center Construction Fund

The Recreation Center Construction fund has an ending fund balance of \$994,081. This balance is available for the estimated costs to complete the construction of the new recreation center.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The City investment in capital assets for its governmental and business-type activities as of June 30, 2005 amounts to \$41,609,050 (net of accumulated depreciation). This investment includes a broad range of capital assets, which are detailed in the table below. The total increase in the City's net investment in capital assets for the current fiscal year was \$4,745,221. The following table is a comparison of the City's net capital assets as of June 30, 2005 compared to June 30, 2004

**NET CAPITAL ASSETS AT YEAR END
(in thousands of dollars)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Capital assets not depreciated:						
Land	\$ 1,213	\$ 1,213	\$ -	\$ -	\$ 1,213	\$ 1,213
Construction in process	9,063	-	-	-	9,063	-
Capital assets being depreciated:						
Infrastructure	5,509	8,029	-	-	5,509	8,029
Buildings	7,352	18,828	3,105	3,039	10,457	21,867
Machinery and equipment	1,718	1,956	82	67	1,800	2,023
Water sewer and mains	-	-	8,571	8,245	8,571	8,245
Vehicles	<u>226</u>	<u>212</u>	<u>24</u>	<u>20</u>	<u>250</u>	<u>232</u>
Net capital assets	<u>\$25,081</u>	<u>\$30,238</u>	<u>\$11,782</u>	<u>\$11,371</u>	<u>\$36,863</u>	<u>\$41,609</u>

This year's major capital events included the following:

- Construction/restoration of the historical district was completed during the fiscal year.
- Completion and grand opening of new recreational community center.
- Completion of the Greenway Grant Fund, which will provide citizens with smooth bike trails throughout the city.
- Various projects to repair and maintain roads and sidewalks.
- Various equipment to maintain infrastructure were acquired for the DPS at a total cost of \$55,900.
- Two new police cruisers were purchased for the City of Flat Rock Police Department at combined cost of \$43,000.

Additional information regarding the City's capital assets can be located in the Note 4 of the notes to basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Long-Term Debt:

At the end of the fiscal year, the City had total long-term bonds and notes outstanding of \$19,348,809.

OUTSTANDING DEBT AT YEAR END

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
General obligation bonds (backed by the City)	\$15,430,000	\$4,357,272	\$19,787,272
Equipment Loans	<u>77,530</u>	<u>-</u>	<u>77,530</u>
	<u>\$15,507,530</u>	<u>\$4,357,272</u>	<u>\$19,864,802</u>

State statutes limit the amount of general obligation debt the City can issue to 10% of its total state equalized assessed value of property. The City's total general obligation debt (\$19,787,272) is significantly lower than the current state-imposed limit of \$42,963,360.

ECONOMIC CONDITION AND OUTLOOK

The City of Flat Rock's budget for 2006 is not recommending any change to the millage rate. The water and sewer rates have been increased by \$.50 per thousand gallons and are set at \$4.50 residential and \$5.00 for commercial per thousand gallons.

The City's revenue consists of 71.6% tax revenues, 19.5% local sources and 8.9% from state revenue. The City's tax base had an increase of \$1,409,486 due to new construction and additional personal property reported. Local revenues are projected to decrease by \$1,875,424 for the 2005-2006 fiscal year. State revenue sharing should remain consistent with last year, barring any additional changes in the distribution formula used by the State.

The City's general fund expenditures are allocated 48.5% to public safety, police, fire, and building and safety. The department of public services amounts to 29.2% and the clerk and treasurer departments total 14.9% and other departments total 7.4%. In addition, it is recommended that there should be an increase in expenditures over the previous year's budget of approximately \$590,000. Some of the main contributors to the increases in expenditures were increases in personnel wages, health insurance costs and retirement contributions.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions regarding any information provided in this report or request for additional financial information should be addressed to the following:

City of Flat Rock
25500 Gibraltar Road
Flat Rock, Michigan 48134-1399

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BASIC FINANCIAL STATEMENTS

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 2,794,688	\$ 213,424	\$ 3,008,112
Accounts receivable	371,558	33,894	405,452
Internal balances	(378,773)	378,773	-
Current portion of note receivable	-	38,333	38,333
Inventories	3,813	20,572	24,385
Prepaid expenses	35,163	-	35,163
Total Current Assets	<u>2,826,449</u>	<u>684,996</u>	<u>3,511,445</u>
Noncurrent Assets			
Bond issuance cost and discounts, net of accumulated amortization	272,004	14,503	286,507
Capital assets, net of accumulated depreciation	30,238,286	11,370,764	41,609,050
Note receivable (net of current portion)	-	115,001	115,001
Total Noncurrent Assets	<u>30,510,290</u>	<u>11,500,268</u>	<u>42,010,558</u>
TOTAL ASSETS	<u>\$ 33,336,739</u>	<u>\$ 12,185,264</u>	<u>\$ 45,522,003</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 655,714	\$ 191,367	\$ 847,081
Accrued expenses	172,095	316,786	488,881
Current portion of accumulated compensated absences	157,270	8,672	165,942
Current portion of long-term obligations	781,572	416,788	1,198,360
Total Current Liabilities	<u>1,766,651</u>	<u>933,613</u>	<u>2,700,264</u>
Noncurrent Liabilities			
Accumulated compensated absences	720,673	45,213	765,886
Noncurrent portion of long-term obligations	14,725,958	3,940,484	18,666,442
Total Noncurrent Liabilities	<u>15,446,631</u>	<u>3,985,697</u>	<u>19,432,328</u>
TOTAL LIABILITIES	<u>17,213,282</u>	<u>4,919,310</u>	<u>22,132,592</u>
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	15,002,760	7,027,995	22,030,755
Restricted for			
Debt service	336,257	-	336,257
Capital projects	1,236,528	-	1,236,528
Unrestricted	(452,088)	237,959	(214,129)
Total Net Assets	<u>16,123,457</u>	<u>7,265,954</u>	<u>23,389,411</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,336,739</u>	<u>\$ 12,185,264</u>	<u>\$ 45,522,003</u>

The notes to the financial statements are an integral part of this statement.

Statement of Activities
For the Year Ended June 30, 2005

CITY OF FLAT ROCK, MICHIGAN

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities:						
General government	\$ 1,403,288	\$ 69,570	\$ 819,355	\$ (514,363)	\$ -	\$ (514,363)
Police	3,457,080	479,063	7,288	(2,970,729)	-	(2,970,729)
Fire	905,374	130,628	-	(774,746)	-	(774,746)
Building and safety	569,780	243,495	-	(326,285)	-	(326,285)
Public works	1,762,265	240,584	-	(1,521,681)	-	(1,521,681)
Recreation and culture	1,014,196	103,923	-	(910,273)	-	(910,273)
Library	615,842	663,475	-	47,633	-	47,633
Community enrichment and development	1,275,983	482,406	508,280	(285,297)	-	(285,297)
Road maintenance and repair	1,228,567	-	478,029	(750,538)	-	(750,538)
Tax refund	3,117,375	-	-	(3,117,375)	-	(3,117,375)
Interest on long-term debt	941,577	-	-	(941,577)	-	(941,577)
Miscellaneous	2,698	-	-	(2,698)	-	(2,698)
Total Governmental Activities	<u>16,294,025</u>	<u>2,413,144</u>	<u>1,812,952</u>	<u>(12,067,929)</u>	<u>-</u>	<u>(12,067,929)</u>
Business-type Activities:						
Water and sewer	<u>2,644,908</u>	<u>2,532,907</u>	<u>-</u>	<u>-</u>	<u>(112,001)</u>	<u>(112,001)</u>
Total Primary Government	<u>\$ 18,938,933</u>	<u>\$ 4,946,051</u>	<u>\$ 1,812,952</u>	<u>(12,067,929)</u>	<u>(112,001)</u>	<u>(12,179,930)</u>
General Revenues:						
Taxes:						
Property taxes, levied for general purposes				10,463,465	-	10,463,465
Property taxes, levied for special services				503,465	-	503,465
Sale of naming rights				2,200,000	-	2,200,000
Special assessments for debt service				174,789	-	174,789
Investment earnings				435,404	6,156	441,560
Total General Revenues				<u>13,777,123</u>	<u>6,156</u>	<u>13,783,279</u>
CHANGES IN NET ASSETS				1,709,194	(105,845)	1,603,349
NET ASSETS, BEGINNING				<u>14,414,263</u>	<u>7,371,799</u>	<u>21,786,062</u>
NET ASSETS, ENDING				<u>\$ 16,123,457</u>	<u>\$ 7,265,954</u>	<u>\$ 23,389,411</u>

The notes to the financial statements are an integral part to this statement.

	General	Tax Increment Finance Authority	Downtown Development Authority	Recreation Center Construction	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 294,296	\$ 101,124	\$ 1,194,173	\$ 262,119	\$ 942,976	\$ 2,794,688
Receivables:						
Taxes	312,067	-	-	-	-	312,067
Accrued interest and other	24,742	-	-	-	24,659	49,401
Due from other funds	10,317	550,000	-	733,600	606,000	1,899,917
Note receivable, other funds	4,477,823	-	-	-	-	4,477,823
Due from other governmental units	-	-	-	-	10,090	10,090
Inventory	3,813	-	-	-	-	3,813
Prepaid expenses	35,163	-	-	-	-	35,163
TOTAL ASSETS	\$ 5,158,221	\$ 651,124	\$ 1,194,173	\$ 995,719	\$ 1,583,725	\$ 9,582,962
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Accounts payable	\$ 233,068	\$ -	\$ -	\$ 1,638	\$ 421,008	\$ 655,714
Accrued expenses	172,095	-	-	-	-	172,095
Compensated absences, current	157,270	-	-	-	-	157,270
Due to other funds	2,172,000	-	-	-	106,690	2,278,690
TOTAL LIABILITIES	2,734,433	-	-	1,638	527,698	3,263,769
<u>FUND BALANCE</u>						
Reserved for:						
Inventory	3,813	-	-	-	-	3,813
Prepaid expenditures	35,163	-	-	-	-	35,163
Advance to other funds	4,477,823	-	-	-	-	4,477,823
Undesignated, reported in:						
General fund	(2,093,011)	-	-	-	-	(2,093,011)
Special revenue funds	-	651,124	1,194,173	-	477,323	2,322,620
Debt service	-	-	-	-	336,257	336,257
Capital projects	-	-	-	994,081	242,447	1,236,528
TOTAL FUND BALANCES	2,423,788	651,124	1,194,173	994,081	1,056,027	6,319,193
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,158,221	\$ 651,124	\$ 1,194,173	\$ 995,719	\$ 1,583,725	\$ 9,582,962

The notes to the financial statements are an integral part of this statement.

Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2005

Total Fund Balances for Governmental Funds	\$ 6,319,193
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term note receivable from other funds must be eliminated from the assets of the governmental funds.	(4,477,823)
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	30,238,286
Compensated absences are not due and payable in the current period and are not reported in the funds.	(720,673)
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Other related amounts include unamortized bond cost of \$272,004.	<u>(15,235,526)</u>
Net Assets of Governmental Activities	<u><u>\$ 16,123,457</u></u>

Statement of Revenues, Expenditures
and Changes in Fund Balances Governmental Funds
For the Year Ended June 30, 2005

CITY OF FLAT ROCK, MICHIGAN

	General	Tax Increment Finance Authority	Downtown Development Authority	Recreation Center Construction	Other Governmental Funds	Total
REVENUES						
Property taxes	\$ 5,511,901	\$ 4,443,908	\$ 507,656	\$ -	\$ 503,465	\$ 10,966,930
Sale of naming rights	2,200,000	-	-	-	-	2,200,000
General Government	69,570	-	-	-	-	69,570
Police Department	479,063	-	-	-	-	479,063
Fire Department	130,628	-	-	-	-	130,628
Building and Safety	243,495	-	-	-	-	243,495
Public Works	252,158	-	-	-	-	252,158
Recreation and culture	97,930	-	-	-	-	97,930
Community enrichment and development	83,851	-	-	-	-	83,851
Special assessments	-	-	-	-	174,789	174,789
Internal governmental revenue:						
State grants	819,355	-	-	-	478,029	1,297,384
Federal shared revenue	-	-	-	-	25,041	25,041
Greenways grant	-	-	-	-	508,280	508,280
Rental income	-	-	-	-	571,182	571,182
Other	-	50,015	-	-	454,114	504,129
Interest	374,846	13,827	18,245	11,995	16,491	435,404
Total Revenues	<u>10,262,797</u>	<u>4,507,750</u>	<u>525,901</u>	<u>11,995</u>	<u>2,731,391</u>	<u>18,039,834</u>
EXPENDITURES						
General government	1,392,618	-	-	-	-	1,392,618
Police	3,420,584	-	-	-	-	3,420,584
Fire	825,374	-	-	-	-	825,374
Building and safety	378,817	-	-	-	-	378,817
Public works	1,752,275	-	-	-	-	1,752,275
Recreation and culture	968,349	-	-	-	-	968,349
Library	-	-	-	-	538,875	538,875
Community enrichment and development	53,957	-	345,864	5,112,455	1,782,758	7,295,034
Road maintenance and repair	-	30,170	-	-	837,434	867,604
Tax refund	-	3,110,736	6,639	-	-	3,117,375
Debt Service:						
Principal	-	-	-	-	1,082,177	1,082,177
Interest	-	-	-	-	941,577	941,577
Miscellaneous	-	-	-	-	2,698	2,698
Total Expenditures	<u>8,791,974</u>	<u>3,140,906</u>	<u>352,503</u>	<u>5,112,455</u>	<u>5,185,519</u>	<u>22,583,357</u>
Excess Revenues (Expenditures)	<u>1,470,823</u>	<u>1,366,844</u>	<u>173,398</u>	<u>(5,100,460)</u>	<u>(2,454,128)</u>	<u>(4,543,523)</u>
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	-	1,750,000	-	1,750,000
Loan Proceeds	-	-	-	4,800,000	-	4,800,000
Operating transfers in	2,948	-	-	-	3,098,806	3,101,754
Operating transfers out	(1,235,515)	(758,689)	-	(888,530)	(219,020)	(3,101,754)
Total Other Financing Sources (Uses)	<u>(1,232,567)</u>	<u>(758,689)</u>	<u>-</u>	<u>5,661,470</u>	<u>2,879,786</u>	<u>6,550,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	238,256	608,155	173,398	561,010	425,658	2,006,477
FUND BALANCE, JULY 1, 2004	<u>2,185,532</u>	<u>42,969</u>	<u>1,020,775</u>	<u>433,071</u>	<u>630,369</u>	<u>4,312,716</u>
FUND BALANCE, JUNE 30, 2005	<u>\$ 2,423,788</u>	<u>\$ 651,124</u>	<u>\$ 1,194,173</u>	<u>\$ 994,081</u>	<u>\$ 1,056,027</u>	<u>\$ 6,319,193</u>

The notes to the financial statements are an integral part of this statement.

Reconciliation of Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to the
 Statement of Activities
 For the Year Ended June 30, 2005

Net change in fund balance - total governmental funds \$ 2,006,477

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

Governmental funds report capital outlays and construction in progress as expenditures. However in the statement of activities, the cost of these assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays and construction in progress exceeded depreciation in the current period. 5,151,716

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.

Bond proceeds	(1,750,000)	
Loan Proceeds	(4,800,000)	
Bond issuance costs and discounts	59,000	
Principal payments	<u>1,109,835</u>	(5,381,165)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Amortization of current year bond issuance costs and discounts	(14,338)	
Change in long-term compensated absences	<u>(53,496)</u>	<u>(67,834)</u>

Change in Net Assets of Governmental Activities \$ 1,709,194

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	<u>Business-Type Activities- Enterprise Fund Water and Sewer</u>
<u>ASSETS</u>	
Current Assets	
Cash and cash equivalents	\$ 213,424
Accounts receivable, customers	33,894
Current portion of accounts receivable	38,333
Due from other funds	379,000
Inventories	<u>20,572</u>
Total Current Assets	<u>685,223</u>
Noncurrent Assets	
Bond issuance cost, net of accumulated amortization	14,503
Capital assets, net of accumulated depreciation	11,370,764
Note receivable (net of current portion)	<u>115,001</u>
Total Noncurrent Assets	<u>11,500,268</u>
TOTAL ASSETS	<u>\$ 12,185,491</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts payable	\$ 191,367
Accrued and other liabilities	370,671
Due to other funds	227
Current portion of long-term obligations	<u>416,788</u>
Total Current Liabilities	<u>979,053</u>
Noncurrent Liabilities	
General obligation bonds payable	4,357,272
Less current portion shown in current liabilities	<u>416,788</u>
Total Noncurrent Liabilities	<u>3,940,484</u>
<u>NET ASSETS</u>	
Investment in capital assets, net of related debt	7,027,995
Unrestricted	<u>237,959</u>
Total Net Assets	<u>7,265,954</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,185,491</u>

Statement of Revenues, Expenses, and Changes
in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2005

CITY OF FLAT ROCK, MICHIGAN

	<u>Business-Type Activities- Enterprise Fund Water and Sewer</u>
<u>OPERATING REVENUES</u>	
Customer billings	\$ 2,271,871
Capital charges	92,645
Service connections	81,549
Service charges	52,124
Other revenue	34,718
Total Operating Revenues	<u>2,532,907</u>
<u>OPERATING EXPENSES</u>	
Cost of water purchases	785,211
Cost of sewage disposal	629,722
System maintenance and repairs	401,709
General and administrative	234,002
Amortization	8,025
Depreciation	412,074
Total Operating Expenses	<u>2,470,743</u>
OPERATING INCOME	<u>62,164</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	6,156
Interest expense	<u>(174,165)</u>
Total Net Non-Operating Expenses	<u>(168,009)</u>
CHANGE IN NET ASSETS	(105,845)
TOTAL NET ASSETS, BEGINNING	<u>7,371,799</u>
TOTAL NET ASSETS, ENDING	<u>\$ 7,265,954</u>

The notes to the financial statements are an integral part of this statement.

	Business-Type Activities- Enterprise Fund Water and Sewer
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash received from customers	\$ 2,388,924
Other operating revenues	261,036
Cash payments for goods and services	(1,837,390)
Cash to employees	(193,825)
Net Cash Provided By Operating Activities	<u>618,745</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Loan to other funds	(379,000)
Collection of note receivable	38,666
Principal paid on revenue and general obligations	(451,936)
Interest paid on revenue and general obligations	(174,165)
Net Cash Used By Capital and Related Financing Activities	<u>(966,435)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest on investments	<u>6,156</u>
Net Cash Provided By Investing Activities	<u>6,156</u>
NET DECREASE IN CASH	(341,534)
<u>CASH BALANCE</u> July 1, 2004	<u>554,958</u>
<u>CASH BALANCE</u> June 30, 2005	<u>\$ 213,424</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET</u>	
<u>CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating income	\$ 62,164
Depreciation	412,074
Amortization	8,025
Change in assets and liabilities:	
Increase in accounts receivable	117,053
Decrease in prepaid expenses	3,528
Increase in accounts payable	26,725
Increase in accrued expenses and other liabilities	1,987
Increase in due to other funds	132
Decrease in bonds and deposits	(12,943)
Net Cash Provided By Operating Activities	<u>\$ 618,745</u>

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2005

CITY OF FLAT ROCK, MICHIGAN

	<u>Tax Collection</u>	<u>Trust and Agency</u>	<u>Crime Prevention</u>	<u>Deferred Compensation</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 31,887	\$ 637,544	\$ 967	\$ -	\$ 670,398
Due from other governments	-	-	-	-	-
	<u>31,887</u>	<u>637,544</u>	<u>967</u>	<u>-</u>	<u>670,398</u>
Investments, at fair value:					
Variable annuity funds	-	-	-	1,422,246	1,422,246
TOTAL ASSETS	<u>\$ 31,887</u>	<u>\$ 637,544</u>	<u>\$ 967</u>	<u>\$ 1,422,246</u>	<u>\$ 2,092,644</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 7,327	\$ -	\$ -	\$ -	\$ 7,327
Due to other governments	24,560	-	-	-	24,560
Payments received in advance	-	637,544	967	-	638,511
Deferred compensation benefits	-	-	-	1,422,246	1,422,246
TOTAL LIABILITIES	<u>\$ 31,887</u>	<u>\$ 637,544</u>	<u>\$ 967</u>	<u>\$ 1,422,246</u>	<u>\$ 2,092,644</u>

The notes to the financial statements are an integral part of this statement.

NOTE -1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Flat Rock, 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 Flat Rock.

REPORTING ENTITY – The City was formed as a home rule city in 1965. The City is governed by a Mayor and Council. The Mayor is the chief administrative and executive office of the City and is elected at large for a two-year term in a non-partisan election and has voting power. The Council consists of six members who are also elected at large for four-year terms, in a non-partisan election. The reporting entities included in these financial statements are the City of Flat Rock, Michigan, the primary government, the Tax Increment Finance Authority, the Downtown Development Authority, and the City of Flat Rock Building Authority, the component units.

The basic criterion for including a potential component unit in the reporting entity is the governing body's ability to exercise oversight responsibility. Oversight responsibility includes the primary government being financially accountable for the potential component unit. Other oversight responsibilities include, but are not limited to, the selection of the governing authority, the designation of management, the ability to approve or modify the budget, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

BLENDED COMPONENT UNITS – These types of component units are reported as though they were part of the primary government, using the blended method.

The Tax Increment Finance Authority (TIFA) was created on April 15, 1985. The intended purpose is to bolster the declining value of the lands located within the district. TIFA has a targeted development area which will be developed and ultimately lead to increasing the values of the properties located within the targeted area. Funding for TIFA is provided by capturing the increased property tax revenues from the increase in assessed valuations of the benefited properties.

The Downtown Development Authority (DDA) was created on April 18, 1988. The intended purpose is to implement improvements to public facilities within the development area to comply with barrier free design requirements and to develop and implement long-range plans designed to halt the deterioration of the property values in the Downtown District. Funding for DDA is provided from the increased property tax revenues from any benefited property.

The City of Flat Rock Building Authority (BA) was created on August 5, 1996. The intended purpose is the acquisition, furnishing, equipping, owning, improving, enlarging, operating and maintaining a building or buildings, automobile parking lots or structures, recreational facilities, stadiums and the necessary site or sites thereof, together with appurtenant properties and facilities necessary or convenient use thereof, for use for any legitimate public purposes of the City.

Separate financial statements of TIFA, DDA and BA may be obtained from the City offices.

MAJOR TAXPAYER - Approximately 43 percent of property tax revenue is from one Company located in the City of Flat Rock, and 30 percent of water, sewer and industrial charge revenue are from the same company.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE -1- SUMMARY OF 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 and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, sale of naming rights, intergovernmental revenues, and investment income.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

FUND TYPES AND MAJOR FUNDS

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Tax Increment Finance Authority (TIFA) – TIFA is a special revenue fund used to develop and increase the value of properties located within the targeted area.

Downtown Development Authority (DDA) – DDA is a special revenue fund created to prevent deterioration, encourage historical preservation and promote economic growth within the downtown district.

Recreation Center Construction – The Recreation Center Construction Fund is a capital projects fund which is currently building a new recreation facility with the City

In addition the City reports on the following fund types:

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the annual payment of principal, interest and expenses in connection with certain long-term debt other than debt payable from the operation of an enterprise fund.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

PROPRIETARY FUND:

Water and Sewer Fund – The Water and Sewer Fund is an Enterprise Fund. The City operates one Enterprise Fund, which accounts for the operation of the Water and Sewer Systems. The fund is financed and operated in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing water and sewer services to the general public are recovered through user charges. The fund uses full accrual accounting based on Generally Accepted Accounting Principles (GAAP) and follows accounting and financial activities prescribed by the Financial Accounting and Standards Board (FASB) as long as it does not conflict with the Governmental Accounting Standards Board (GASB) guidance.

FIDUCIARY FUNDS:

Agency Funds - Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTE -1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

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.” Any residual balances outstanding between the governmental and business-type activities with fiduciary funds are reported in the government-wide financial statements as “external balances.”

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.

Capital Assets – Capital assets, which include property, plant, equipment, 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 government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. 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.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Equipment and Meters	10 to 30 years
Vehicles	5 to 12 years
Water and Sewer Mains	50 years
Roads and infrastructure	10 to 30 years

Compensated Absences (Vacation and Sick Leave) – It is the government’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

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

Property Taxes - All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes attach as an enforceable lien on property as of December 31 each year. City taxes are levied and immediately due the following July 1 with final collection date August 31 without penalty. Taxes unpaid after August 31 are subject to interest, penalties and collection fees. Wayne County, Michigan (the “County”) is responsible for the collection of real property taxes of the City which are delinquent as of March 1 of each fiscal year. The County purchases from the City all delinquent real property taxes from a tax payment fund established by the County. In return, the City has assigned to the County all amounts payable to the City from the taxpayers with respect to such delinquent real property taxes.

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

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

NOTE -2- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Information - Budgets are adopted on the modified accrual basis consistent with generally accepted accounting principles except that operating transfers are reported as revenue and expenditures. Annual appropriated budgets are adopted for the General, Special Revenue, Capital Project Funds and the following Debt Service Funds – Aspen Drive, Building Authority, Transportation Bond General Obligation, Building Authority Ball and Ice, Huron Woods Series A Retirement, Huron Woods Series B Retirement, and Seneca Sewer and Water Fund. Annual budgets lapse at year-end.

The level of budgetary control (the level at which expenditures may not legally exceed appropriations) is at the department (activity) level for the General Fund and the activity level for Special Revenue and Debt Service Funds.

The governing body must approve budget amendments at the activity level and supplemental appropriation, which affect total fund expenditures.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year ended June 30, 2005, the City incurred expenditures in certain budgetary funds, which were in excess of amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Budget</u>
Local Street Fund	\$438,754	\$642,474	\$(203,720)
Library Fund	\$532,700	\$538,875	\$ (6,175)
Sidewalk Replacement Construction Fund	\$ 80,000	\$110,584	\$ (30,584)

The City's appropriation resolution is generally passed preceding the fiscal year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The City Manager has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next fiscal year.

Compliance with the Single Audit Act Amendments of 2003 – After examination by the auditors, a compilation audit in accordance with the Single Audit Act was not necessary since the City did meet the threshold requirement.

NOTE -3- CASH AND CASH EQUIVALENTS:

As of June 30, 2005, the carrying value of cash and cash equivalent (consisting of checking accounts, savings accounts, and certificate of deposits) was \$3,008,114 and the bank balance was \$3,620,708. Of the bank balance, \$100,000 was covered by federal depository insurance and \$3,520,708 was uninsured and uncollateralized.

NOTE -4- CAPITAL ASSETS:

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$1,213,229	\$ -	\$ -	\$ 1,213,229
Construction in progress	<u>9,063,237</u>	<u>-</u>	<u>9,063,237</u>	<u>-</u>
Subtotal	<u>10,276,466</u>	<u>-</u>	<u>9,063,237</u>	<u>1,213,229</u>
Capital Assets Being Depreciated				
Infrastructure	16,796,442	3,324,266	-	20,120,708
Buildings	9,386,840	11,901,526	-	21,288,366
Machinery and Equipment	3,423,372	519,479	-	3,942,851
Vehicles	<u>558,524</u>	<u>61,782</u>	<u>-</u>	<u>620,306</u>
Subtotal	<u>30,165,178</u>	<u>15,807,053</u>	<u>-</u>	<u>45,972,231</u>
Less Accumulated Depreciation for				
Infrastructure	(11,287,740)	(803,915)	-	(12,091,655)
Buildings	(2,034,895)	(425,004)	-	(2,459,899)
Machinery and Equipment	(1,704,916)	(282,133)	-	(1,987,049)
Vehicles	<u>(333,103)</u>	<u>(75,468)</u>	<u>-</u>	<u>(408,571)</u>
Subtotal	<u>(15,360,654)</u>	<u>(1,586,520)</u>	<u>-</u>	<u>(16,947,174)</u>
Net Capital Assets Being Depreciated	<u>14,804,524</u>	<u>14,220,533</u>	<u>-</u>	<u>29,025,057</u>
Governmental Activities Capital Total				
Capital Assets – Net of Depreciation	<u>\$25,080,990</u>	<u>\$14,220,533</u>	<u>\$9,063,237</u>	<u>\$30,238,286</u>
Business – Type Activities				
Capital Assets Being Depreciated				
Water and Sewer Mains	\$15,857,657	\$ -	\$ -	\$15,857,657
Buildings	4,164,202	-	-	4,164,202
Equipment and Meters	310,523	-	-	310,523
Vehicles	<u>265,685</u>	<u>-</u>	<u>-</u>	<u>265,685</u>
Subtotal	<u>20,598,067</u>	<u>-</u>	<u>-</u>	<u>20,598,067</u>
Less Accumulated Depreciation for				
Water and Sewer Mains	(7,286,986)	(325,729)	-	(7,612,715)
Buildings	(1,058,829)	(66,618)	-	(1,125,447)
Equipment and Meters	(228,074)	(15,161)	-	(243,235)
Vehicles	<u>(241,340)</u>	<u>(4,566)</u>	<u>-</u>	<u>(245,906)</u>
Subtotal	<u>(8,815,229)</u>	<u>(412,074)</u>	<u>-</u>	<u>(9,227,303)</u>
Business Type Activities Capital Total				
Capital Assets – Net of Depreciation	<u>\$11,782,838</u>	<u>\$ (412,074)</u>	<u>\$ -</u>	<u>\$11,370,764</u>

NOTE -4- CAPITAL ASSETS: (continued)

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

Governmental Activities	
Road Maintenance and Repair	\$ 803,915
Building and Safety	425,575
Public Works	94,824
Police	78,162
Library	77,183
Fire	64,905
Recreational Culture	36,254
General Government	<u>5,702</u>
Total Governmental Activities	<u>\$1,586,520</u>
Business – Type Activities	
Sewer Systems	\$ 274,887
Buildings	66,618
Water Mains	50,842
Equipment	12,261
Vehicles	4,566
Pumps, Hydrants and Meters	<u>2,900</u>
Total Business – Type Activities	<u>\$ 412,074</u>

NOTE -5- EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS:

“Total fund balances” of the City’s governmental funds \$6,319,193 on the Governmental Funds Balance Sheet differs from “net assets” of governmental activities by \$9,804,264 as reported in the statement of net assets. The difference primarily results from the long-term economic focus of the statement of net assets versus the current resources focus of the governmental fund balance sheets. The following is a description of each difference found on the reconciliation of governmental funds balance sheet and statement of net assets:

1. The inter-fund note receivable in the general fund of \$4,477,823 is a loan to the Tax Increment Finance Authority which was used to finance the construction of a new recreational facility. This loan was included in the revenues of the Recreational Facility Construction Fund and subsequently used to construct the new building. Such loans must be eliminated from the governmental funds in order properly reflect to net assets of the City. The corresponding debt has also been eliminated.
2. When capital assets (land, buildings and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However the statement of net assets includes those assets among the assets of the City as a whole.

Cost of capital assets	\$ 47,185,460
Accumulated depreciation	<u>(16,947,174)</u>
	<u>\$ 30,238,286</u>

3. Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. The balance of bonds payable as of June 30, 2005 is \$15,507,530 and is recognized as a liability on the statement of net assets but not on the governmental funds balance sheet. In addition, unamortized bond cost of \$272,004 is recognized as a non-current asset on the statement of net assets but not on the governmental funds balance sheet.
4. The City provides employees with sick and vacation leave, which can be accumulated and redeemed for compensation at retirement. This leave is referred to as accumulated compensated absences. Leave not used within at the end of the fiscal year is not payable from current resources and is not recognized on the governmental funds balance sheet. The amount of \$720,673 is recognized as a long-term liability on the statement of net assets. The amount payable by fund is as follows:

NOTE -5- EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS: (continued)

Police	\$422,005
Public works	134,644
Fire	64,392
General government	44,606
Building and safety	20,724
Recreation	22,719
Library	<u>11,583</u>
	<u>\$720,673</u>

NOTE -6- EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND OPERATING STATEMENTS AND STATEMENT OF ACTIVITIES:

The "net change in fund balances" for governmental funds \$2,006,477 on the Statement of Revenues, Expenditures and Changes in Fund Balance differs from the "change in net assets" for governmental activities by (\$297,283) as reported in the Statement of Activities. The difference arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The following is a description of each difference found on the reconciliation of statement of revenues, expenditures and changes in fund balance to the statement of activities:

1. Capital outlays and construction costs are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. The costs of these outlays are spread over the estimated useful lives of the assets (depreciation) in the statement of activities. The difference is illustrated below:

Construction costs	\$ 6,627,389
Capital outlays as expenditures in fiscal year 2004-2005	110,847
Depreciation	<u>(1,586,520)</u>
	<u>\$ 5,151,716</u>

2. Principal on long-term debt was increased by \$5,381,165. The debt was originally issued to purchase and construct capital assets. Bond issuance cost and discounts in the amount of \$59,000 are amortized over the term of the related debt. The outstanding liability is reported as reduction on net assets. Increasing the liability reduces net assets.
3. Amortization of current year bond issuance cost and discounts and the change in the long-term expense for accumulated compensation absences reported in the statement of activities and not the statement of revenues, expenditures and changes in fund balance is as follows:

<u>Amortization expense</u>	<u>\$14,338</u>
<u>Compensation absences</u>	
Fire	15,095
General government	4,968
Public works	14,730
Police	7,348
Recreation	9,542
Building and safety	2,029
Library	<u>(216)</u>
	<u>\$53,496</u>

NOTE -7- PENSION PLAN:**Description of the Plan:**

The City of Flat Rock participates in the Municipal Employees Retirement System of Michigan (MERS) which is an agent multiple-employer Public Employee Retirement System (PERS) that is administered by the State of Michigan. The MERS was organized pursuant to Act No. 220, Public Acts of 1996, as amended, and the Constitution of the State of Michigan. The City has no fiduciary responsibility for the plan.

The plan provides for vesting of benefits after 10 years of service. Participants may elect normal retirement at age 60 with 10 or more years of service. The plan also provides for early retirement at age 55 with 15 or more years of service, and at age 50 with 25 or more years of service. Election of early retirement is subject to reduction of benefits as outlined below.

NOTE -7- PENSION PLAN: (continued)

Participants are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by 2.0% of the member's final average compensation (F.A.C.). The retirement allowance is reduced 1/2% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available. The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits.

Actuarial valuations of each participating municipality in the MERS are prepared annually to determine the actuarial condition of the Retirement System and the employer contribution rates required to fund MERS on an actual reserve basis. The calculated employer contribution rates derived from the actuarial valuation as of December 31, 2004, are based on the present provisions of the Municipal Retirement Act of 1984, as amended by 1996 Public Act 220, as embodied in the MERS Plan Document (as revised). A comprehensive annual financial report of MERS may be obtained from the office of the City of Flat Rock, Michigan.

Effective dates for participation in the plan differ by employee bargaining group. The effective dates are as follows:

July 1, 1978 -	Hourly Employees and Administrative/Non-Union
July 1, 1984 -	DPW Union
July 1, 1985 -	Police Union

Upon the effective date for each respective bargaining group, all full time employees of the City are eligible to participate in the plan. As of December 31, 2004, the latest valuation date, the City had 81 employees of which 81 were covered employees. In addition, 2 inactive vested members and 37 retirees were also covered. As of December 31, 2004, the assets of MERS allocated to The City of Flat Rock amounted to about \$9,153,420 at market value and \$9,377,358 at actuarial value.

Funding Policy:

Each member contributes a percent of annual compensation, as selected by the City of Flat Rock. Any percentage from 0% to 10% (in .1% increments) may be selected. A 3% to 5% contribution program was available prior to 1985 and may be continued, but not adopted, after 1984. Under this program the member contributes 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200.

If a member leaves the employ of the municipality, or dies, without a retirement allowance or other benefit payable on his/her account, the member's accumulated contributions plus interest (at a rate determined by MERS, currently 1.5%) are refunded with spousal consent, to the member, if living, or to the member's surviving spouse, if any, or to a named beneficiary (after spousal consent, if applicable)

Funding the Retirement System on an actual reserve basis seeks to achieve 1) level required contribution rates as a percentage of payroll; 2) finance benefits earned by present employees on a current basis; 3) accumulate assets to enhance members' benefit security; 4) produce investment earnings on accumulated assets to help meet future benefit costs; 5) make it possible to estimate the long-term actuarial cost of proposed amendments to System provisions; 6) assist in maintaining the Retirement Systems financial viability.

The basic funding objective is a level pattern of cost as a percentage of salary throughout an employee's working lifetime. The funding method used in the actuarial valuation – the entry age normal cost method – is intended to meet this objective and result in a relatively level long-term contribution requirement as a percentage of salary.

Under the entry age normal cost method, the total actuarially-determined contribution requirement is the sum of the normal cost and the payment required to amortize the unfunded accrued liability over an amortization period of 30 years (up to 37 years for municipalities that have participated in MERS for less than 10 years), less the accelerated funding credit, if available. Active member payroll is assumed to increase 4.5% a year for the purpose of determining level percent contributions.

Total covered payroll for the year ended December 31, 2004, was \$4,054,819 and the annual estimated contribution for the fiscal year beginning July 1, 2005, is \$573,552. During the fiscal year's ended June 30, 2005, 2004, and 2003, employer contributions totaling \$529,000, \$484,000, and \$399,000, respectively, were made.

Results of Actuarial Valuation:

The actuarial valuation of the liabilities and contribution rates resulting from the participation of the City of Flat Rock in MERS as of December 31, 2004, is based on the pension benefit provision of MERS, as governed by Act No. 220 of the Public Acts of 1996, as amended and the MERS plan document as revised, the characteristics of active and inactive MERS members, the assets attributable to MERS members of the City of Flat Rock and the actuarial assumptions and funding method, which include an investment yield rate of 8% and the entry age normal actuarial cost method.

NOTE -7- PENSION PLAN: (continued)Results of Actuarial Valuation (continued)

The actuarial accrued liability using the entry age normal actuarial method is calculated as follows:

Retirees and beneficiaries currently receiving benefits	\$ 8,801,113
Terminated employees not yet receiving benefits	151,936
Non-vested terminated employees (pending refunds of accumulated Member contributions)	32,964
Current employees ---	
Accumulated employee contributions including allocated investment income	1,689,048
Employer financed	<u>5,252,099</u>
Total Actuarial Accrued Liability	15,927,160
Net Assets Available for Benefits, at Actuarial Value (market value is \$9,153,420)	<u>9,377,358</u>
Unfunded Actuarial Accrued Liability	\$ <u>6,549,802</u>

The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

The actuarial accrued liability represents the difference between the present value of all future benefits and the present value of future normal costs. The unfunded actuarial accrued liability (i.e. the actuarial accrued liability less assets accumulated as of the valuation date), is then amortized as noted above. The components of the employer contribution rate (i.e. the normal cost and amortization payment) and the estimated dollar contributions for the fiscal year beginning July 1, 2006, are as follows:

Computed Employer Contributions to the Retirement System
For the Fiscal Year Beginning July 1, 2006

Employer Contributions
As Percentages of Payroll and Dollars

<u>Valuations Division</u>	<u>Normal Cost</u>	<u>Unfunded Accrued Liability</u>	<u>Totals</u>
<u>Cost of Percentage of Payroll</u>			
General – Cleric	6.10%	(1.86)%	4.24%
Police – POAM	5.49	2.72	8.21
General – DPW Union	5.44	6.40	11.84
Dept. Heads	9.49	17.28	26.77
Adm. Emp. (Non-Union)	6.81	(1.25)	6.56
Police Chief/Deputy Chief	5.69	94.25	99.94
COAM	5.54	12.15	17.69
<u>Estimated Monthly Contributions*</u>			
General – Clerical	\$ 1,484	\$ (453)	\$ 1,031
Police – POAM	4,625	2,291	6,916
General – DPW Union	4,397	5,173	9,570
Dept. Heads	3,532	6,432	9,964
Adm. Emp. (Non Union)	2,921	(107)	2,814
Police Chief/Deputy Chief	374	6,192	6,566
COAM	<u>3,425</u>	<u>7,510</u>	<u>10,935</u>
Total Municipality	<u>\$20,758</u>	<u>\$27,038</u>	<u>\$47,796</u>

NOTE -7- PENSION PLAN: (continued)Results of Actuarial Valuation (continued)Estimated Annual Contributions*

Total Municipality	\$249,096	\$324,456	\$573,552
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*Based on valuation payroll. Actual contributions will be based on actual reported monthly pays, and will be different from the above amounts (usually higher).
Unfunded accrued liabilities, if any, are financed over a period of 30 years.

During the 1980's, the Retirement Board had implemented a program of contribution credits which give recognition of accelerated funding levels. The accelerated funding credit allows, in certain situations, for contributions to temporarily be reduced from the regular contribution shown above. For the fiscal year beginning July 1, 2005, no accelerated funding credits were available to the City of Flat Rock.

There is no single all-encompassing test for measuring a retirement system's funding process and current funded status. However, some common indicators of the progress that a retirement system has achieved in funding their obligations include observing the changes over time in the following items:

1. The ratio of valuation assets to actuarial accrued liabilities.
2. The pattern of unfunded actuarial accrued liability as a percentage of active payroll.
3. The ratio of valuation assets to the actuarial present value of vested benefits.

The following is a schedule of the historical changes in the first two funding measures:

<u>Valuation Date December 31,</u>	<u>Accrued Liabilities</u>	<u>Valuation Assets</u>	<u>Funded Percent</u>	<u>Unfunded Actuarial Liability</u>	<u>UAL as Percent of Annual Payroll</u>
1990	3,106,936	3,871,598	125	(764,662)	0
1991	3,477,348	4,374,022	126	(896,674)	0
1992	4,124,955	4,831,241	117	(706,286)	0
1993	6,387,389	5,166,850	81	1,220,539	70
1994	7,164,146	5,291,598	74	1,872,548	98
1995	7,985,825	5,481,237	69	2,504,588	127
1996	9,468,660	5,723,546	60	3,745,114	181
1997	9,846,172	6,074,279	62	3,771,893	166
1998	10,463,586	6,654,032	64	3,809,554	150
1999	11,208,496	7,471,471	67	3,737,025	139
2000	12,517,271	8,088,957	65	4,428,314	157
2001	13,286,141	8,542,736	64	4,743,405	155
2002	14,063,800	8,558,105	61	5,505,695	166
2003	14,559,592	8,923,963	61	5,635,629	158
2004	15,927,160	9,377,358	59	6,549,802	162

Notes: Actuarial assumptions were revised for the 1993, 1997 and 2000 actuarial valuations.
The funding method was changed to entry age normal for the 1993 valuation.

NOTE -7- PENSION PLAN: (continued)

The following is a comparative schedule of the present value of vested benefits compared to present value of accrued benefits:

<u>Type of Member</u>	<u>Present Value of Vested Benefits</u>	<u>Present Value of Accrued Benefits</u>
Active Members		
General – Clerical	\$ 190,063	\$ 86,624
Police – POAM	298,961	328,710
General – DPW Union	650,545	655,445
Dept. Heads	564,905	688,978
Admin. Employee. (Non Union)	50,147	78,671
Police Chief/Deputy Chief	542,018	399,367
COAM	<u>811,377</u>	<u>1,286,112</u>
Totals	3,108,016	3,623,907
Vested Former Members	151,936	151,936
Pending Refunds	32,964	32,964
Retired Members and Beneficiaries	<u>8,801,113</u>	<u>8,801,113</u>
Total Present Value of Benefits	12,094,029	12,609,920
Total Valuation Assets	<u>9,377,358</u>	<u>9,377,358</u>
Excess Value of Benefits Over Valuation Assets	<u>\$ 2,716,671</u>	<u>\$ 3,232,562</u>

Comment: The present value of vested benefits represents the vested benefits payable in the event that all active members terminate employment on December 31, 2004, based upon valuation interest and mortality assumptions. The present value of accrued benefits includes vested and non-vested benefits.

NOTE -8- LONG-TERM DEBT:

The following is a summary of the outstanding debt of the City of Flat Rock as of June 30, 2005:

	<u>TYPE OF DEBT</u>	<u>NO. OF ISSUES</u>	<u>INTEREST RATE</u>	<u>MATURING THROUGH</u>	<u>PRINCIPAL OUTSTANDING</u>
<u>GOVERNMENTAL ACTIVITIES:</u>					
<u>General and Taxable Obligation Bonds Payable:</u>					
2000 Special Assessment, Series B Limited Tax Bonds	General Obligation	1	6.75% to 7.75%	2010	\$ 95,000
1993 Michigan Transportation Fund Bonds	General Obligation	1	3.00% to 5.4%	2008	90,000
2000 Special Assessment, Series A Limited Tax Bonds	General Obligation	1	4.80% to 5.70%	2010	285,000
1997 Michigan Transportation Fund Bonds	General Obligation	1	4.00% to 5.20%	2013	505,000
Installment Purchase Agreement Series 1997	General Obligation	1	4.90% to 7.07%	2013	975,000

NOTE -8- LONG-TERM DEBT: (continued)

2004 Building Authority & Building Authority Refunding Bonds	General Obligation	1	2.00% to 4.40%	2017	\$ 1,630,000
Building Authority Bond Series 2000	General Obligation	1	5.92%	2020	4,365,000
2004 Taxable Adjustable Rate Tax Increment Financing Bonds	General Obligation	1	1.50%	2024	5,735,000
2005 Tax Increment Finance Authority Limited Tax Development Bonds	Taxable Obligation	1	5.375% to 5.875%	2025	<u>1,750,000</u>

Total General and Taxable Obligation Bonds Payable 15,543,000

Other Long-Term Obligations:

Equipment	Lease Purchase Agreement	1	12.25%	2007	2,735
Equipment	Lease Purchase Agreement	1	6.90%	2006	6,414
Equipment	Lease Purchase Agreement	1	6.55%	2007	12,097
Equipment	Lease Purchase Agreement	1	5.58%	2007	44,711
Equipment	Lease Purchase Agreement	1	5.58%	2007	<u>11,573</u>

Total Other Long-Term Obligations 77,530

TOTAL GOVERNMENTAL ACTIVITIES 15,507,530

BUSINESS TYPE ACTIVITIES:

Wayne County Sewage Disposal System	General Obligation	2	3.60% to 6.75%	2010	439,345
Wayne County Sewage Disposal Refunding Bonds	General Obligation	1	3.15% to 5.9%	2007	513,088
South Huron Valley Utility Authority Substitution Fund Bonds; 1991 Series	General Obligation	1	2.00%	2011	710,785
South Huron Valley Utility Authority 1998 Sewer System Plant Acquisition Bonds	General Obligation	1	2.25%	2020	<u>2,694,054</u>

TOTAL BUSINESS TYPE ACTIVITIES 4,357,272

TOTAL LONG-TERM DEBT OUTSTANDING \$19,864,802

NOTE -8- LONG-TERM DEBT: (continued)

The following is a summary of debt transactions of the City for the year ended June 30, 2005:

	<u>ENTERPRISE FUND</u>	<u>GENERAL & TAXABLE OBLIGATIONS</u>	<u>TOTAL</u>
Balance at July 1, 2004	\$4,809,208	\$14,539,601	\$19,348,809
Debt issued	-	1,750,000	1,750,000
Debt retired	<u>(451,936)</u>	<u>(782,071)</u>	<u>(1,234,007)</u>
Balance at June 30, 2005	<u>\$4,357,272</u>	<u>\$15,507,530</u>	<u>\$19,864,802</u>

Estimated annual principal and interest requirements for all outstanding debt listed above are as follows:

Year Ended		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/06		\$ 1,198,360	\$ 721,534	\$ 1,919,894
6/30/07		1,352,496	658,922	2,011,418
6/30/08		1,299,230	603,716	1,902,946
6/30/09		1,366,510	557,648	1,924,158
6/30/10		1,396,813	503,033	1,899,846
6/30/11		1,152,729	449,124	1,601,853
6/30/12		1,072,254	407,660	1,479,914
6/30/13		1,115,942	369,986	1,485,928
6/30/14		924,015	336,616	1,260,631
6/30/15		962,702	303,093	1,265,795
6/30/16		1,002,005	267,529	1,269,534
6/30/17		1,045,692	229,276	1,274,968
6/30/18		1,089,995	188,954	1,278,949
6/30/19		974,297	150,221	1,124,518
6/30/20		1,023,599	113,001	1,136,600
6/30/21		1,068,163	73,689	1,141,852
6/30/22		490,000	47,555	537,555
6/30/23		520,000	34,896	554,896
6/30/24		540,000	21,546	561,546
6/30/25		130,000	12,044	142,044
6/30/26		<u>140,000</u>	<u>4,113</u>	<u>144,113</u>
		<u>\$19,864,802</u>	<u>\$6,054,156</u>	<u>\$25,918,958</u>

Interest is payable on all bond obligations semi-annually. Principal installments are made annually. Total interest expense for the City for the year ended June 30, 2005, approximated \$976,000.

NOTE -9- INTERFUND RECEIVABLES:

The following are the interfund receivables and payables of the City as of June 30, 2005:

<u>GENERAL FUND –</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
Tax Increment Finance Authority Fund	\$	\$ 550,000
Special Revenue Funds	10,090	578,000
Enterprise Fund	227	379,000
Capital Projects Fund	<u>-</u>	<u>665,000</u>
TOTAL GENERAL FUND	<u>10,317</u>	<u>2,172,000</u>

NOTE -9- INTERFUND RECEIVABLES: (continued)

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
<u>SPECIAL REVENUE FUNDS –</u>		
Recreation Center Operating Fund:		
General Fund	\$ 490,000	\$ -
Recreation Center Construction		68,600
Major Street Fund		
Local Street Fund	28,000	-
Local Street Fund		
General Fund	88,000	-
Major Street Fund	-	28,000
Block Grant Fund:		
General Fund	<u>-</u>	<u>10,090</u>
TOTAL SPECIAL REVENUE FUNDS	<u>606,000</u>	<u>106,690</u>
<u>ENTERPRISE FUND -</u>		
General Fund	<u>379,000</u>	<u>227</u>
TOTAL ENTERPRISE FUND	<u>379,000</u>	<u>227</u>
<u>TAX INCREMENT FINANCE AUTHORITY FUND -</u>		
General Fund	<u>550,000</u>	<u>-</u>
TOTAL TAX INCREMENT FINANCE AUTHORITY FUND	<u>550,000</u>	<u>-</u>
<u>RECREATION CENTER CONSTRUCTION FUND –</u>		
General Fund	665,000	-
Special Revenue fund	<u>68,600</u>	<u>-</u>
TOTAL RECREATION CENTER CONSTRUCTION FUND	<u>733,600</u>	<u>-</u>
TOTAL INTERFUND RECEIVABLES AND PAYABLES	<u>\$2,278,917</u>	<u>\$2,278,917</u>

NOTE -10- INTERFUND OPERATING TRANSFERS:

The following are interfund operating transfers of the City at June 30, 2005

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
<u>GENERAL FUND -</u>		
Special Revenue Funds:		
Local Street Fund	\$ -	\$ 452,101
Library Fund	-	90,000
Debt Service Funds:		
Seneca Sewer and Water	2,948	-
Aspen Drive Fund	-	118,414
Capital Projects Funds:		
Greenway Grant	-	500,000
Sidewalk replacement fund	<u>-</u>	<u>75,000</u>
TOTAL GENERAL FUND	<u>2,948</u>	<u>1,235,515</u>
<u>TAX INCREMENT FINANCE AUTHORITY FUND –</u>		
Special Revenue Funds:		
Recreation Center Operating Fund	-	70,000
Debt Service Funds:		
TIFA Debt Service Fund	<u>-</u>	<u>688,689</u>
TOTAL TAX INCREMENT FINANCE AUTHORITY FUND	<u>-</u>	<u>758,689</u>

NOTE -10- INTERFUND OPERATING TRANSFERS: (continued)

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
<u>RECREATION CENTER CONSTRUCTION FUND -</u>		
Special Revenue Funds:		
Recreation Center Operating Fund	\$ -	\$ 500,000
Debt Service Funds:		
TIFA Debt Service Fund	-	<u>388,530</u>
TOTAL RECREATION CENTER CONSTRUCTION FUND	<u>-</u>	<u>888,530</u>
<u>OTHER GOVERNEMENTAL FUNDS -</u>		
Special Revenue Funds:		
Recreation Center Operating Fund:		
Tax Increment Finance Authority Fund	70,000	-
Recreation Center Construction Fund	500,000	-
Major Street Fund:		
Local Street Fund	-	54,519
Local Street Fund:		
General Fund	452,101	-
Major Street Fund	54,519	-
Transportation Bond General Obligation Fund	-	25,385
Aspen Drive Debt Service Fund	-	102,168
Library Fund:		
General Fund	<u>90,000</u>	<u>-</u>
Total Special Revenue Funds	<u>1,166,620</u>	<u>182,072</u>
Debt Service Funds:		
Aspen Drive Debt Service Fund:		
General Fund	118,414	-
Local Street Fund	102,168	-
Transportation Bond General Obligation Fund:		
Local Street Fund	25,385	-
Seneca Water and Sewer Debt Service Fund:		
General Fund	-	2,948
TIFA Debt Service Fund		
Tax Increment Finance Authority Fund	688,689	-
Recreation Center Construction Fund	388,530	-
Special Assessment Sidewalks Fund:		
Sidewalk Replacement Construction Fund	<u>-</u>	<u>34,000</u>
Total Debt Service Funds	<u>1,323,186</u>	<u>36,948</u>
Capital Project Funds:		
Greenway Grant Fund:		
General Fund	500,000	-
Sidewalk Replacement Fund:		
General Fund	75,000	-
Special Assessment Debt Service Fund	<u>34,000</u>	<u>-</u>
Total Capital Project Funds	<u>609,000</u>	<u>-</u>
TOTAL OTHER GOVERNMENTAL FUNDS	<u>3,098,806</u>	<u>219,020</u>
TOTAL INTERFUND OPERATING TRANSFERS	<u>\$ 3,101,754</u>	<u>\$3,101,754</u>

NOTE -11- RISK MANAGEMENT:

The City purchases commercial insurance covering risks of loss arising from torts, asset theft, damage or destruction, business interruption, errors and omissions, job related illness or injuries to employees, workers compensation, accident, health, and other medical benefits.

There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City is the defendant in several legal actions which have arisen in the ordinary course of operations. These actions are not anticipated to have a significant effect on the financial condition of the City.

NOTE -12- DEFERRED COMPENSATION PLAN:

The City has a Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by an independent plan administrator. The Plan is available to all City employees. Employees defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death or financial hardship.

The Deferred Compensation Plan is recorded in the Agency Fund. The Plan's assets are presented at fair market value and captioned as "investments" with corresponding liabilities captioned "deferred compensation benefits".

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits of the Plan), subject to the claims of the City's general creditors. Participant's rights under the Plan are equal to those of the general creditors of the City in the amount equal to the fair market value of the deferred amount for each participant.

The City has no liability for losses under the Plan agreement but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors.

NOTE -13- POST RETIREMENT BENEFITS:

The City provides health care benefits to retirees. These benefits are paid annually from the General Fund.

The total cost to the City for health care benefits for the year ended June 30, 2005, was \$925,000 for approximately 81 active employees and 37 retirees.

NOTE -14- ADVANCE REFUND OF SEWAGE DISPOSAL BONDS:

On May 24, 1994, the City issued \$2,295,441 of Wayne County Sewage Disposal (Flat Rock System) Refunding Bonds with variable interest rates (3.15% to 5.19%) to advance refund \$2,175,000 of outstanding Wayne County Sewage Disposal (Flat Rock System) Bonds dated July 1, 1970, with variable interest rates (6% to 8%). The net proceeds of \$2,242,444 (after payment of \$52,997 in underwriting fees and issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1970 Series Bonds. As a result, the 1970 Series Bonds are considered to be nullified and the liability for those bonds has been removed from the Enterprise-Water and Sewer Fund. At June 30, 2005, the balance of the defeased 1970 Series Bonds was \$575,000.

The City advance refunded the 1970 Series Bonds to reduce its total debt service payments over the next 14 years by \$91,612 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$67,211.

NOTE -15- MICHIGAN TAX TRIBUNAL:

Currently the City of Flat Rock has numerous matters pending before the State of Michigan Tax Tribunal requesting the lowering of local real and personal property taxes. No single matter taken alone would significantly affect the tax base of the City.

NOTE -16- JOINT VENTURES:

33rd District Court - The City is a member of the 33rd District Court System (the "District Court"). The City appoints one member to the joint venture's governing board, who then approves the annual budget. The District Court receives its operating revenue principally through contributions from the member communities. The debt of the joint venture is being financed by member contributions. Complete financial statements for the District Court can be obtained from the administrative offices at 19000 Van Horn Rd., Woodhaven, MI 48183. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

South Huron Valley Utility Authority - The City is a member of the South Huron Valley Utility Authority, which provides sanitary sewage disposal services. Each of the eight member communities appoints one member to the Board. The Authority receives its operating revenue through charges to the communities. The City's share of the debt of the joint venture is being financed by the City through debt service charges. During the year ended June 30, 2005, the City paid operating costs of \$616,889. In addition, the City paid \$248,323 in principal payments and \$78,588 in interest expense. Complete financial statements for the Authority can be obtained from the administrative offices at 34001 West Jefferson, Brownstown, MI 48173

Naming Rights Agreement - The City of Flat Rock, in conjunction with Auto Alliance International, Inc., (AAI), Ford Motor Company and Mazda Motor Corporation has agreed to the sale of naming rights for a new community center. The City has built a new recreational community center in which AAI has agreed, under general terms and conditions, to purchase the right to name the ("New Community Center") for \$6,100,000. AAI has paid the final installment of \$2,200,000 during the year ended June 30, 2005.

NOTE -17-NOTE RECEIVABLE

During construction of the new recreation center the general fund of the City's general fund agreed to loan the Tax Increment Finance Authority \$4,800,000. Repayment of this loan consists of 17 annual installments of \$491,641 including interest at 7.00% on the outstanding balance. This Promissory Note has been eliminated on the Statement of Net Assets. Estimated annual principle and interest payments are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending	6/30/06	\$ 178,193	\$ 313,448	\$ 491,641
	6/30/07	190,667	300,974	491,641
	6/30/08	204,014	287,627	491,641
	6/30/09	218,294	273,347	491,641
	6/30/10	233,575	258,066	491,641
	6/30/11	249,925	241,716	491,641
	6/30/12	267,420	224,221	491,641
	6/30/13	286,140	205,501	491,641
	6/30/14	306,169	185,472	491,641
	6/30/15	327,601	164,040	491,641
	6/30/16	350,533	141,108	491,641
	6/30/17	375,071	116,570	491,641
	6/30/18	401,325	90,316	491,641
	6/30/19	429,418	62,223	491,641
	6/30/20	<u>459,478</u>	<u>32,163</u>	<u>491,641</u>
		<u>\$4,477,823</u>	<u>\$2,896,792</u>	<u>\$7,374,615</u>

REQUIRED SUPPLEMENTAL INFORMATION

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2005

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>REVENUES:</u>				
Property taxes	\$ 5,431,883	\$ 5,431,883	\$ 5,511,901	\$ 80,018
Sale of naming rights	2,200,000	2,200,000	2,200,000	-
General Government	36,250	36,250	69,570	33,320
Police Department	417,310	417,310	479,063	61,753
Fire Department	79,550	79,550	130,628	51,078
Building and Safety:				
Building permits	180,000	180,000	102,177	(77,823)
Electrical permits	70,000	70,000	48,053	(21,947)
Plumbing permits	45,000	45,000	30,515	(14,485)
Mechanical permits	53,000	53,000	34,715	(18,285)
Other revenues	20,850	20,850	28,035	7,185
Public Works	124,500	124,500	252,158	127,658
Recreation and culture	116,500	116,500	97,930	(18,570)
Community enrichment and development	77,300	77,300	83,851	6,551
State Shared Revenues	833,411	833,411	819,355	(14,056)
Interest	340,105	340,105	374,846	34,741
TOTAL REVENUES	10,025,659	10,025,659	10,262,797	237,138
<u>EXPENDITURES:</u>				
<u>GENERAL GOVERNMENT:</u>				
Legislative:				
Elected officials wages	10,000	10,000	10,000	-
Judicial:				
Legal fees	40,000	40,000	50,149	(10,149)
District court	321,708	321,708	382,966	(61,258)
Total Judicial	361,708	361,708	433,115	(71,407)
Elections:				
Supervisory	4,000	4,000	4,000	-
Clerical	5,000	5,000	11,883	(6,883)
Overtime	2,000	2,000	2,577	(577)
Payroll tax	880	880	1,343	(463)
Fees and per diem	9,500	9,500	8,308	1,192
Office supplies	1,000	1,000	575	425
Operating supplies	4,500	4,500	1,877	2,623
Meal allowance	350	350	60	290
Advertising	1,500	1,500	1,678	(178)
Insurance and bond	1,300	1,300	1,239	61
Equipment maintenance	3,000	3,000	4,410	(1,410)
Capital outlay	2,500	2,500	-	2,500
Total Elections	35,530	35,530	37,950	(2,420)

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2005

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
City Clerk and Treasurer:				
Supervisory	\$ 90,083	\$ 90,083	\$ 90,449	\$ (366)
Mechanic	600	600	2,326	(1,726)
Custodian	28,560	28,560	50,605	(22,045)
Clerical	187,799	187,799	179,393	8,406
Overtime	6,000	6,000	10,361	(4,361)
Overtime custodian	5,500	5,500	2,857	2,643
Overtime park maintenance	6,000	6,000	5,077	923
Payroll taxes	29,405	29,405	31,616	(2,211)
Hospitalization	82,747	82,747	76,928	5,819
Employee life insurance	1,890	1,890	1,890	-
Longevity pay	1,050	1,050	1,050	-
Sick and vacation pay	-	-	1,449	(1,449)
Retirement contribution	58,401	58,401	57,110	1,291
Office supplies	18,000	18,000	14,499	3,501
Fees and per diem	250	250	-	250
Gasoline and oil, etc.	750	750	1,194	(444)
Operating supplies	2,000	2,000	1,142	858
Medical expense	250	250	100	150
Computer expense	45,000	45,000	18,308	26,692
Clothing	500	500	1,208	(708)
Custodian supplies	2,500	2,500	2,854	(354)
Pond sprinklers	7,500	7,500	8,278	(778)
Audit fee	13,000	13,000	12,150	850
Tax roll preparation	10,000	10,000	10,839	(839)
Membership and dues	15,000	15,000	13,031	1,969
Telephone	14,000	14,000	13,834	166
Meal allowance	750	750	660	90
Public relations	6,000	6,000	1,619	4,381
Reimburse employee's Blue Cross	41,967	41,967	40,339	1,628
Reading building	8,500	8,500	11,693	(3,193)
Advertising	500	500	859	(359)
Capital outlay	-	-	662	(662)
Education and training	2,500	2,500	2,375	125
Insurance and bonds	33,610	33,610	30,477	3,133
Utilities	45,000	45,000	34,827	10,173
Building maintenance	50,000	50,000	52,164	(2,164)
Equipment maintenance	10,000	10,000	10,548	(548)
Equipment rental	4,000	4,000	6,166	(2,166)
Civil defense	38,350	38,350	40,251	(1,901)
Miscellaneous	7,000	7,000	5,031	1,969
Tax refunds	1,500	1,500	2,482	(982)
Ordinance codification	25,000	25,000	-	25,000
Interest	1,000	1,000	238	762
Total City Clerk and Treasurer	<u>902,462</u>	<u>902,462</u>	<u>848,939</u>	<u>53,523</u>

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2005

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
City Assessor:				
Assessor salary	\$ 10,000	\$ 10,000	\$ 10,000	-
Clerical	15,992	15,992	16,368	(376)
Overtime	500	500	497	3
Payroll taxes	1,319	1,319	408	911
Fees and per diem	500	500	1,400	(900)
Office supplies	250	250	30	220
Computer expense	3,000	3,000	740	2,260
Meal allowance	100	100	-	100
Tax roll preparation	10,000	10,000	9,265	735
Membership and dues	250	250	150	100
Advertising	500	500	266	234
Education and training	500	500	-	500
Insurance and bond	794	794	711	83
Miscellaneous	500	500	-	500
Total City Assessor	44,205	44,205	39,835	4,370
City Attorney:				
Retainer	22,000	22,000	22,000	-
Labor	20,000	20,000	-	20,000
Other matters	5,000	5,500	-	5,500
Total City Attorney	47,000	47,500	22,000	25,500
City Engineer:				
Consulting fees	5,000	5,000	779	4,221
TOTAL GENERAL GOVERNMENT	1,405,905	1,406,405	1,392,618	13,787
<u>POLICE DEPARTMENT:</u>				
Supervisory	75,911	75,911	76,204	\$ (293)
Lieutenants	310,817	310,817	323,594	(12,777)
Sergeants	293,230	293,230	326,130	(32,900)
Motor carrier officer	-	-	23,213	(23,213)
Patrolmen	756,422	756,422	782,717	(26,295)
Dispatch	65,804	65,804	68,841	(3,037)
Ordinance officer	19,741	19,741	23,140	(3,399)
Administrative assistant	34,625	34,625	34,759	(134)
Downriver mutual aid	2,000	2,000	2,816	(816)
Mechanic wages	30,000	30,000	32,939	(2,939)
Custodian wages	30,000	30,000	27,611	2,389
Temporary wages	26,640	26,640	21,816	4,824
Shift differential	14,000	14,000	9,979	4,021
Overtime	130,000	130,000	131,617	(1,617)
Payroll taxes	158,559	158,559	158,987	(428)
Holiday pay premium	45,000	45,000	55,111	(10,111)
Hospitalization	433,052	433,052	407,114	25,938
Employee life insurance	7,560	7,560	7,329	231
Longevity pay	12,000	12,000	11,643	357
Retirement contribution	177,254	177,254	264,212	(86,958)
Sick and vacation pay	-	-	140	(140)

The notes to the financial statements are an integral part of this statement.

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>POLICE DEPARTMENT (continued):</u>				
Office supplies	\$ 5,000	\$ 5,000	\$ 4,789	\$ 211
Postage	1,000	1,000	905	95
Dog expenses	9,500	9,500	8,069	1,431
Gas and oil	25,000	25,000	31,949	(6,949)
Operating supplies	6,500	6,500	4,700	1,800
Photographic supplies	4,000	4,000	7,317	(3,317)
Medical expenses	7,500	7,500	4,747	2,753
Jail expenses	40,000	40,000	43,817	(3,817)
Prisoner medical	1,500	1,500	-	1,500
OUIL expenses	-	-	13,959	(13,959)
Computer expense	30,000	30,000	32,256	(2,256)
Clothing	46,000	46,000	39,198	6,802
Custodial supplies	3,000	3,000	7,306	(4,306)
Auxiliary police	5,000	5,000	624	4,376
Membership dues	1,000	1,000	1,315	(315)
Legal fees	5,000	5,000	21,700	(16,700)
Telephone	17,000	17,000	18,867	(1,867)
Meal allowance	2,000	2,000	1,191	809
Gun allowance	7,500	7,500	7,200	300
Gun range	5,000	5,000	5,567	(567)
Public relations	3,000	3,000	2,057	943
Reimburse employee's Blue Cross	84,299	84,299	90,893	(6,594)
Advertising	2,000	2,000	2,276	(276)
Education and training	17,000	17,000	15,769	1,231
Insurance and bonds	76,578	76,578	71,821	4,757
Utilities	25,000	25,000	25,605	(605)
Building maintenance	12,000	12,000	12,880	(880)
Equipment maintenance	10,000	10,000	23,292	(13,292)
Equipment lease	30,000	30,000	23,481	6,519
Auto maintenance	30,000	30,000	43,197	(13,197)
Equipment rental	7,500	7,500	4,611	2,889
Mutual aid	4,500	4,500	4,083	417
Miscellaneous	3,000	3,000	2,975	25
Interest	1,000	1,000	493	507
Capital outlay	60,000	60,000	51,763	8,237
TOTAL POLICE DEPARTMENT	<u>3,209,992</u>	<u>3,209,992</u>	<u>3,420,584</u>	<u>(210,592)</u>
<u>FIRE DEPARTMENT</u>				
Chief and assistant salaries	57,509	57,509	57,650	(141)
Mechanic	6,000	6,000	3,277	2,723
Custodian	8,500	8,500	9,997	(1,497)
Clerical	8,000	8,000	-	8,000
Deputy chief	2,754	2,754	2,854	(100)
Full time employees	217,483	217,483	235,435	(17,952)
Part time employees	75,000	75,000	149,420	(74,420)
Overtime	30,000	30,000	21,872	8,128
Payroll taxes	33,738	33,738	39,533	(5,795)
Holiday pay	6,500	6,500	10,986	(4,486)

The notes to the financial statements are an integral part of this statement.

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>FIRE DEPARTMENT (continued):</u>				
Hospitalization	\$ 97,940	\$ 97,940	\$ 52,853	\$ 45,087
Employee life	1,764	1,764	1,680	84
Longevity pay	650	650	650	-
Retirement contribution	26,050	26,050	29,191	(3,141)
Sick pay	-	-	4,039	(4,039)
Office supplies	3,500	3,500	2,917	583
Operating supplies	12,000	12,000	10,646	1,354
Gas and oil	3,000	3,000	4,888	(1,888)
Operating supplies	4,000	4,000	5,338	(1,338)
Medical expenses	8,000	8,000	5,074	2,926
Clothing	8,000	8,000	12,950	(4,950)
Custodial supplies	1,000	1,000	570	430
Ambulance billing service	10,000	10,000	13,156	(3,156)
Membership and dues	2,000	2,000	1,785	215
Legal fees	-	-	3,750	(3,750)
Telephone	7,500	7,500	6,517	983
Meal allowance	600	600	647	(47)
Public relation	3,000	3,000	3,057	(57)
Reimbursement blue cross	15,823	15,823	21,121	(5,298)
Advertising	1,000	1,000	115	885
Education and training	13,000	13,000	25,273	(12,273)
Insurance and bond	28,875	28,875	26,718	2,157
Utilities	15,500	15,500	19,607	(4,107)
Building maintenance	25,000	25,000	8,889	16,111
Equipment maintenance	30,000	30,000	26,196	3,804
Equipment lease	12,000	12,000	5,163	6,837
Mutual aid	3,000	3,000	1,560	1,440
TOTAL FIRE DEPARTMENT	778,686	778,686	825,374	(46,688)
<u>BUILDING AND SAFETY:</u>				
Supervisory	52,724	52,724	56,930	(4,206)
Ordinance officer	13,161	13,161	10,740	2,421
Mechanic	500	500	469	31
Clerical	51,244	51,244	54,077	(2,833)
Inspector	83,481	83,481	38,039	45,442
Overtime	5,500	5,500	2,053	3,447
Payroll taxes	16,612	16,612	13,603	3,009
Hospitalization	41,652	41,652	41,922	(270)
Sick and vacation pay	-	-	1,332	(1,332)
Fee per diem	200	200	-	200
Employee life insurance	1,008	1,008	882	126
Retirement contribution	24,068	24,068	21,437	2,631
Office supplies	4,000	4,000	2,257	1,743
Gas and oil	1,000	1,000	1,051	(51)

The notes to the financial statements are an integral part of this statement.

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>BUILDING AND SAFETY (continued):</u>				
Operating supplies	\$ 3,000	\$ 3,000	\$ 993	\$ 2,007
Computer expense	2,000	2,000	4,128	(2,128)
Clothing	300	300	42	258
Membership and dues	600	600	809	(209)
Consultant fees	2,000	2,000	268	1,732
Inspections:				-
Mechanical	45,000	45,000	27,711	17,289
Electrical	50,000	50,000	34,165	15,835
Plumbing	30,000	30,000	21,871	8,129
Telephone	8,000	8,000	6,440	1,560
Auto expense	3,000	3,000	2,896	104
Meal allowance	450	450	229	221
Reimburse employee's Blue Cross	6,045	6,045	13,655	(7,610)
Advertising	600	600	78	522
Education and training	2,500	2,500	966	1,534
Insurance and bond	17,646	17,646	13,945	3,701
Utilities	3,000	3,000	3,565	(565)
Miscellaneous	5,000	5,000	315	4,685
Capital outlay	-	-	1,949	(1,949)
TOTAL BUILDING AND SAFETY	474,291	474,291	378,817	95,474
<u>PUBLIC WORKS:</u>				
Supervisory	83,388	83,388	83,812	(424)
Labor	285,048	285,048	273,507	11,541
Mechanic	45,669	45,669	53,371	(7,702)
Temporary	30,000	30,000	29,858	142
Overtime	40,000	40,000	12,959	27,041
Overtime department heads	4,000	4,000	3,278	722
Payroll taxes	44,489	44,489	39,869	4,620
Hospitalization	258,619	258,619	284,704	(26,085)
Employee life insurance	4,536	4,536	4,889	(353)
Longevity pay	4,500	4,500	4,732	(232)
Retirement contribution	87,165	87,165	108,613	(21,448)
Sick and vacation pay	-	-	9,586	(9,586)
Office supplies	2,000	2,000	1,323	677
Gas and oil	17,000	17,000	25,589	(8,589)
Operating supplies	14,000	14,000	16,847	(2,847)
Medical expenses	4,000	4,000	1,551	2,449
Clothing	14,200	14,200	12,807	1,393
Custodial supplies	1,000	1,000	1,628	(628)
Membership and dues	800	800	60	740
Consulting fees	2,000	2,000	780	1,220
Garbage pick up	298,000	298,000	268,253	29,747
Hazardous waste pickup	15,000	15,000	5,163	9,837
Street lighting	130,000	130,000	201,906	(71,906)

The notes to the financial statements are an integral part of this statement.

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>PUBLIC WORKS (continued)</u>				
Tree removal	\$ 2,000	\$ 2,000	-	\$ 2,000
Telephone	9,250	9,250	9,569	(319)
Meal allowance	1,500	1,500	420	1,080
Reimburse employee's Blue Cross	49,311	49,311	22,213	27,098
Advertising	1,000	1,000	267	733
Education and training	7,000	7,000	1,778	5,222
Insurance and bond	56,451	56,451	51,060	5,391
Utilities	18,400	18,400	17,493	907
Building maintenance	14,000	14,000	13,619	381
Cemetery maintenance	1,500	1,500	982	518
Equipment maintenance	55,000	55,000	48,836	6,164
Equipment lease	90,135	90,135	38,060	52,075
Park maintenance	25,000	25,000	13,436	11,564
Miscellaneous	1,000	1,000	7,454	(6,454)
Capital outlay	77,600	77,600	75,027	2,573
Interest	5,000	5,000	6,976	(1,976)
TOTAL PUBLIC WORKS	1,799,561	1,799,561	1,752,275	47,286
<u>RECREATION AND CULTURE:</u>				
Recreation:				
Supervisory	54,041	54,041	51,829	2,212
Mechanic	2,500	2,500	2,411	89
Clerical	10,104	10,104	7,770	2,334
Temporary	53,000	53,000	41,765	11,235
Bus transportation	16,000	16,000	9,027	6,973
Programmers	49,195	49,195	44,077	5,118
Consulting fees	11,000	11,000	-	11,000
Park improvements	50,000	50,000	-	50,000
Overtime	7,000	7,000	1,206	5,794
Payroll taxes	15,831	15,831	13,887	1,944
Hospitalization	28,602	28,602	13,968	14,634
Employee life insurance	756	756	504	252
Retirement contribution	16,319	16,319	16,901	(582)
Sick pay	-	-	3,472	(3,472)
Office supplies	10,000	10,000	2,154	7,846
Postage	6,000	6,000	1,837	4,163
Gas and oil	2,500	2,500	2,333	167
Operating supplies	9,000	9,000	438	8,562
Playground equipment	12,000	12,000	-	12,000
Computer expense	5,000	5,000	152	4,848
Membership and dues	1,000	1,000	1,113	(113)
Athletic equipment	-	-	560	(560)
River fest	15,000	15,000	68	14,932
Telephone	9,500	9,500	7,279	2,221
Travel expense	15,000	15,000	13,947	1,053
Adult softball	10,000	10,000	5,624	4,376

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2005

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
Recreation (continued):				
Youth baseball	\$ 3,000	\$ 3,000	\$ 2,050	\$ 950
Safety town	500	500	-	500
Youth programs	15,000	15,000	13,352	1,648
Adult programs	10,000	10,000	4,589	5,411
Concession stand	1,500	1,500	-	1,500
MRPA programs	15,000	15,000	14,534	466
Meal allowance	400	400	167	233
Public relations	400	400	-	400
Reimburse employee's Blue Cross	6,045	6,045	6,069	(24)
Advertising	8,000	8,000	7,950	50
Utilities	100	100	-	100
Education and training	1,000	1,000	-	1,000
Insurance and bond	12,937	12,937	8,886	4,051
Arts council	20,000	20,000	14,232	5,768
Equipment maintenance	6,000	6,000	3,781	2,219
Equipment rental	4,000	4,000	907	3,093
Miscellaneous	4,000	4,000	1,004	2,996
Capital outlay	47,000	47,000	-	47,000
Total Recreation	<u>564,230</u>	<u>564,230</u>	<u>319,843</u>	<u>244,387</u>
Senior Citizens:				
Custodian	8,700	8,700	9,343	(643)
Payroll taxes	696	696	725	(29)
Operating supplies	100	100	60	40
Custodial supplies	500	500	56	444
Meal allowance	100	100	90	10
Telephone	1,100	1,100	996	104
Meals on Wheels	4,800	4,800	3,859	941
Advertising	100	100	-	100
Insurance and bond	1,684	1,684	1,545	139
Utilities	4,500	4,500	5,656	(1,156)
Building maintenance	1,000	1,000	751	249
Miscellaneous	100	100	69	31
Total Senior Citizens	<u>23,380</u>	<u>23,380</u>	<u>23,150</u>	<u>230</u>
Youth Center:				
Custodian	12,250	12,250	14,021	(1,771)
Payroll taxes	980	980	1,088	(108)
Custodial supplies	750	750	209	541
Telephone	1,100	1,100	1,002	98
Meal allowance	100	100	50	50
Insurance and bond	1,750	1,750	1,605	145
Utilities	2,500	2,500	2,605	(105)
Building maintenance	1,000	1,000	2,138	(1,138)
Miscellaneous	100	100	-	100
Total Youth Center	<u>20,530</u>	<u>20,530</u>	<u>22,718</u>	<u>(2,188)</u>

The notes to the financial statements are an integral part of this statement.

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
Ball field, Fountain & Ice Rink:				
Ball field maintenance	\$ 40,000	\$ 40,000	\$ 56,799	(16,799)
Ice rink maintenance	30,000	30,000	34,735	(4,735)
Payroll taxes	5,600	5,600	7,050	(1,450)
Ball field material and supplies	10,000	10,000	36,350	(26,350)
Ice rink material and supplies	7,500	7,500	7,617	(117)
Meal allowance	100	100	600	(500)
Insurance and bonds	2,324	2,324	2,172	152
Ball field utilities	11,000	11,000	12,223	(1,223)
Ice rink utilities	25,000	25,000	15,562	9,438
Building rent	435,860	435,860	429,530	6,330
Total Ball field, Fountain & Ice Rink	<u>567,384</u>	<u>567,384</u>	<u>602,638</u>	<u>(35,254)</u>
TOTAL RECREATION AND CULTURE	<u>1,175,524</u>	<u>1,175,524</u>	<u>968,349</u>	<u>207,175</u>
<u>COMMUNITY ENRICHMENT AND DEVELOPMENT</u>				
Planning Commission:				
Clerical	2,750	2,750	1,180	1,570
Payroll taxes	220	220	93	127
Fees and per diem	1,200	1,200	1,445	(245)
Special meetings	1,000	1,000	-	1,000
Office supplies	350	350	204	146
Consultant fees	7,500	7,500	5,415	2,085
Revisions of Ordinance	15,000	15,000	-	15,000
Special planning work	3,000	3,000	-	3,000
Advertising	750	750	930	(180)
Education and training	500	500	65	435
Insurance and bond	818	818	708	110
Total Planning Commission	<u>33,088</u>	<u>33,088</u>	<u>10,040</u>	<u>23,048</u>
Zoning Board of Appeals:				
Clerical	1,500	1,500	2,286	(786)
Overtime department heads	850	850	151	699
Payroll taxes	188	188	186	2
Fees and per diem	750	750	300	450
Office supplies	200	200	340	(140)
Consultant	500	500	95	405
Advertising	1,000	1,000	1,668	(668)
Education and training	100	100	-	100
Insurance and bond	1,200	1,200	1,044	156
Total Zoning Board of Appeals	<u>6,288</u>	<u>6,288</u>	<u>6,070</u>	<u>218</u>
Beautification:				
Clerical	500	500	367	133
Payroll taxes	40	40	28	12
Fees and per diem	1,260	1,260	1,110	150
Office supplies	100	100	30	70

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2005

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
Beautification (continued):				
Seeding and planting	\$ 10,000	\$ 10,000	\$ 10,000	-
Public relations	10,000	10,000	9,583	417
Advertising	300	300	-	300
Insurance and bond	826	826	714	112
Maintenance fee	5,000	5,000	4,729	271
Pole decorations	7,500	7,500	6,977	523
Miscellaneous	3,000	3,000	1,911	1,089
Capital outlay	-	-	-	-
Total Beautification	<u>38,526</u>	<u>38,526</u>	<u>35,449</u>	<u>3,077</u>
Cable Commission:				
Fees and per diem	910	910	1,600	(690)
Public relations	500	500	67	433
Advertising	500	500	-	500
Insurance and bond	850	850	708	142
Equipment maintenance	500	500	-	500
Miscellaneous	500	500	23	477
Total Cable Commission	<u>3,760</u>	<u>3,760</u>	<u>2,398</u>	<u>1,362</u>
TOTAL COMMUNITY ENRICHMENT AND DEVELOPMENT				
	<u>81,662</u>	<u>81,662</u>	<u>53,957</u>	<u>27,705</u>
TOTAL EXPENDITURES				
	<u>8,925,621</u>	<u>8,926,121</u>	<u>8,791,974</u>	<u>134,147</u>
EXCESS REVENUES				
	<u>1,100,038</u>	<u>1,099,538</u>	<u>1,470,823</u>	<u>371,285</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Interfund Transfers				
Special Revenue Funds	(219,577)	(219,577)	(542,101)	(322,524)
Debt Service Funds	(162,114)	(162,114)	(118,414)	(43,700)
Debt Service Funds	-	-	2,948	(2,948)
Capital Project Funds	(40,000)	(40,000)	(575,000)	(535,000)
Total Interfund Transfers	<u>(421,691)</u>	<u>(421,691)</u>	<u>(1,232,567)</u>	<u>(904,172)</u>
EXCESS REVENUES AND OTHER SOURCES (USES) OVER EXPENDITURES				
	678,347	677,847	238,256	(532,887)
Fund Balance, July 1, 2004				
	<u>2,185,532</u>	<u>2,185,532</u>	<u>2,185,532</u>	<u>-</u>
Fund Balance, June 30, 2005				
	<u>\$ 2,863,879</u>	<u>\$ 2,863,379</u>	<u>\$ 2,423,788</u>	<u>\$ (532,887)</u>

The notes to the financial statements are an integral part of this statement.

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
REVENUES				
Taxes captured	\$ 4,403,188	\$ 4,443,908	\$ 4,443,908	\$ -
Other	21,500	50,000	50,015	15
Interest	15,000	14,742	13,827	(915)
Total Revenues	<u>4,439,688</u>	<u>4,508,650</u>	<u>4,507,750</u>	<u>(900)</u>
EXPENDITURES				
Road maintenance and repair	34,500	32,934	30,170	2,764
Tax refund	3,082,231	3,110,736	3,110,736	-
Total Expenditures	<u>3,116,731</u>	<u>3,143,670</u>	<u>3,140,906</u>	<u>2,764</u>
EXCESS REVENUES	<u>1,322,957</u>	<u>1,364,980</u>	<u>1,366,844</u>	<u>1,864</u>
OTHER FINANCING SOURCES (USES)				
Interfund Transfers:				
Debt Service Funds	(843,790)	(817,219)	(688,689)	128,530
Special Revenue Funds	-	-	(70,000)	(70,000)
Recreation Center Construction Fund	-	(614,359)	-	614,359
Total Interfund Transfers	<u>(843,790)</u>	<u>(1,431,578)</u>	<u>(758,689)</u>	<u>672,889</u>
EXCESS REVENUES AND OTHER SOURCES (USES) OVER EXPENDITURES	479,167	(66,598)	608,155	674,753
Fund Balance, July 1, 2004	<u>42,969</u>	<u>42,969</u>	<u>42,969</u>	<u>-</u>
Fund Balance, June 30, 2005	<u>\$ 522,136</u>	<u>\$ (23,629)</u>	<u>\$ 651,124</u>	<u>\$ 674,753</u>

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, Downtown Development Authority
For the Year Ended June 30, 2005

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
REVENUES				
Taxes captured	\$ 472,000	\$ 472,000	\$ 507,656	\$ 35,656
Interest	6,000	6,000	18,245	12,245
Total Revenues	<u>478,000</u>	<u>478,000</u>	<u>525,901</u>	<u>47,901</u>
EXPENDITURES				
Community enrichment and development	357,915	357,915	345,864	12,051
Tax refund	-	-	6,639	(6,639)
Total Expenditures	<u>357,915</u>	<u>357,915</u>	<u>352,503</u>	<u>5,412</u>
EXCESS REVENUES	120,085	120,085	173,398	53,313
Fund Balance, July 1, 2004	<u>1,020,775</u>	<u>1,020,775</u>	<u>1,020,775</u>	<u>-</u>
Fund Balance, June 30, 2005	<u>\$ 1,140,860</u>	<u>\$ 1,140,860</u>	<u>\$ 1,194,173</u>	<u>\$ 53,313</u>

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, Recreation Center Construction Fund
For the Year Ended June 30, 2005

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
REVENUES				
Interest	\$ 2,000	\$ 2,000	\$ 11,995	\$ 9,995
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>11,995</u>	<u>9,995</u>
EXPENDITURES				
Community enrichment and development	5,472,250	5,472,250	5,112,455	359,795
Total Expenditures	<u>5,472,250</u>	<u>5,472,250</u>	<u>5,112,455</u>	<u>359,795</u>
EXCESS REVENUES (EXPENDITURES)	(5,470,250)	(5,470,250)	(5,100,460)	369,790
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	1,750,000	1,750,000
Loan Proceeds	4,097,000	4,097,000	4,800,000	703,000
Interfund Transfers:				
Debt Service Fund	-	-	(388,530)	(388,530)
Special Revenue Fund	-	-	(500,000)	(500,000)
Total Other Financing Sources	<u>4,097,000</u>	<u>4,097,000</u>	<u>5,661,470</u>	<u>1,564,470</u>
EXCESS REVENUES AND OTHER SOURCES (USES) OVER EXPENDITURE	(1,373,250)	(1,373,250)	561,010	1,934,260
Fund Balance, July 1, 2004	<u>433,071</u>	<u>433,071</u>	<u>433,071</u>	<u>-</u>
Fund Balance, June 30, 2005	<u>\$ (940,179)</u>	<u>\$ (940,179)</u>	<u>\$ 994,081</u>	<u>\$ 1,934,260</u>

The notes to the financial statements are an integral part of this statement.

SUPPLEMENTARY INFORMATION

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 329,016	\$ 335,695	\$ 278,265	\$ 942,976
Accounts receivable	24,097	562	-	24,659
Due from other funds	606,000	-	-	606,000
Due from other governmental units	10,090	-	-	10,090
TOTAL ASSETS	<u>\$ 969,203</u>	<u>\$ 336,257</u>	<u>\$ 278,265</u>	<u>\$ 1,583,725</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 385,190	\$ -	\$ 35,818	\$ 421,008
Due to other funds	106,690	-	-	106,690
Total Liabilities	<u>491,880</u>	<u>-</u>	<u>35,818</u>	<u>527,698</u>
<u>FUND BALANCE</u>				
Reserved for debt service	-	336,257	-	336,257
Reserved for capital projects	-	-	242,447	242,447
Unreserved	477,323	-	-	477,323
Total Fund Balances	<u>477,323</u>	<u>336,257</u>	<u>242,447</u>	<u>1,056,027</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 969,203</u>	<u>\$ 336,257</u>	<u>\$ 278,265</u>	<u>\$ 1,583,725</u>

The notes to the financial statements are an integral part of this statement.

Combining Statement of Revenue, Expenditures
and Changes in Fund Balance
Non-major Governmental Funds
For The Year Ended June 30, 2005

CITY OF FLAT ROCK, MICHIGAN

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
<u>REVENUES</u>				
Property taxes	\$ 503,465	\$ -	\$ -	\$ 503,465
Federal shared revenue	25,041	-	-	25,041
State-shared revenue	478,029	-	-	478,029
Rental income	-	571,182	-	571,182
Special assessments	-	174,789	-	174,789
Greenways grant	-	-	508,280	508,280
Other	454,004	-	110	454,114
Interest	5,871	5,984	4,636	16,491
Total Revenues	<u>1,466,410</u>	<u>751,955</u>	<u>513,026</u>	<u>2,731,391</u>
<u>EXPENDITURES</u>				
Road maintenance and repair	726,850	-	110,584	837,434
Community enrichment and development	767,615	-	1,015,143	1,782,758
Library	538,875	-	-	538,875
Debt Service:				
Principal	-	1,082,177	-	1,082,177
Interest	-	941,577	-	941,577
Miscellaneous	-	2,698	-	2,698
Total Expenditures	<u>2,033,340</u>	<u>2,026,452</u>	<u>1,125,727</u>	<u>5,185,519</u>
Excess Expenditures	<u>(566,930)</u>	<u>(1,274,497)</u>	<u>(612,701)</u>	<u>(2,454,128)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in	1,166,620	1,323,186	609,000	3,098,806
Operating transfers out	<u>(182,072)</u>	<u>(36,948)</u>	<u>-</u>	<u>(219,020)</u>
Total Other Financing Sources	<u>984,548</u>	<u>1,286,238</u>	<u>609,000</u>	<u>2,879,786</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	417,618	11,741	(3,701)	425,658
FUND BALANCE, JULY 1, 2004	<u>59,705</u>	<u>324,516</u>	<u>246,148</u>	<u>630,369</u>
FUND BALANCE, JUNE 30, 2005	<u>\$ 477,323</u>	<u>\$ 336,257</u>	<u>\$ 242,447</u>	<u>\$ 1,056,027</u>

The notes to the financial statements are an integral part of this statement.

Combining Balance Sheet
 Non-major Governmental Funds
 Special Revenue Funds
 June 30, 2005

CITY OF FLAT ROCK, MICHIGAN

	RECREATION CENTER OPERATING FUND	BLOCK GRANT FUND	MAJOR STREET FUND	LOCAL STREET FUND	HISTORICAL DISTRICT FUND	CONCESSION STAND FUND	POLICE FORFEIT FUND	PUBLIC ACT 302	LIBRARY FUND	TOTAL
ASSETS										
Cash and cash equivalents	\$ 8,120	\$ -	\$ 59,196	\$ 848	\$ 111,450	\$ 14,372	\$ 4,590	\$ 10,535	\$ 119,905	\$ 329,016
Accounts receivable	-	-	-	-	4,600	-	-	-	19,497	24,097
Due from other funds	490,000	-	28,000	88,000	-	-	-	-	-	606,000
Due from other governmental unit:	-	10,090	-	-	-	-	-	-	-	10,090
TOTAL ASSETS	\$ 498,120	\$ 10,090	\$ 87,196	\$ 88,848	\$ 116,050	\$ 14,372	\$ 4,590	\$ 10,535	\$ 139,402	\$ 969,203
LIABILITIES										
Accounts payable	\$ 118,230	\$ -	\$ 86,262	\$ 59,993	\$ 83,190	\$ -	\$ 70	\$ -	\$ 37,445	\$ 385,190
Due to other funds	68,600	10,090	-	28,000	-	-	-	-	-	106,690
TOTAL LIABILITIES	186,830	10,090	86,262	87,993	83,190	-	70	-	37,445	491,880
FUND BALANCE	311,290	-	934	855	32,860	14,372	4,520	10,535	101,957	477,323
TOTAL LIABILITIES AND FUND BALANCE	\$ 498,120	\$ 10,090	\$ 87,196	\$ 88,848	\$ 116,050	\$ 14,372	\$ 4,590	\$ 10,535	\$ 139,402	\$ 969,203

The notes to the financial statements are an integral part of this statement.

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-major Governmental Funds
Special Revenue Funds
For the Year Ended June 30, 2005

CITY OF FLAT ROCK, MICHIGAN

	RECREATION CENTER OPERATING FUND	BLOCK GRANT FUND	MAJOR STREET FUND	LOCAL STREET FUND	HISTORICAL DISTRICT FUND	CONCESSION STAND FUND	POLICE FORFEIT FUND	PUBLIC ACT 302	LIBRARY FUND	TOTAL
REVENUES										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 100,699	\$ -	\$ -	\$ -	\$ 402,766	\$ 503,465
Federal shared revenue	-	25,041	-	-	-	-	-	-	-	25,041
State shared revenue	-	-	330,074	137,580	-	-	-	-	10,375	478,029
Other	348,430	-	-	-	-	5,993	965	6,323	92,293	454,004
Interest	270	-	1,541	264	1,932	114	112	121	1,517	5,871
Total Revenues	<u>348,700</u>	<u>25,041</u>	<u>331,615</u>	<u>137,844</u>	<u>102,631</u>	<u>6,107</u>	<u>1,077</u>	<u>6,444</u>	<u>506,951</u>	<u>1,466,410</u>
EXPENDITURES										
Road maintenance and repair	-	-	211,929	514,921	-	-	-	-	-	726,850
Community enrichment and development	607,410	25,041	-	-	126,218	6,255	2,691	-	-	767,615
Library	-	-	-	-	-	-	-	-	538,875	538,875
Total Expenditures	<u>607,410</u>	<u>25,041</u>	<u>211,929</u>	<u>514,921</u>	<u>126,218</u>	<u>6,255</u>	<u>2,691</u>	<u>-</u>	<u>538,875</u>	<u>2,033,340</u>
Excess Revenues (Expenditures)	<u>(258,710)</u>	<u>-</u>	<u>119,686</u>	<u>(377,077)</u>	<u>(23,587)</u>	<u>(148)</u>	<u>(1,614)</u>	<u>6,444</u>	<u>(31,924)</u>	<u>(566,930)</u>
OTHER FINANCING SOURCES (USES)										
Operating transfers in	570,000	-	-	506,620	-	-	-	-	90,000	1,166,620
Operating transfers out	-	-	(54,519)	(127,553)	-	-	-	-	-	(182,072)
Total Other Financing Sources (Uses)	<u>570,000</u>	<u>-</u>	<u>(54,519)</u>	<u>379,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>984,548</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>311,290</u>	<u>-</u>	<u>65,167</u>	<u>1,990</u>	<u>(23,587)</u>	<u>(148)</u>	<u>(1,614)</u>	<u>6,444</u>	<u>58,076</u>	<u>417,618</u>
FUND BALANCE, July 1, 2004	<u>-</u>	<u>-</u>	<u>(64,233)</u>	<u>(1,135)</u>	<u>56,447</u>	<u>14,520</u>	<u>6,134</u>	<u>4,091</u>	<u>43,881</u>	<u>59,705</u>
FUND BALANCE, June 30, 2005	<u>\$ 311,290</u>	<u>\$ -</u>	<u>\$ 934</u>	<u>\$ 855</u>	<u>\$ 32,860</u>	<u>\$ 14,372</u>	<u>\$ 4,520</u>	<u>\$ 10,535</u>	<u>\$ 101,957</u>	<u>\$ 477,323</u>

Combining Balance Sheet
 Non-major Governmental Funds
 Debt Service Funds
 June 30, 2005

CITY OF FLAT ROCK, MICHIGAN

	ASPEN DRIVE DEBT SERVICE FUND	BUILDING AUTHORITY DEBT SERVICE FUND	TRANSPORT- ATION BOND GENERAL OBLIGATION	BUILDING AUTHORITY BALL-ICE DEBT SERVICE FUND	HURON WOODS SERIES A RETIREMENT FUND	HURON WOODS SERIES B RETIREMENT FUND	SENECA SEWER & WATER FUND	SPECIAL ASSESSMENT SIDEWALKS FUND	TIFA DEBT SERVICE FUND	TOTAL
ASSETS										
Cash and cash equivalents	\$ 2,285	\$ 1,357	\$ 120	\$ 20,926	\$ 198,674	\$ 71,791	\$ -	\$ 8,838	\$ 31,704	\$ 335,695
Accounts receivable	-	-	-	-	-	-	-	562	-	562
TOTAL ASSETS	<u>\$ 2,285</u>	<u>\$ 1,357</u>	<u>\$ 120</u>	<u>\$ 20,926</u>	<u>\$ 198,674</u>	<u>\$ 71,791</u>	<u>\$ -</u>	<u>\$ 9,400</u>	<u>\$ 31,704</u>	<u>\$ 336,257</u>
FUND BALANCE	<u>\$ 2,285</u>	<u>\$ 1,357</u>	<u>\$ 120</u>	<u>\$ 20,926</u>	<u>\$ 198,674</u>	<u>\$ 71,791</u>	<u>\$ -</u>	<u>\$ 9,400</u>	<u>\$ 31,704</u>	<u>\$ 336,257</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,285</u>	<u>\$ 1,357</u>	<u>\$ 120</u>	<u>\$ 20,926</u>	<u>\$ 198,674</u>	<u>\$ 71,791</u>	<u>\$ -</u>	<u>\$ 9,400</u>	<u>\$ 31,704</u>	<u>\$ 336,257</u>

The notes to the financial statements are an integral part of these statement.

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-major Governmental Funds
Debt Service Funds
For the Year Ended June 30, 2005

CITY OF FLAT ROCK, MICHIGAN

	ASPEN DRIVE DEBT SERVICE FUND	BUILDING AUTHORITY DEBT SERVICE FUND	TRANSPORT- ATION BOND GENERAL OBLIGATION	BUILDING AUTHORITY BALL-ICE DEBT SERVICE FUND	HURON WOODS SERIES A RETIREMENT FUND	HURON WOODS SERIES B RETIREMENT FUND	SENECA SEWER & WATER FUND	SPECIAL ASSESSMENT SIDEWALKS FUND	TIFA DEBT SERVICE FUND	TOTAL
REVENUES										
Rental income	\$ -	\$ 141,652	\$ -	\$ 429,530	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 571,182
Special assessment	-	-	-	-	104,223	34,741	-	35,825	-	174,789
Interest and other	50	126	3	412	3,035	1,115	46	176	1,021	5,984
Total Revenues	50	141,778	3	429,942	107,258	35,856	46	36,001	1,021	751,955
EXPENDITURES										
Debt Service										
Principal	140,000	90,000	20,000	170,000	50,000	15,000	10,000	-	587,177	1,082,177
Interest	80,582	61,661	5,235	265,860	17,085	7,831	-	-	503,323	941,577
Miscellaneous	300	-	300	1,175	323	275	325	-	-	2,698
Total Expenditures	220,882	151,661	25,535	437,035	67,408	23,106	10,325	-	1,090,500	2,026,452
Excess Revenues (Expenditures)	(220,832)	(9,883)	(25,532)	(7,093)	39,850	12,750	(10,279)	36,001	(1,089,479)	(1,274,497)
OTHER FINANCING SOURCES (USES)										
Operating transfers in	220,582	-	25,385	-	-	-	-	-	1,077,219	1,323,186
Operating transfers out	-	-	-	-	-	-	(2,948)	(34,000)	-	(36,948)
Total Other Financing Sources (Uses)	220,582	-	25,385	-	-	-	(2,948)	(34,000)	1,077,219	1,286,238
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(250)	(9,883)	(147)	(7,093)	39,850	12,750	(13,227)	2,001	(12,260)	11,741
FUND BALANCE, July 1, 2004	2,535	11,240	267	28,019	158,824	59,041	13,227	7,399	43,964	324,516
FUND BALANCE, June 30, 2005	\$ 2,285	\$ 1,357	\$ 120	\$ 20,926	\$ 198,674	\$ 71,791	\$ -	\$ 9,400	\$ 31,704	\$ 336,257

The notes to the financial statements are an integral part of this statement.

	<u>PLAYSCAPE FUND</u>	<u>BUILDING AUTHORITY</u>	<u>GREENWAY GRANT FUND</u>	<u>SIDEWALK REPLAC- EMENT FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 6,514	\$ 266,988	\$ 4,160	\$ 603	\$ 278,265
TOTAL ASSETS	<u>\$ 6,514</u>	<u>\$ 266,988</u>	<u>\$ 4,160</u>	<u>\$ 603</u>	<u>\$ 278,265</u>
<u>LIABILITIES</u>					
Accounts payable	\$ -	\$ -	\$ 34,635	\$ 1,183	\$ 35,818
TOTAL LIABILITIES	-	-	34,635	1,183	35,818
<u>FUND BALANCE</u>	<u>6,514</u>	<u>266,988</u>	<u>(30,475)</u>	<u>(580)</u>	<u>242,447</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,514</u>	<u>\$ 266,988</u>	<u>\$ 4,160</u>	<u>\$ 603</u>	<u>\$ 278,265</u>

The notes to the financial statements are an integral part of this statement.

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-major Governmental Funds
Capital Project Funds
For the Year Ended June 30, 2005

CITY OF FLAT ROCK, MICHIGAN

	<u>PLAYSCAPE FUND</u>	<u>BUILDING AUTHORITY</u>	<u>GREENWAY GRANT FUND</u>	<u>SIDEWALK REPLAC- EMENT FUND</u>	<u>TOTAL</u>
<u>REVENUES</u>					
Interest	\$ 113	\$ 3,262	\$ 1,198	\$ 63	\$ 4,636
Greenways grant	-	-	508,280	-	508,280
Contributions	110	-	-	-	110
Total Revenues	<u>223</u>	<u>3,262</u>	<u>509,478</u>	<u>63</u>	<u>513,026</u>
<u>EXPENDITURES</u>					
Road maintenance and repair	-	-	-	110,584	110,584
Community enrichment and development	51	68	1,015,024	-	1,015,143
Total Expenditures	<u>51</u>	<u>68</u>	<u>1,015,024</u>	<u>110,584</u>	<u>1,125,727</u>
Excess Revenues (Expenditures)	<u>172</u>	<u>3,194</u>	<u>(505,546)</u>	<u>(110,521)</u>	<u>(612,701)</u>
<u>OTHER FINANCING SOURCES</u>					
Operating transfers in	-	-	500,000	109,000	609,000
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>109,000</u>	<u>609,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures And Other Uses	172	3,194	(5,546)	(1,521)	(3,701)
<u>FUND BALANCE, July 1, 2004</u>	<u>6,342</u>	<u>263,794</u>	<u>(24,929)</u>	<u>941</u>	<u>246,148</u>
<u>FUND BALANCE, June 30, 2005</u>	<u>\$ 6,514</u>	<u>\$ 266,988</u>	<u>\$ (30,475)</u>	<u>\$ (580)</u>	<u>\$ 242,447</u>

The notes to the financial statements are an integral part of this statement.

OTHER SUPPLEMENTARY INFORMATION

GENERAL OBLIGATION BONDS PAYABLE

2000 Special Assessment (LTGO) Bonds, Series B
Dated March 1, 2000
Amount of Bond \$170,000
Principal Due August 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
05-06	\$ 3,636	\$3,070	\$ 6,706	\$15,000	\$ 21,706
06-07	3,070	2,310	5,380	20,000	25,380
07-08	2,310	1,545	3,855	20,000	23,855
08-09	1,545	775	2,320	20,000	22,320
09-10	<u>775</u>	<u>0</u>	<u>775</u>	<u>20,000</u>	<u>20,775</u>
	<u>\$11,336</u>	<u>\$7,700</u>	<u>\$19,036</u>	<u>\$95,000</u>	<u>\$114,036</u>

1993 Michigan Transportation Fund Bonds
Dated August 1, 1993
Amount of Bond - \$260,000
Principal Due August 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
05-06	\$2,368	\$1,857	\$ 4,225	\$20,000	\$ 24,225
06-07	1,858	1,337	3,195	20,000	23,195
07-08	1,338	675	2,013	25,000	27,013
08-09	<u>675</u>	<u>0</u>	<u>675</u>	<u>25,000</u>	<u>25,675</u>
	<u>\$6,239</u>	<u>\$3,869</u>	<u>\$10,108</u>	<u>\$90,000</u>	<u>\$100,108</u>

CITY OF FLAT ROCK, MICHIGAN

General Obligation Bonds
June 30, 2005

2000 Special Assessment (LTGO) Bonds, Series A
Dated March 1, 2000
Amount of Bond \$505,000
Principal Due August 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
05-06	\$ 7,880	\$ 6,530	\$14,410	\$ 50,000	\$ 64,410
06-07	6,530	5,044	11,574	55,000	66,574
07-08	5,044	3,532	8,576	55,000	63,576
08-09	3,534	1,852	5,386	60,000	65,386
09-10	<u>1,852</u>	<u>0</u>	<u>1,852</u>	<u>65,000</u>	<u>66,852</u>
	<u>\$24,840</u>	<u>\$16,958</u>	<u>\$41,798</u>	<u>\$285,000</u>	<u>\$326,798</u>

1997 Michigan Transportation Fund Bonds
Dated August 1, 1997
Amount of Bond - \$800,000
Principal Due August 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
05-06	\$12,703	\$11,490	\$ 24,193	\$ 50,000	\$ 74,193
06-07	11,490	10,143	21,633	55,000	76,633
07-08	10,143	8,643	18,786	60,000	78,786
08-09	8,643	7,127	15,770	60,000	75,770
09-10	7,127	5,503	12,630	65,000	77,630
10-11	5,503	3,735	9,238	70,000	79,238
11-12	3,735	1,950	5,685	70,000	75,685
12-13	<u>1,950</u>	<u>0</u>	<u>1,950</u>	<u>75,000</u>	<u>76,950</u>
	<u>\$61,294</u>	<u>\$48,591</u>	<u>\$109,885</u>	<u>\$505,000</u>	<u>\$614,885</u>

See accountant's report

CITY OF FLAT ROCK, MICHIGAN

General Obligation Bonds
June 30, 2005

City of Flat Rock, County of Wayne, State
of Michigan, Certificates of Participation,
Series 1997 (City of Flat Rock Installment
Purchase)

Dated May 8, 1998
Amount of Bond \$1,500,000
Principal Due September 1

<u>FISCAL</u> <u>YEAR</u>	<u>INTEREST</u> <u>DUE SEPT</u>	<u>INTEREST</u> <u>DUE MARCH</u>	<u>TOTAL</u> <u>INTEREST</u>	<u>PRINCIPAL</u> <u>AMOUNT</u>	<u>TOTAL</u> <u>REQUIREMENT</u>
05-06	\$23,478	\$20,340	\$ 43,818	\$ 95,000	\$ 138,818
06-07	20,677	17,453	38,130	105,000	143,130
07-08	17,742	14,435	32,177	110,000	142,177
08-09	14,674	11,154	25,828	115,000	140,828
09-10	11,339	7,611	18,950	125,000	143,950
10-11	7,737	3,937	11,674	135,000	146,674
11-12	4,002	0	4,002	140,000	144,002
12-13	<u>0</u>	<u>0</u>	<u>0</u>	<u>150,000</u>	<u>150,000</u>
	<u>\$99,649</u>	<u>\$74,930</u>	<u>\$174,579</u>	<u>\$975,000</u>	<u>\$1,149,579</u>

Building Authority Bond Series 2004
Authority Refunding Bond
Dated January 2004
Amount of Bond - \$1,720,000
Principal Due September 1

<u>FISCAL</u> <u>YEAR</u>	<u>INTEREST</u> <u>DUE SEPT</u>	<u>INTEREST</u> <u>DUE MARCH</u>	<u>TOTAL</u> <u>INTEREST</u>	<u>PRINCIPAL</u> <u>AMOUNT</u>	<u>TOTAL</u> <u>REQUIREMENT</u>
05-06	\$ 28,010	\$ 27,010	\$ 55,020	\$ 100,000	\$ 155,020
06-07	27,010	25,829	52,839	105,000	157,839
07-08	25,829	24,516	50,345	105,000	155,345
08-09	24,516	23,021	47,537	115,000	162,537
09-10	23,021	21,354	44,375	115,000	159,375
10-11	21,354	19,571	40,925	115,000	155,925
11-12	19,571	17,446	37,017	125,000	162,017
12-13	17,446	15,074	32,520	130,000	162,520
13-14	15,074	12,571	27,645	130,000	157,645
14-15	12,571	9,736	22,307	140,000	162,307
15-16	9,736	6,691	16,427	145,000	161,427
16-17	6,691	3,410	10,101	150,000	160,101
17-18	<u>3,410</u>	<u>0</u>	<u>3,410</u>	<u>155,000</u>	<u>158,410</u>
	<u>\$234,239</u>	<u>\$206,229</u>	<u>\$440,468</u>	<u>\$1,630,000</u>	<u>\$2,070,468</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

General Obligation
June 30, 2005

Building Authority Bond Series 2000
Dated September 1, 2000
Amount of Bond - \$5,000,000
Principal Due August 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG 1</u>	<u>INTEREST DUE FEB 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
05-06	\$ 129,530	\$ 122,330	\$ 251,860	\$ 180,000	\$ 431,860
06-07	122,330	114,730	237,060	190,000	427,060
07-08	114,730	109,758	224,488	195,000	419,488
08-09	109,757	104,428	214,185	205,000	419,185
09-10	104,427	98,578	203,005	220,000	423,005
10-11	98,577	92,388	190,965	230,000	420,965
11-12	92,387	85,650	178,037	245,000	423,037
12-13	85,650	78,510	164,160	255,000	419,160
13-14	78,510	70,815	149,325	270,000	419,325
14-15	70,815	62,550	133,365	285,000	418,365
15-16	62,550	53,700	116,250	300,000	416,250
16-17	53,700	44,100	97,800	320,000	417,800
17-18	44,100	34,050	78,150	335,000	413,150
18-19	34,050	23,400	57,450	355,000	412,450
19-20	23,400	12,000	35,400	380,000	415,400
20-21	<u>12,000</u>	<u>0</u>	<u>12,000</u>	<u>400,000</u>	<u>412,000</u>
	<u>\$1,236,513</u>	<u>\$1,106,987</u>	<u>\$2,343,500</u>	<u>\$4,365,000</u>	<u>\$6,708,500</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

General Obligation
June 30, 2005

City of Flat Rock Tax Increment Finance Authority
2004 Taxable Adjustable Rate Tax Increment Financing Bonds
Dated April 21, 2004
Amount of Bond - \$6,000,000
Principal Due October 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE MONTHLY</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
05-06	\$ 83,690	\$ 230,000	\$ 313,690
06-07	80,190	235,000	315,190
07-08	76,752	240,000	316,752
08-09	72,879	240,000	312,879
09-10	69,312	250,000	319,312
10-11	65,512	255,000	320,512
11-12	61,696	265,000	326,696
12-13	57,453	270,000	327,453
13-14	53,408	280,000	333,408
14-15	49,106	290,000	339,106
15-16	44,734	300,000	344,734
16-17	39,978	310,000	349,978
17-18	35,251	325,000	360,251
18-19	30,274	335,000	365,274
19-20	25,140	350,000	375,140
20-21	19,657	365,000	384,657
21-22	14,068	380,000	394,068
22-23	8,165	400,000	408,165
23-24	<u>2,012</u>	<u>415,000</u>	<u>417,012</u>
	<u>\$889,277</u>	<u>\$5,735,000</u>	<u>\$6,624,277</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

General Obligation
June 30, 2005

City of Flat Rock Tax Increment Finance Authority
2005 Limited Tax Development Bonds
Dated March 1, 2005
Amount of Bond - \$1,750,000
Principal Due October 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
05-06	\$ 58,191	\$ 49,878	\$ 108,069	\$ 0	\$ 108,069
06-07	49,878	48,535	98,413	50,000	148,413
07-08	48,534	47,057	95,591	55,000	150,591
08-09	47,056	45,578	92,634	55,000	147,634
09-10	45,578	43,966	89,544	60,000	149,544
10-11	43,965	42,219	86,184	65,000	151,184
11-12	42,219	40,472	82,691	65,000	147,691
12-13	40,472	38,591	79,063	70,000	149,063
13-14	38,591	36,575	75,166	75,000	150,166
14-15	36,575	34,513	71,088	75,000	146,088
15-16	34,512	32,313	66,825	80,000	146,825
16-17	32,312	29,816	62,128	85,000	147,128
17-18	29,816	27,172	56,988	90,000	146,988
18-19	27,172	24,381	51,553	95,000	146,553
19-20	24,381	21,444	45,825	100,000	145,825
20-21	21,444	18,359	39,803	105,000	144,803
21-22	18,359	15,128	33,487	110,000	143,487
22-23	15,128	11,603	26,731	120,000	146,731
23-24	11,603	7,931	19,534	125,000	144,534
24-25	7,931	4,113	12,044	130,000	142,044
25-26	<u>4,113</u>	<u>0</u>	<u>4,113</u>	<u>140,000</u>	<u>144,113</u>
	<u>\$677,830</u>	<u>\$619,644</u>	<u>\$1,297,474</u>	<u>\$1,750,000</u>	<u>\$3,047,474</u>

EQUIPMENT LOANS - GENERAL OBLIGATION

2002 Equipment Loan
Dated January 2002
Amount of Loan - \$7,465
Principal Due Monthly

<u>FISCAL YEAR</u>	<u>INTEREST DUE MONTHLY</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
05-06	\$238	\$1,766	\$2,004
06-07	<u>35</u>	<u>969</u>	<u>1,004</u>
	<u>\$273</u>	<u>\$2,735</u>	<u>\$3,008</u>

See accountant's report.

Equipment Loans – General Obligation
June 30, 2005

2001 Equipment Loan
Dated February 10, 2001
Amount of Loan - \$27,438
Principal Due February 10

<u>FISCAL YEAR</u>	<u>INTEREST DUE ANNUALLY</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
05-06	\$ <u>300</u>	\$ <u>6,414</u>	\$ <u>6,714</u>

2003 Equipment Loan
Dated February 28, 2003
Amount of Loan - \$29,400
Principal Due Annually

<u>FISCAL YEAR</u>	<u>INTEREST DUE ANNUALLY</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
05-06	\$ 792	\$ 5,857	\$ 6,649
06-07	<u>409</u>	<u>6,240</u>	<u>6,649</u>
	\$ <u>1,201</u>	\$ <u>12,097</u>	\$ <u>13,298</u>

2003 Equipment Loan
Dated July 3, 2003
Amount of Loan - \$84,821
Principal Due Annually

<u>FISCAL YEAR</u>	<u>INTEREST DUE ANNUALLY</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
05-06	\$2,495	\$21,749	\$24,244
06-07	<u>1,281</u>	<u>22,962</u>	<u>24,243</u>
	\$ <u>3,776</u>	\$ <u>44,711</u>	\$ <u>48,487</u>

2005 Equipment Loan
Dated January 28, 2005
Amount of Loan - \$17,360
Principal Due Annually

<u>FISCAL YEAR</u>	<u>INTEREST DUE ANNUALLY</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
05-06	\$ 538	\$ 5,786	\$ 6,324
06-07	<u>276</u>	<u>5,787</u>	<u>6,063</u>
	\$ <u>814</u>	\$ <u>11,573</u>	\$ <u>12,387</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

Water and Sewer Fund – General Obligation Bonds
June 30, 2005

Wayne County Sewage Disposal Bonds
Flat Rock, Huron System
Dated December 1, 1968
Amount Issued - \$440,800
Flat Rock Share - 32.65% of \$1,350,000
Principal Due May 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE NOV. 1</u>	<u>INTEREST DUE MAY 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
05-06	\$1,117	\$1,117	\$2,234	\$ 19,591	\$21,825
06-07	<u>559</u>	<u>395</u>	<u>954</u>	<u>19,754</u>	<u>20,708</u>
	<u>\$1,676</u>	<u>\$1,512</u>	<u>\$3,188</u>	<u>\$39,345</u>	<u>\$42,533</u>

Wayne County - Flat Rock
Dated July 1, 1970
Amount Issued - \$4,020,000
Principal Due October 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
05-06	\$ 24,000	\$ 24,000	\$ 0	\$ 24,000
06-07	24,000	24,000	0	24,000
07-08	24,000	24,000	0	24,000
08-09	24,000	24,000	200,000	224,000
09-10	<u>12,000</u>	<u>12,000</u>	<u>200,000</u>	<u>212,000</u>
	<u>\$108,000</u>	<u>\$108,000</u>	<u>\$400,000</u>	<u>\$508,000</u>

Refunding bonds issued on May 24, 1994, to refund Wayne County Sewage Disposal System Bonds (*Prior Bonds*) dated July 1, 1970. The County issued \$2,295,441 aggregate principal amount of Wayne County Sewage Disposal (Flat Rock System) Refunding Bonds dated May 24, 1994, to advance refund a portion of the outstanding Prior Bonds; namely, all those maturing on October 1 in the years 1994 through 2007, in the aggregate principal amount of \$2,175,000, but not those maturing on October 1 in the years 2009 and 2010 in the aggregate principal amount of \$400,000 (the *Nonrefundable Bonds*) which shall remain outstanding in accordance with their terms.

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

Water and Sewer – General Obligation Bonds
June 30, 2005

Wayne County - Flat Rock Refunding Bonds
Dated May 1, 1994
Amount Issued - \$2,295,441
Principal Due October 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
05-06	\$14,893	\$10,818	\$25,711	\$142,955	\$168,666
06-07	10,818	4,975	15,793	201,495	217,288
07-08	<u>4,975</u>	<u>0</u>	<u>4,975</u>	<u>168,638</u>	<u>173,613</u>
	<u>\$30,686</u>	<u>\$15,793</u>	<u>\$46,479</u>	<u>\$513,088</u>	<u>\$559,567</u>

Refunding bonds issued on May 1, 1994, to refund Wayne County Sewage Disposal System Bonds dated July 1, 1970. Net proceeds were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the 1970 Series Bonds. As a result, the 1970 Series Bonds are considered to be nullified and the liability for those bonds has been removed from the Water and Sewer Fund and replaced with Wayne County Sewage Disposal (Flat Rock System) Refunding Bonds.

South Huron Valley Utility Authority
Substitution Bonds, 1991 Series
(Limited Tax General Obligation)
Dated October 1, 1991
Amount Issued - \$1,901,130
Flat Rock Share 14.87% of \$12,785,000
Principal Due April 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
05-06	\$ 7,108	\$ 7,108	\$14,216	\$112,269	\$126,485
06-07	5,985	5,985	11,970	115,243	127,213
07-08	4,833	4,833	9,666	117,473	127,139
08-09	3,658	3,658	7,316	119,704	127,020
09-10	2,461	2,461	4,922	121,934	126,856
10-11	<u>1,242</u>	<u>1,242</u>	<u>2,484</u>	<u>124,162</u>	<u>126,646</u>
	<u>\$25,287</u>	<u>\$25,287</u>	<u>\$50,574</u>	<u>\$710,785</u>	<u>\$761,359</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

Water and Sewer – General Obligation Bonds
 June 30, 2005

South Huron Valley Utility Authority
 Sewer System Plant Acquisition Bonds
 Dated September 29, 1998
 Amount Issued \$3,271,516 Flat Rock Share of \$26,615,000

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
05-06	\$ 30,308	\$ 28,711	\$ 59,019	\$ 141,973	\$ 200,992
06-07	28,711	27,079	55,790	145,046	200,836
07-08	27,079	25,413	52,492	148,119	200,611
08-09	25,413	23,705	49,118	151,806	200,924
09-10	23,705	21,963	45,668	154,879	200,547
10-11	21,963	20,179	42,142	158,567	200,709
11-12	20,179	18,353	38,532	162,254	200,786
12-13	18,353	16,487	34,840	165,942	200,782
13-14	16,487	14,585	31,072	169,015	200,087
14-15	14,585	12,642	27,227	172,702	199,929
15-16	12,642	10,651	23,293	177,005	200,298
16-17	10,651	8,618	19,269	180,692	199,961
17-18	8,618	6,537	15,155	184,995	200,150
18-19	6,537	4,407	10,944	189,297	200,241
19-20	4,407	2,229	6,636	193,599	200,235
20-21	<u>2,229</u>	<u>0</u>	<u>2,229</u>	<u>198,163</u>	<u>200,392</u>
	<u>\$271,867</u>	<u>\$241,559</u>	<u>\$513,426</u>	<u>\$2,694,054</u>	<u>\$3,207,480</u>

See accountant's report.

Tax Levies in Millage
 Last Twenty One Years
 June 30, 2005

CITY OF FLAT ROCK, MICHIGAN

FISCAL YEAR	GENERAL FUND	MUNICIPAL BUILDING FUND	LIBRARY FUND	SEWER DEBT	HISTORICAL DISTRICT	TOTAL MILLAGE
1985	11.08	2.07	0.00	3.60	0.00	16.75
1986	11.50	2.25	0.00	4.00	0.00	17.75
1987	11.50	2.25	0.00	4.00	0.00	17.75
1988	11.50	2.20	0.00	4.05	0.00	17.75
1989	15.50	2.25	0.00	0.00	0.00	17.75
1990	15.50	1.75	0.00	0.00	0.00	17.25
1991	15.25	1.65	0.00	0.00	0.00	16.90
1992	14.48	2.10	0.00	0.00	0.00	16.58
1993	14.30	2.00	0.00	0.00	0.00	16.30
1994	13.14	0.00	0.00	2.86	0.00	16.00
1995	13.14	0.00	0.00	2.86	0.00	16.00
1996	13.15	0.00	1.00	2.85	0.00	17.00
1997	13.15	0.00	1.00	2.85	0.00	17.00
1998	13.15	0.00	1.00	2.85	0.00	17.00
1999	13.15	0.00	1.00	2.85	0.00	17.00
2000	13.15	0.00	1.00	2.85	0.00	17.00
2001	16.00	0.00	1.00	0.00	0.00	17.00
2002	16.00	0.00	1.00	0.00	0.25	17.25
2003	16.00	0.00	1.00	0.00	0.25	17.25
2004	16.00	0.00	1.00	0.00	0.25	17.25
2005	16.00	0.00	1.00	0.00	0.25	17.25

CITY OF FLAT ROCK, MICHIGAN

<u>FISCAL YEAR</u>	<u>WATER RATE</u>	<u>SEWER RATE</u>	<u>COMBINED RATE</u>
1985	1.50	2.30	3.80
1986	1.50	2.79	4.29
1987	1.50	2.79	4.29
1988	1.50	2.79	4.29
1989	1.00	3.29	4.29
1990	0.91	3.10	4.01
1991	0.91	3.10	4.01
1992	0.91	3.10	4.01
1993	1.01	3.00	4.01
1994			4.00
1995			4.00
1996			4.00
1997			4.00
1998			4.00
1999			4.00
2000			4.00
2001			3.60
2002			3.60
2003			4.00
2004			4.00
2005			4.00