

**City of Flat Rock, Michigan**

**Financial Report**

**with Supplemental Information**

**June 30, 2010**

**CITY OF FLAT ROCK, MICHIGAN**

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A Professional Corporation

## INDEPENDENT AUDITOR'S REPORT

To the 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 the City of Flat Rock, Michigan, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Flat Rock, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flat Rock, Michigan, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2010 on our consideration of the City of Flat Rock, Michigan's internal control over financial reporting and 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 *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 36 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Flat Rock, Michigan's financial statements as a whole. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Hungerford & Co.*

Southgate, Michigan  
December 16, 2010

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, 2010. Please read it in conjunction with the City's financial statements.

### FINANCIAL HIGHLIGHTS

- The City's total net assets decreased by \$946,411 (or 4.38%). The governmental net assets decreased by \$928,198 (or 7.16%) and the business-type net assets decreased by \$18,213 (or 0.2%).
- Of the \$21,599,027 reported in net assets, \$20,951,825 is the investment in capital assets net of related debt, \$151,448 is reserved for debt service and capital projects and \$495,754 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 \$2,297,651 a decrease of \$1,443,649 from the previous year.
- At the end of the current fiscal year the fund balance for the General Fund decreased \$229,889 to a final balance of \$743,030. The decrease was, in part, due to an increase in expenditures of \$446,349 and a decrease in revenues of \$371,450.

### 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.

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.

### *Proprietary Funds:*

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 an enterprise fund 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 a separate statement 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 are 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 \$21,599,027. However, 95% of the City's net assets represent 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

### 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 assets	\$ 3,193,000	\$ 1,032,392	\$ 4,225,392
Bond issuance cost and discounts, net of accumulated amortization	475,520	-	475,520
Capital assets, net of accumulated depreciation	<u>28,213,181</u>	<u>11,879,557</u>	<u>40,092,738</u>
<b>TOTAL ASSETS</b>	<b><u>\$31,881,701</u></b>	<b><u>\$12,911,949</u></b>	<b><u>\$44,793,650</u></b>
Long-term liabilities outstanding	\$16,782,392	\$ 3,673,292	\$20,455,684
Other liabilities	<u>2,128,168</u>	<u>610,771</u>	<u>2,738,939</u>
<b>Total Liabilities</b>	<b><u>18,910,560</u></b>	<b><u>4,284,063</u></b>	<b><u>23,194,623</u></b>
Net Assets:			
Invested in capital assets, net of related debt	13,107,171	7,844,654	20,951,825
Restricted	151,448	-	151,448
Unrestricted	<u>( 287,478)</u>	<u>783,232</u>	<u>495,754</u>
<b>Total Net Assets</b>	<b><u>12,971,141</u></b>	<b><u>8,627,886</u></b>	<b><u>21,599,027</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$31,881,701</u></b>	<b><u>\$12,911,949</u></b>	<b><u>\$44,793,650</u></b>

#### 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	\$ 2,876,705	\$3,020,040	\$ 5,896,745
Operating grants	1,889,125	-	1,889,125
General Revenues:			
Taxes and special assessments	9,967,440	-	9,967,440
Investment earnings	<u>118,851</u>	<u>10,029</u>	<u>128,880</u>
<b>Total Revenues</b>	<b><u>14,852,121</u></b>	<b><u>3,030,069</u></b>	<b><u>17,882,190</u></b>
Expenses:			
General government	1,611,535	-	1,611,535
Police department	3,386,038	-	3,386,038
Fire department	1,232,449	-	1,232,449
Building and safety	270,457	-	270,457
Public works	1,747,532	-	1,747,532
Recreation and culture	2,622,016	-	2,622,016
Library	512,235	-	512,235
Community enrichment and development	604,215	-	604,215
Road maintenance and repair	1,401,278	-	1,401,278
Tax refund	1,571,927	-	1,571,927
Interest on long-term debt	816,680	-	816,680
Miscellaneous	3,957	-	3,957
Water and sewer	-	<u>3,048,282</u>	<u>3,048,282</u>
<b>Total Expenses</b>	<b><u>15,780,319</u></b>	<b><u>3,048,282</u></b>	<b><u>18,828,601</u></b>

## FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE (Continued)

CITY OF FLAT ROCK'S CHANGE IN NET ASSETS

(Continued)

Changes in Net Assets	\$ (928,198)	\$ (18,213)	\$ (946,411)
Net Assets, July 1, 2009	<u>13,899,339</u>	<u>8,646,099</u>	<u>22,545,438</u>
Net Assets, June 30, 2010	<u>\$12,971,141</u>	<u>\$8,627,886</u>	<u>\$21,599,027</u>

*Governmental Activities:*

Governmental activities decreased the City's net assets by \$928,198.

*Business-Type Activities:*

Business-type activities decreased the City's net assets by \$18,213. Key factors of this decrease are as follows:

- Operating revenues decreased by 20% due to a reduction in one shift at auto manufacturing facility, the highest system user.

*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 \$743,030. Total fund balance decreased by \$229,889 during the fiscal year.

*Tax Increment Finance Authority*

The Tax Increment Finance Authority has fund balance of \$173,354.

*Downtown Development Authority*

The Downtown Development Authority has fund balance of \$629,147

*Recreation Center Operating Fund*

The Recreation Center Operating Fund has a fund balance of \$19,480

*Other Governmental Funds*

Other Governmental Funds had the following fund balances:

Special Revenue Funds	\$581,192
Debt Service Funds	\$150,681
Capital Projects Funds	\$767

## CAPITAL ASSETS AND DEBT ADMINISTRATION

*Capital Assets:*

The City investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounts to \$40,092,738 (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 \$429,640. The following table is a comparison of the City's net capital assets as of June 30, 2010 compared to June 30, 2009:

**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>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Capital assets not depreciated:						
Land	\$ 1,249	\$1,298	\$ -	\$ -	\$ 1,249	\$ 1,298
Capital assets being depreciated:						
Infrastructure	6,191	6,795	-	-	6,191	6,795
Buildings	18,395	18,055	5,031	4,870	23,426	22,925
Machinery and equipment	1,402	1,982	162	148	1,564	2,130
Water and sewer mains	-	-	7,124	6,849	7,124	6,849
Vehicles	93	83	16	12	109	95
Net capital assets	<u>\$27,330</u>	<u>\$28,213</u>	<u>\$12,333</u>	<u>\$11,879</u>	<u>\$39,663</u>	<u>\$40,092</u>

Additional information regarding the City's capital assets can be located in the Note 5 of the notes to financial statements.

*Long-Term Debt:*

At the end of the fiscal year, the City had total long-term bonds and notes outstanding of \$19,616,431.

## 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)	\$15,230,000	\$4,034,903	\$19,264,903
Equipment Loans	351,528	-	351,528
	<u>\$15,581,528</u>	<u>\$4,034,903</u>	<u>\$19,616,431</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 (\$19,616,431) is significantly lower than the current state-imposed limit of \$42,229,316.

**ECONOMIC CONDITION AND OUTLOOK**

The City of Flat Rock's budget for year ending 2011 is not recommending any change to the millage rate. The water and sewer rates are \$5.00 residential and \$6.50 for commercial and \$6.75 for industrial per thousand gallons.

The City's 2011 budgeted revenue consists of 70.5% tax revenues, 21.5% local sources and 8.0% from other sources. The City's tax base is projected to have a decrease of \$437,324. Local revenues are projected to decrease by \$910,241 for the fiscal year ended June 30, 2011. The major contributing factor to this decrease is Federal grants for the purchase of fire equipment and gear of over \$550,000, plus loan proceeds in the amount of \$334,000. State revenue sharing was budgeted with a 10% decrease from anticipated revenues, due to changes in the distribution formula used by the State and the current fiscal situation of the State.

The City's general fund expenditures are allocated 44.4% to public safety, police, fire, and building and safety. The department of public services amounts to 22.1% and the general operations, which include the clerk's and treasurer's departments, total 27.0% and other departments total 6.5%. In addition, it is recommended that expenditures will decrease by \$279,855 over the previous year's budget, which can be attributed to the budget cuts in most departments by reduction of staff and general expenditure reductions. The general fund is projecting the fund balance to decrease by \$750,936, which will eliminate the general fund balance.

**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

## CITY OF FLAT ROCK, MICHIGAN

## STATEMENT OF NET ASSETS

JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 2,435,774	\$ 563,607	\$ 2,999,381
Accounts Receivable	388,514	400,286	788,800
Due From Business-Type Activities	726	-	726
Due From Trust and Agency Fund	29,076	-	29,076
Due From Other Governmental Units	276,640	-	276,640
Inventories	14,755	20,572	35,327
Prepaid Expenses	47,515	47,927	95,442
Total Current Assets	3,193,000	1,032,392	4,225,392
Noncurrent Assets			
Bond Issuance Cost and Discounts, Net of Accumulated Amortization	475,520	-	475,520
Capital Assets, Net of Accumulated Depreciation	28,213,181	11,879,557	40,092,738
Total Noncurrent Assets	28,688,701	11,879,557	40,568,258
<b>TOTAL ASSETS</b>	<b>\$ 31,881,701</b>	<b>\$ 12,911,949</b>	<b>\$44,793,650</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	\$ 462,926	\$ 148,439	\$ 611,365
Accrued Expenses	256,322	66,895	323,217
Due to Governmental Activities	-	726	726
Compensated Absences, Current	176,101	8,632	184,733
Current Portion of Long-Term Obligations	1,232,819	386,079	1,618,898
Total Current Liabilities	2,128,168	610,771	2,738,939
Noncurrent Liabilities			
Compensated Absences, Long-Term	631,313	24,468	655,781
Net Other Post Employment Benefit Obligations	1,277,368	-	1,277,368
Noncurrent Portion of Long-Term Obligations	14,873,711	3,648,824	18,522,535
Total Noncurrent Liabilities	16,782,392	3,673,292	20,455,684
Total Liabilities	18,910,560	4,284,063	23,194,623
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Related Debt Restricted for	13,107,171	7,844,654	20,951,825
Debt Service	150,681	-	150,681
Capital Projects	767	-	767
Unrestricted	(287,478)	783,232	495,754
Total Net Assets	12,971,141	8,627,886	21,599,027
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 31,881,701</b>	<b>\$ 12,911,949</b>	<b>\$44,793,650</b>

See notes to financial statements.

## CITY OF FLAT ROCK, MICHIGAN

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>						
Governmental Activities						
General Government	\$ 1,611,535	\$ 59,424	\$ 694,742	\$ (857,369)	\$ -	\$ (857,369)
Police Department	3,386,038	519,240	675	(2,866,123)	-	(2,866,123)
Fire Department	1,232,449	207,742	548,146	(476,561)	-	(476,561)
Building and Safety	270,457	177,064	-	(93,393)	-	(93,393)
Public Works	1,747,532	264,599	-	(1,482,933)	-	(1,482,933)
Recreation and Culture	2,622,016	1,409,547	-	(1,212,469)	-	(1,212,469)
Library	512,235	46,169	5,951	(460,115)	-	(460,115)
Community Enrichment and Development	604,215	121,089	217,537	(265,589)	-	(265,589)
Road Maintenance and Repair	1,401,278	-	422,074	(979,204)	-	(979,204)
Tax Refund	1,571,927	-	-	(1,571,927)	-	(1,571,927)
Interest on Long-Term Debt	816,680	-	-	(816,680)	-	(816,680)
Miscellaneous	3,957	71,831	-	67,874	-	67,874
Total Governmental Activities	15,780,319	2,876,705	1,889,125	(11,014,489)	-	(11,014,489)
Business-Type Activities						
Water and Sewer	3,048,282	3,020,040	-	-	(28,242)	(28,242)
Total Primary Government	\$ 18,828,601	\$ 5,896,745	\$ 1,889,125	(11,014,489)	(28,242)	(11,042,731)
<b>General Revenues</b>						
Taxes						
Property Taxes, Levied for General Purposes				9,403,494	-	9,403,494
Property Taxes, Levied for Special Services				563,112	-	563,112
Special Assessments for Debt Service				834	-	834
Investment Earnings				118,851	10,029	128,880
Total General Revenues				10,086,291	10,029	10,096,320
<b>CHANGES IN NET ASSETS</b>				(928,198)	(18,213)	(946,411)
<b>NET ASSETS, BEGINNING</b>				13,899,339	8,646,099	22,545,438
<b>NET ASSETS, ENDING</b>				\$ 12,971,141	\$ 8,627,886	\$ 21,599,027

See notes to financial statements.

## CITY OF FLAT ROCK, MICHIGAN

## GOVERNMENTAL FUNDS - BALANCE SHEET

JUNE 30, 2010

	General Fund	Tax Increment Finance Authority	Downtown Development Authority	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 745,277	\$ 175,835	\$ 653,611	\$ 861,051	\$ 2,435,774
Receivables					
Taxes	348,282	-	-	27,264	375,546
Accrued Interest and Other	10,968	-	-	2,000	12,968
Due From Other Funds	61,887	-	-	53,261	115,148
Due From Enterprise Funds	726	-	-	-	726
Due From Trust and Agency Funds	29,076	-	-	-	29,076
Due From Other Governmental Units	219,096	-	-	57,544	276,640
Inventory	14,755	-	-	-	14,755
Prepaid Expenses	40,366	-	-	7,149	47,515
<b>TOTAL ASSETS</b>	<u>\$1,470,433</u>	<u>\$ 175,835</u>	<u>\$ 653,611</u>	<u>\$ 1,008,269</u>	<u>\$ 3,308,148</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 371,375	\$ -	\$ -	\$ 91,551	\$ 462,926
Accrued Expenses	190,556	-	-	65,766	256,322
Compensated Absences, Current	164,335	-	-	11,766	176,101
Due to Other Funds	1,137	2,481	24,464	87,066	115,148
<b>Total Liabilities</b>	<u>727,403</u>	<u>2,481</u>	<u>24,464</u>	<u>256,149</u>	<u>1,010,497</u>
<b>FUND BALANCE</b>					
Reserved for Debt Service	-	-	-	150,681	150,681
Reserved for Capital Projects	-	-	-	767	767
Undesignated, Reported in					
General Fund	743,030	-	-	-	743,030
Special Revenue Funds	-	173,354	629,147	600,672	1,403,173
<b>Total Fund Balance</b>	<u>743,030</u>	<u>173,354</u>	<u>629,147</u>	<u>752,120</u>	<u>2,297,651</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$1,470,433</u>	<u>\$ 175,835</u>	<u>\$ 653,611</u>	<u>\$ 1,008,269</u>	<u>\$ 3,308,148</u>

See notes to financial statements.

CITY OF FLAT ROCK, MICHIGAN

RECONCILIATION OF FUND BALANCE OF GOVERNMENTAL FUNDS TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2010

Total Fund Balances for Governmental Funds	\$ 2,297,651
Amounts reported for governmental activities in the Statement of Net Assets are different because	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	28,213,181
Compensated absences are not due and payable in the current period and are not reported in the funds.	(631,313)
Other post employment benefit obligations are recognized for the Statement of Activities	(1,277,368)
Long-term liabilities are not due and payable in the current period and are not reported in the Funds.	(16,106,530)
Unamortized bond issue costs not recorded in the funds	<u>475,520</u>
Net Assets of Governmental Activities	<u>\$ 12,971,141</u>

See notes to financial statements.



## CITY OF FLAT ROCK, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Tax Increment Finance Authority	Downtown Development Authority	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$6,277,654	\$ 4,698,763	\$ 630,491	\$ 563,112	\$ 12,170,020
General Government	59,424	-	-	-	59,424
Police Department	519,915	-	-	-	519,915
Fire Department	755,888	-	-	-	755,888
Building and Safety	177,064	-	-	-	177,064
Public Works	264,599	-	-	-	264,599
Recreation and Culture	112,651	-	-	1,296,896	1,409,547
Community Enrichment and Development	121,089	-	-	-	121,089
Special Assessments	-	-	-	834	834
State Shared Revenue	694,742	-	-	428,025	1,122,767
Federal Shared Revenue	-	-	-	217,537	217,537
Rental Income	-	-	-	414,694	414,694
Other	-	34,924	687	82,389	118,000
Interest	98,776	15,044	3,731	1,300	118,851
Total Revenues	<u>9,081,802</u>	<u>4,748,731</u>	<u>634,909</u>	<u>3,004,787</u>	<u>17,470,229</u>
<b>EXPENDITURES</b>					
General Government	1,616,418	-	-	-	1,616,418
Police Department	3,165,615	-	-	-	3,165,615
Fire Department	1,893,102	-	-	-	1,893,102
Building and Safety	245,502	-	-	-	245,502
Public Works	1,493,769	-	-	-	1,493,769
Recreation and Culture	806,171	-	-	1,327,608	2,133,779
Library	-	-	-	441,907	441,907
Community Enrichment and Development	24,008	104,199	1,437,443	276,856	1,842,506
Road Maintenance and Repair	-	-	-	839,947	839,947
Tax Refund	-	3,665,035	-	-	3,665,035
Debt Service	-	-	-	-	-
Principal	-	-	-	1,079,661	1,079,661
Interest	-	-	-	816,680	816,680
Miscellaneous	-	-	-	3,957	3,957
Total Expenditures	<u>9,244,585</u>	<u>3,769,234</u>	<u>1,437,443</u>	<u>4,786,616</u>	<u>19,237,878</u>
Excess Revenues (Expenditures)	<u>(162,783)</u>	<u>979,497</u>	<u>(802,534)</u>	<u>(1,781,829)</u>	<u>(1,767,649)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Financing Proceeds	334,000	-	-	-	334,000
Operating Transfers In	-	-	-	1,947,227	1,947,227
Operating Transfers Out	(401,106)	(1,131,476)	-	(414,645)	(1,947,227)
Total Other Financing Sources (Uses)	<u>(67,106)</u>	<u>(1,131,476)</u>	<u>-</u>	<u>1,532,582</u>	<u>334,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(229,889)</u>	<u>(151,979)</u>	<u>(802,534)</u>	<u>(249,247)</u>	<u>(1,433,649)</u>
FUND BALANCE, JULY 1, 2009	<u>972,919</u>	<u>325,333</u>	<u>1,431,681</u>	<u>1,001,367</u>	<u>3,731,300</u>
FUND BALANCE, JUNE 30, 2010	<u>\$ 743,030</u>	<u>\$ 173,354</u>	<u>\$ 629,147</u>	<u>\$ 752,120</u>	<u>\$ 2,297,651</u>

See notes to financial statements.

**CITY OF FLAT ROCK, MICHIGAN**

**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, 2010**

Net Change in Fund Balance - Total Governmental Funds \$ (1,433,649)

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 depreciation expense exceeded capital outlays and construction in progress 882,540

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 payments exceeded proceeds. 824,054

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.

Other post employment benefit obligations are recognized for Statement of Activities	(669,672)	
Amortization of current year bond issuance costs and discounts	(40,595)	
Change in long-term compensated absences	34,124	
Anticipated Michigan Tax Tribunal Settlement	<u>(525,000)</u>	<u>(1,201,143)</u>
Change in Net Assets of Governmental Activities		<u>\$ (928,198)</u>

**See notes to financial statements.**

## CITY OF FLAT ROCK, MICHIGAN

## PROPRIETARY FUND

## STATEMENT OF NET ASSETS

JUNE 30, 2010

	<u>Enterprise Fund Water and Sewer</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 563,607
Accounts Receivable, Customers	400,286
Prepaid Expenditures	47,927
Inventories	<u>20,572</u>
Total Current Assets	1,032,392
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	<u>11,879,557</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 12,911,949</b></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	\$ 148,439
Accrued Expenses and Other Liabilities	43,802
Due to Other Funds	726
Current Portion of Accumulated Compensated Absences	8,632
Current Portion of Deferred Loss on Bond Refund	1,844
Current Portion of Long-Term Obligations	<u>386,079</u>
Total Current Liabilities	<u>589,522</u>
Noncurrent Liabilities	
Accumulated Compensated Absences	24,468
Deferred Loss on Bond Refund	21,249
General Obligation Bonds Payable	4,034,903
Less Current Portion Shown in Current Liabilities	<u>(386,079)</u>
Total Noncurrent Liabilities	<u>3,694,541</u>
Total Liabilities	<u>4,284,063</u>
<b>NET ASSETS</b>	
Investment in Capital	
Assets, Net of Related Debt	7,844,654
Unrestricted	<u>783,232</u>
Total Net Assets	<u>8,627,886</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 12,911,949</b></u>

See notes to financial statements.

CITY OF FLAT ROCK, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Enterprise Fund Water and Sewer</u>
<b>OPERATING REVENUES</b>	
Customer Billings	\$ 2,820,263
Capital Charges	56,350
Service Connections	56,614
Service Charges	55,528
Other Revenue	<u>31,285</u>
Total Operating Revenues	<u>3,020,040</u>
<b>OPERATING EXPENSES</b>	
Cost of Water Purchases	830,625
Cost of Sewage Disposal	794,796
System Maintenance and Repairs	651,286
General and Administrative	220,142
Depreciation	452,900
Amortization	<u>(1,844)</u>
Total Operating Expenses	<u>2,947,905</u>
Operating Income	<u>72,135</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest Income	10,029
Interest Expense	<u>(100,377)</u>
Total Net Non-Operating Revenues (Expenses)	<u>(90,348)</u>
Change in Net Assets	(18,213)
<b>TOTAL NET ASSETS, BEGINNING</b>	<u>8,646,099</u>
<b>TOTAL NET ASSETS, ENDING</b>	<u>\$ 8,627,886</u>

See notes to financial statements.

**CITY OF FLAT ROCK, MICHIGAN**  
**PROPRIETARY FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u><b>Enterprise Fund Water and Sewer</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received From Customers	\$ 2,991,997
Other Operating Revenues	31,285
Cash Payments for Goods and Services	(2,186,131)
Cash to Employees	<u>(261,759)</u>
Net Cash Provided by Operating Activities	<u>575,392</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Due to Other Funds	(4,597)
Principal Paid on Revenue and General Obligations	(578,885)
Interest Paid on Revenue and General Obligations	<u>(100,377)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(683,859)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Investments	<u>10,029</u>
Net Decrease in Cash	(98,438)
<b>CASH BALANCE - JULY 1, 2009</b>	<u>662,045</u>
<b>CASH BALANCE - JUNE 30, 2010</b>	<u><b>\$ 563,607</b></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income	\$ 72,135
Depreciation	452,900
Amortization	(1,844)
Change in Assets and Liabilities	
Decrease in Accounts Receivable	3,242
Decrease in Prepaid Expenditures	67,172
Decrease in Accounts Payable	(15,791)
Decrease in Accrued Expenses and Other Liabilities	<u>(2,422)</u>
Net Cash Provided By Operating Activities	<u><b>\$ 575,392</b></u>

See notes to financial statements.

## CITY OF FLAT ROCK, MICHIGAN

## FIDUCIARY FUNDS

## STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2010

	<u>Tax Collection</u>	<u>Trust and Agency</u>	<u>Crime Prevention</u>	<u>Deferred Compensation</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 31,300	\$ 155,489	\$ 474	\$ -	\$ 187,263
Investments	-	-	-	1,544,281	1,544,281
Due From Other Governmental Units	<u>1,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,969</u>
<b>TOTAL ASSETS</b>	<u>\$ 33,269</u>	<u>\$ 155,489</u>	<u>\$ 474</u>	<u>\$ 1,544,281</u>	<u>\$1,733,513</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 1,284	\$ 1,729	\$ -	\$ -	\$ 3,013
Due to Other Funds	31,985	-	-	-	31,985
Payments Received in Advance	-	153,760	474	-	154,234
Deferred Compensation Benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,544,281</u>	<u>1,544,281</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 33,269</u>	<u>\$ 155,489</u>	<u>\$ 474</u>	<u>\$ 1,544,281</u>	<u>\$1,733,513</u>

See notes to financial statements.

**CITY OF FLAT ROCK, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies 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:

**Reporting Entity**

The City operates as a Home Rule City under the laws of the State of Michigan. The City is governed by an elected Mayor and a six-member Council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the City's operations.

**Blended Component Units**

The City of Flat Rock Building Authority (the "Authority") is a separate legal entity from the City, the Authority is reported as if it were a part of the primary government because its sole purpose is to finance and construct the City's public buildings. 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 purpose of the City.

The Downtown Development Authority (the "Authority") was created under Act No. 197 of the Michigan State statutes to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic development within the downtown district. In addition, the Authority budget is subject to approval by the City Council. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the City. Funding for the Authority is provided from the increased property tax revenues from any benefited property.

The Tax Increment Finance Authority (the "Authority") was created under Act No. 450 of the Michigan State statutes with the purpose to bolster the declining value of the lands located within the district. The Authority 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 the Authority is provided by capturing the increased property tax revenues from the increase in valuations of the benefited properties. In addition, the Authority's budget is subject to approval by the City Council.

**Jointly Governed Organizations**

Jointly governed organizations are discussed in Note 12.

**Major Taxpayer**

Approximately 35 percent of property tax revenue is from one company located in the City of Flat Rock, and 31 percent of water, sewer and industrial charge revenue are from the same company.

**CITY OF FLAT ROCK, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state shared revenue, district court fines, and interest associated with the current fiscal period. All other revenue items are considered to be available only when cash is received by the City.

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

The City reports the following major governmental funds:

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



**CITY OF FLAT ROCK, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

The City reports the following major proprietary fund:

**Water and Sewer Fund** - The Water and Sewer Fund is an Enterprise Fund. The City operates an 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.

Additionally, the City reports the following fund types:

**Agency Funds** - Agency Funds account for assets held by the City in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

**Capital Project Funds** - Capital Project Funds are used to account for the construction of major capital facilities and City infrastructure other than those financed by proprietary and trust funds.

**Debt Service Funds** - Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

**Special Revenue Funds** - Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes or designated by management to be accounted for in another fund. These funds are classified as Special Revenue Funds due to the limited usage of their assets.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**CITY OF FLAT ROCK, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property Tax Revenue**

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on August 31 of the current year, at which time penalties and interest are assessed.

The City's 2009 tax is levied and collectible on July 1, 2009 and is recognized as revenue in the year ended June 30, 2010, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2009 taxable valuation of the City totaled \$478.9 million (a portion of which is abated and a portion of which is captured by the Tax Increment Finance Authority and Downtown Development Authority), on which taxes levied consisted of 16.00 mills for general operating purposes, 1.00 mill for library use, and .25 mills for use in the historical district. This resulted in approximately \$6,278,000 for general operating, \$452,000 for library use, and \$110,000 for the historical district. These amounts are recognized in the respective General Fund, Library Fund, and Historical District Fund.

**Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled, pooled investment income is generally allocated to each fund using a weighted average method. The Statement of Cash Flows includes both restricted and unrestricted cash and cash equivalents.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**CITY OF FLAT ROCK, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and Infrastructure	10 to 30 Years
Water and Sewer Mains	50 Years
Buildings	50 Years
Vehicles	5 to 12 Years
Equipment and Meters	7 to 30 Years

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in governmental funds where appropriate except in the General Fund, where it is only reported 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 life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face value of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

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

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information** - The annual budget is prepared by the Mayor and adopted by the City Council; subsequent amendments are approved by the City Council. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)". The last amendment to the budget was adopted on July 6, 2009.

**CITY OF FLAT ROCK, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

Annual budgets are adopted for all governmental funds. The budget represents a complete financial plan for all activities of the City for the ensuing fiscal year. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level. Expenditures at this level in excess of amounts budgeted are a violation of State law.

A comparison of actual results of operations to the General Fund and Major Special Revenue Funds budgets adopted by the City Council is included as required supplemental information. The comparison includes expenditure budget overruns. A comparison of actual results of operations, including budget overruns to all the fund budgets as adopted by the City Council, is available at the Treasurer's office for inspection.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the City incurred expenditures in governmental funds that were in excess of the amounts budgeted, as follows:

The unfavorable expenditure variances were caused by unanticipated expenditures that became necessary during the year.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund</b>			
General Government	\$ 1,427,114	\$ 1,616,418	\$ (189,304)
Police Department	3,045,127	3,165,615	(120,488)
Fire Department	1,531,196	1,893,102	(361,906)
Building and Safety	240,795	245,502	(4,707)
<b>Tax Increment Finance Authority</b>	3,747,285	3,769,234	(21,949)
<b>Special Revenue Funds</b>			
Block Grant	83,000	217,537	(134,537)
Local Streets	387,887	644,434	(256,547)
Concession Stand	-	4,852	(4,852)
ACT 302 Training	12,000	15,214	(3,214)

**Fund Deficits** - The City has not accumulated any fund deficits.

**CITY OF FLAT ROCK, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the Council is in accordance with Public Act 196 of 1997.

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. The bank balance of the City's deposits is \$2,430,992 of which \$264,416 is covered by federal depository insurance and \$2,166,576 is uninsured and uncollateralized. The City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the City had no investment subjected to interest rate risk.

**Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment that would further limit its investment choices. As of the end of the fiscal year, credit quality ratings are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Fifth Third Institutional Gov't Money Market	\$ 643,765	AAAmmf	Fitch

**CITY OF FLAT ROCK, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE 4 – RECEIVABLES**

Receivables as of year-end for individual major funds and the nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Primary Government</b>
Receivables			
Taxes	\$ 348,282	\$ 27,264	\$ 375,546
Accounts	<u>10,968</u>	<u>2,000</u>	<u>12,968</u>
Net Receivables	<u>\$ 359,250</u>	<u>\$ 29,264</u>	<u>\$ 388,514</u>

**NOTE 5 – CAPITAL ASSETS**

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

	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2010</b>
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 1,249,229	\$ 49,201	\$ -	\$ 1,298,430
Capital Assets Being Depreciated				
Infrastructure	21,433,880	1,501,345	-	22,935,225
Buildings and Improvements	22,647,093	113,675	-	22,760,768
Vehicles	830,765	41,822	-	872,587
Machinery and Equipment	<u>4,369,418</u>	<u>840,483</u>	-	<u>5,209,901</u>
Subtotal	<u>49,281,156</u>	<u>2,497,325</u>	-	<u>51,778,481</u>
Accumulated Depreciation				
Infrastructure	15,242,854	897,465	-	16,140,319
Buildings and Improvements	4,251,817	454,251	-	4,706,068
Vehicles	737,181	52,345	-	789,526
Machinery and Equipment	<u>2,967,882</u>	<u>259,935</u>	-	<u>3,227,817</u>
Subtotal	<u>23,199,734</u>	<u>1,663,996</u>	-	<u>24,863,730</u>
Net Capital Assets Being Depreciated	<u>26,081,422</u>	<u>833,329</u>	-	<u>26,914,751</u>
Net Capital Assets	<u>\$ 27,330,651</u>	<u>\$ 882,530</u>	<u>\$ -</u>	<u>\$ 28,213,181</u>

**CITY OF FLAT ROCK, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE 5 – CAPITAL ASSETS (Continued)**

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>Business-Type Activities</b>				
Capital Assets Being Depreciated				
Water and Sewer Mains	\$ 16,103,851	\$ -	\$ -	\$ 16,103,851
Buildings	6,516,962	-	-	6,516,962
Equipment and Meters	443,233	-	-	443,233
Vehicles	285,396	-	-	285,396
Subtotal	<u>23,349,442</u>	<u>-</u>	<u>-</u>	<u>23,349,442</u>
Accumulated Depreciation				
Water and Sewer Mains	8,926,038	328,568	-	9,254,606
Buildings	1,533,086	113,674	-	1,646,760
Equipment and Meters	288,155	6,794	-	294,949
Vehicles	269,706	3,864	-	273,570
Subtotal	<u>11,016,985</u>	<u>452,900</u>	<u>-</u>	<u>11,469,885</u>
Net Capital Assets	<u>\$ 12,332,457</u>	<u>\$ (452,900)</u>	<u>\$ -</u>	<u>\$ 11,879,557</u>

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

<b>Governmental Activities</b>	
Road Maintenance and Repair	\$ 897,465
Recreational Culture	431,762
Public Works	84,749
Police Department	56,108
Library	48,846
Fire Department	108,895
General Government	25,638
Building and Safety	<u>10,533</u>
Total Governmental Activities	<u>\$ 1,663,996</u>
<b>Business-Type Activities</b>	
Water and Sewer Mains	\$ 328,568
Buildings	113,674
Equipment and Meters	6,794
Vehicles	<u>3,864</u>
Total Business-Type Activities	<u>\$ 452,900</u>

**CITY OF FLAT ROCK, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Due to/from Other Funds</b>		
General Fund	Nonmajor Governmental Funds	\$ 34,942
	TIFA Fund	2,481
	DDA Fund	24,464
	Water and Sewer	<u>726</u>
	Total General Fund	<u>\$ 62,613</u>
Nonmajor Governmental Funds	General Fund	\$ 1,137
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>52,124</u>
	Total Nonmajor Governmental Funds	<u>\$ 53,261</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 401,106
Nonmajor Governmental Funds	Nonmajor Governmental Funds	414,645
TIFA Fund	Nonmajor Governmental Funds	<u>1,131,476</u>
	Total	<u>\$ 1,947,227</u>

The transfers from the General Fund to the nonmajor governmental funds represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations; the transfers from nonmajor governmental funds and the TIFA Fund to nonmajor governmental funds represent transfers to Debt Service Funds.

**NOTE 7 – LONG-TERM DEBT**

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



CITY OF FLAT ROCK, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**NOTE 7 - LONG-TERM DEBT (Continued)**

Long-term obligation activity can be summarized as follows:

	Number of Issues	Interest Rate Ranges	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>							
Special Assessment (LTGO) Bonds, Series B Amount of Issue: \$170,000 Maturing Through 2010	1	6.75% - 7.75%	\$ 20,000	\$ -	\$ (20,000)	\$ -	\$ -
Special Assessment (LTGO) Bonds, Series A Amount of Issue: \$505,000 Maturing Through 2010	1	4.80% - 5.70%	65,000	-	(65,000)	-	-
Michigan Transportation Fund Bonds Amount of Issue: \$800,000 Maturing Through 2013	1	4.00% - 5.20%	280,000	-	(65,000)	215,000	70,000
Certificate of Participation - Installment Purchase Amount of Issue: \$1,500,000 Maturing Through 2013	1	4.90% - 7.07%	550,000	-	(125,000)	425,000	135,000
Building Authority Refunding Bonds Amount of Issue: \$1,720,000 Maturing Through 2018	1	2.00% - 4.40%	1,205,000	-	(115,000)	1,090,000	115,000
Building Authority Bonds Amount of Issue: \$5,000,000 Maturing Through 2011	1	5.92%	450,000	-	(220,000)	230,000	230,000
Building Authority Refunding Bonds Amount of Issue: \$3,415,000 Maturing Through 2021	1	3.90% - 4.60%	3,350,000	-	(30,000)	3,320,000	30,000
Tax Increment Finance Authority - Limited Tax Development Bonds Amount of Issue: \$1,750,000 Maturing Through 2026	1	5.375% - 5.875%	1,590,000	-	(60,000)	1,530,000	65,000
Tax Increment Finance Authority - Limited Tax Development Bonds Amount of Issue: \$4,270,000 Maturing Through 2024	1	6.75% - 7.00%	3,960,000	-	(160,000)	3,800,000	170,000
Tax Increment Finance Authority - Limited Tax Development Bonds Amount of Issue: \$5,675,000 Maturing Through 2024	1	4.00% - 4.80%	4,910,000	-	(290,000)	4,620,000	290,000
Equipment Lease Purchase Agreement Amount of Issue: \$40,375 Maturing Through 2011	1	5.75%	25,584	-	(8,056)	17,528	8,519
Equipment Installment Purchase Agreement Amount of Issue: \$334,000 Maturing Through 2014	1	4.47%	-	334,000	-	334,000	66,800
			<u>\$ 16,405,584</u>	<u>\$ 334,000</u>	<u>\$ (1,158,056)</u>	<u>\$ 15,581,528</u>	<u>\$ 1,180,319</u>
<b>BUSINESS TYPE ACTIVITIES</b>							
Wayne County Sewage Disposal System Amount of Issue: \$400,000 Maturing Through 2010	1	6.00%	\$ 200,000	\$ -	\$ (200,000)	\$ -	\$ -
South Huron Valley Utility Authority Amount of Issue: \$1,901,130 Maturing Through 2011	1	2.00%	246,098	-	(121,934)	124,164	124,164
South Huron Valley Utility Authority Amount of Issue: \$3,271,516 Maturing Through 2021	1	2.25%	2,107,111	-	(154,879)	1,952,232	158,567
South Huron Valley Utility Authority Amount of Issue: \$2,352,760 Maturing Through 2026	1	2.125%	2,080,579	-	(102,072)	1,958,507	103,348
			<u>\$ 4,613,788</u>	<u>\$ -</u>	<u>\$ (578,885)</u>	<u>\$ 4,034,903</u>	<u>\$ 386,079</u>

**CITY OF FLAT ROCK, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE 7 -- LONG-TERM DEBT (Continued)**

Annual Debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 1,180,319	\$ 769,239	\$ 1,949,558	\$ 386,079	\$ 86,244	\$ 472,323
2012	1,230,811	720,296	1,951,107	268,154	77,954	346,108
2013	1,266,800	661,229	1,928,029	274,393	72,014	346,407
2014	1,081,800	605,548	1,687,348	280,018	65,940	345,958
2015	1,116,800	552,961	1,669,761	286,257	59,735	345,992
2016-2020	5,645,000	1,903,066	7,548,066	1,527,813	200,729	1,728,542
2021-2025	3,920,000	495,063	4,415,063	869,288	60,793	930,081
2026-2030	140,000	4,113	144,113	142,901	3,036	145,937
	<u>\$ 15,581,530</u>	<u>\$ 5,711,515</u>	<u>\$ 21,293,045</u>	<u>\$ 4,034,903</u>	<u>\$ 626,445</u>	<u>\$ 4,661,348</u>

**Advance Refundings** In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the general purpose financial statements.

**NOTE 8 -- RISK MANAGEMENT**

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

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

**CITY OF FLAT ROCK, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN**

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

Trend information is as follows:

	<b>Fiscal Year Ended June 30</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
Annual Pension Costs (APC)	\$ 601,000	\$ 571,000	\$ 547,636
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	\$ -	\$ -	\$ -

  

	<b>Actuarial Valuation as of December 31</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
Actuarial Value of Assets	\$ 11,172,960	\$ 11,427,268	\$ 11,553,218
Actuarial Accrued Liability (AAL)	\$ 17,909,581	\$ 18,959,513	\$ 19,012,367
Unfunded AAL (UAAL)	\$ 6,736,621	\$ 7,532,245	\$ 7,459,149
Funded Ratio	62.4%	60.3%	60.8%
Covered Payroll	\$ 4,100,932	\$ 3,603,933	\$ 3,608,759
UAAL as a percentage of covered payroll	164%	209%	207%

At December 31, 2009, the total participants of 108 consisted of 66 active employees, 2 vested former employees and 40 retired employees.

**Funding Policy** - Each member contributes a percent of annual compensation, as selected by the City. 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.

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.

**Annual Pension Cost** - For the year ended June 30, 2010, the City's annual pension cost of \$547,636 for the plan was equal to the City's required contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2009, using the entry age actuarial cost method. Significant actuarial assumptions used include: (a) an 8 percent investment rate of return and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets is determined on the basis of a method that calculates expected investment income at the valuation rate of return and adds a portion of the difference between the expected investment income and actual investment income earned on a market value basis. The difference in investment income between expected return and market return is recognized over a 10-year period at the rate of 10% per year. This asset valuation method was first adopted for the December 31, 2005 valuation. The unfunded actuarial liability is being amortized over 28 years.

**CITY OF FLAT ROCK, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE 10 – RESERVED AND DESIGNATED FUND BALANCES**

Net assets of governmental activities have been reserved for the following:

Restricted Net Assets	
Debt Service	\$ 150,681
Capital Projects	<u>767</u>
Restricted Net Assets	<u>\$ 151,448</u>

**NOTE 11 – CONTINGENT LIABILITIES**

During the ordinary course of its operation, the City is a party to various claims, legal actions, and complaints. These actions are not anticipated to have a significant effect on the financial condition of the City.

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. An anticipated settlement of \$525,000 with a major taxpayer on personal property tax has been recorded in the financial statements as a long-term obligation as it will be paid back over a ten-year period.

**NOTE 12 – JOINT VENTURES**

The City is a member of the 33rd District Court (the "Court"), which provides judicial services to the member communities. The City appoints one member to the joint venture's governing board, who then approves the annual budget. The Court receives its operating revenue principally from fines and fees, in addition to annual funding contributions from member communities. During the current year, the City contributed \$514,848 to the Court, representing the City's share of the Court's net activity. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating communities in the near future, other than the fluctuation of case loads, which impacts the City's share of the Court debt. Complete financial statements for the Court can be obtained from the administrative offices at: 19000 Van Horn Road, Woodhaven, MI 48183.

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, 2010, the City incurred operating costs of \$795,000. In addition, the City paid \$578,885 in principal payments and \$100,000 in interest expense. Complete financial statements for the Authority can be obtained from the administrative offices at 34001 West Jefferson, Brownstown, MI 48173

**NOTE 13 – 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".

**CITY OF FLAT ROCK, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description** - The City provides postemployment health, dental and vision benefits to all eligible full-time retired employees and their beneficiaries. The City pays the full cost of coverage for these benefits. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant (other than specific co-pays). The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Currently, 34 retirees are eligible for post-employment health benefits. The government obtains health care coverage through private insurers.

This is a single employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the employer.

**Funding Policy** - The collective bargaining agreements do not require a contribution from employees. Retiree health care costs are recognized when paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment.

**Funding Progress** - For the year ended June 30, 2010, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2009. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual Required Contribution (Recommended)	\$ 1,004,402
Interest on the Prior Year's Net OPEB Obligation	26,808
Less Adjustment to the Annual Required Contribution	<u>(37,944)</u>
Annual OPEB cost	993,266
Amounts Contributed	
Payments of Current Premiums	323,594
Advance Funding	<u>-</u>
Increase in net OPEB Obligation	669,672
OPEB Obligation - Beginning of Year	<u>607,696</u>
OPEB Obligation - End of Year	<u>\$ 1,277,368</u>

**CITY OF FLAT ROCK, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The schedule of employer contributions and the net OPEB obligations for the fiscal year ended June 30, 2010 and 2009 are as follows (three-year trend is not available because 2009 is the initial year of reporting):

	<b>Year Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>
Annual OPEB Costs	\$ 993,266	\$ 971,991
Percentage Contributed	32.579%	37.479%
Net OPEB Obligation	1,277,368	607,696

The Funding Progress of the Plan as of the Most Recent Valuation Date is as follows:

Valuation as of December 31, 2009

Actuarial Value of Assets	\$ -
Actuarial Accrued Liability (AAL)	14,510,603
Unfunded AAL	14,510,603
Funded Ratio	0%

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

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

In the June 30, 2009 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets, and an annual healthcare cost trend for medical and drug costs of 10.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after ten years, with an annual healthcare cost trend rate for dental and vision costs of 5.0 percent, which remains unchanged. Both rates included a 4.0 percent inflation assumption. The UAAL is being amortized as a level percent of payroll if the divisions are open to new hires and as a level dollar if the divisions are closed to new hires.

**REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF FLAT ROCK, MICHIGAN**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>REVENUES</b>				
Property Taxes	\$6,264,863	\$6,264,863	\$6,277,654	\$ 12,791
Elections	5,000	5,000	-	(5,000)
General Government	89,150	89,150	59,424	(29,726)
Police Department	377,780	427,780	519,915	92,135
Fire Department	818,150	818,150	755,888	(62,262)
Building and Safety				
Building Permits	89,300	89,300	112,781	23,481
Electrical Permits	20,000	20,000	24,787	4,787
Plumbing Permits	15,000	15,000	18,981	3,981
Mechanical Permits	15,000	15,000	11,955	(3,045)
Other Revenues	9,700	9,700	8,560	(1,140)
Public Works	194,700	194,700	264,599	69,899
Recreation and Culture	120,484	120,484	112,651	(7,833)
Community Enrichment and Development	117,510	117,510	121,089	3,579
State Shared Revenues	725,016	725,016	694,742	(30,274)
Interest	225,000	225,000	98,776	(126,224)
<b>Total Revenues</b>	<u>9,086,653</u>	<u>9,136,653</u>	<u>9,081,802</u>	<u>(54,851)</u>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Legislative				
Elected Officials Wages	10,000	10,000	10,000	-
Consultant Fees	1,000	1,000	28,869	(27,869)
Construction	-	-	1,520	(1,520)
Engineering Fees	3,500	3,500	104	3,396
<b>Total Legislative</b>	<u>14,500</u>	<u>14,500</u>	<u>40,493</u>	<u>(25,993)</u>
Judicial				
Legal Fees	50,000	50,000	65,380	(15,380)
District Court	420,000	420,000	514,848	(94,848)
<b>Total Judicial</b>	<u>470,000</u>	<u>470,000</u>	<u>580,228</u>	<u>(110,228)</u>
Elections				
Supervisory	4,000	4,000	4,824	(824)
Clerical	15,000	15,000	15,000	-
Overtime	2,500	2,500	1,391	1,109
Payroll Tax	1,645	1,645	392	1,253
Fees and Per Diem	10,000	10,000	8,662	1,338
Office Supplies	3,000	3,000	5,456	(2,456)
Operating Supplies	4,000	4,000	7,761	(3,761)
Meal Allowance	300	300	70	230

See notes to financial statements.



## CITY OF FLAT ROCK, MICHIGAN

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2010

(Continued)

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>GENERAL GOVERNMENT (Continued)</b>				
Elections (Continued)				
Advertising	\$ 1,500	\$ 1,500	\$ 1,616	\$ (116)
Insurance and Bond	980	980	848	132
Equipment Maintenance	3,000	3,000	900	2,100
Total Elections	45,925	45,925	46,920	(995)
City Clerk and Treasurer				
Supervisory	94,449	94,449	94,687	(238)
Mechanic	500	500	222	278
Janitor	59,503	59,503	44,658	14,845
Clerical	136,135	136,135	142,953	(6,818)
Temporary	2,000	2,000	-	2,000
Overtime	1,500	1,500	991	509
Overtime Custodian	3,000	3,000	2,032	968
Overtime Park Maintenance	2,500	2,500	1,107	1,393
Payroll Taxes	23,402	23,402	24,478	(1,076)
Hospitalization	80,336	80,336	96,431	(16,095)
Employee Life Insurance	1,517	1,517	1,406	111
Longevity Pay	750	750	750	-
Retirement Contribution	29,170	29,170	29,142	28
Sick and Vacation Pay	500	500	1,577	(1,077)
Fees and Per Diem	200	200	2,423	(2,223)
Office Supplies	9,000	9,000	2,598	6,402
Bank Charges	500	500	7,100	(6,600)
Gasoline and Oil, etc.	1,500	1,500	2,177	(677)
Operating Supplies	1,000	1,000	561	439
Medical Expense	100	100	-	100
Computer Expense	13,000	13,000	4,532	8,468
Clothing	1,200	1,200	919	281
Custodian Supplies	2,500	2,500	2,123	377
Pond Sprinklers	3,601	3,601	4,308	(707)
Audit Fee	10,600	10,600	11,880	(1,280)
Tax Roll Preparation	10,000	10,000	9,397	603
Property Engineering Fees	500	500	450	50
Membership and Dues	14,500	14,500	14,402	98
Consultant Fees	-	-	579	(579)
Telephone	11,500	11,500	7,223	4,277
Senior Programs	-	-	70	(70)
Meal Allowance	300	300	360	(60)
Public Relations	1,000	1,000	1,074	(74)
Reimburse Employee's Blue Cross	5,071	5,071	4,336	735

See notes to financial statements.

## CITY OF FLAT ROCK, MICHIGAN

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2010

(Continued)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>GENERAL GOVERNMENT (Continued)</b>				
City Clerk and Treasurer (Continued)				
Advertising	\$ 2,000	\$ 2,000	\$ 1,333	\$ 667
Shortage Cash Draw	-	-	23	(23)
Reading Building	5,000	5,000	4,398	602
Education and Training	3,000	3,000	1,685	1,315
Insurance and Bond	37,894	37,894	39,986	(2,092)
Insurance Claims Deductible	500	500	-	500
Utilities	41,500	41,500	44,202	(2,702)
Building Maintenance	120,000	120,000	69,565	50,435
Equipment Maintenance	3,000	3,000	1,099	1,901
Equipment Lease	6,000	6,000	5,329	671
Civil Defense	575	575	2,641	(2,066)
Miscellaneous	1,500	1,500	475	1,025
Taxes Refunded and Written Off	140,000	-	22,484	(22,484)
Capital Outlay	10,000	10,000	-	10,000
Land Acquisition	-	-	119,550	(119,550)
Total City Clerk and Treasurer	<u>892,303</u>	<u>752,303</u>	<u>829,716</u>	<u>(77,413)</u>
City Assessor				
Assessor Salary	11,500	11,500	11,500	-
Clerical	10,000	10,000	10,799	(799)
Overtime	700	700	611	89
Payroll Taxes	819	819	828	(9)
Fees and Per Diem	1,500	1,500	1,200	300
Office Supplies	500	500	284	216
Computer Expense	500	500	150	350
Tax Roll Preparation	13,500	13,500	9,579	3,921
Membership and Dues	200	200	75	125
Meal Allowance	50	50	-	50
Advertising	150	150	-	150
Education and Training	1,500	1,500	1,042	458
Insurance and Bond	867	867	678	189
Miscellaneous	100	100	-	100
Total City Assessor	<u>41,886</u>	<u>41,886</u>	<u>36,746</u>	<u>5,140</u>
City Attorney				
Retainer	22,000	22,000	22,000	-
Labor	75,000	75,000	58,386	16,614
Other Matters	500	500	2,333	(1,833)
Total City Attorney	<u>97,500</u>	<u>97,500</u>	<u>82,719</u>	<u>14,781</u>

See notes to financial statements.

## CITY OF FLAT ROCK, MICHIGAN

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2010

(Continued)

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>GENERAL GOVERNMENT (Continued)</b>				
Economic Development				
Sick and Vacation Pay	\$ -	\$ -	\$ (512)	\$ 512
City Engineer				
Consulting Fees	5,000	5,000	108	4,892
Total General Government	1,567,114	1,427,114	1,616,418	(189,304)
<b>POLICE DEPARTMENT</b>				
Supervisory	78,978	78,978	79,038	(60)
Lieutenants	263,888	263,888	386,754	(122,866)
Sergeants	377,163	377,163	287,782	89,381
Patrolmen	674,486	674,486	692,176	(17,690)
Dispatch	34,232	34,232	39,441	(5,209)
Ordinance Officer	20,539	20,539	26,623	(6,084)
Administrative Assistant	36,023	36,023	42,430	(6,407)
Downriver Mutual Aid	2,000	2,000	1,238	762
Mechanic Wages	35,000	35,000	31,753	3,247
Custodian Wages	30,000	30,000	22,678	7,322
Temporary Wages	26,775	26,775	25,996	779
Shift Differential	14,000	14,000	10,006	3,994
Overtime	120,000	120,000	80,167	39,833
Payroll Taxes	151,501	151,501	146,470	5,031
Holiday Pay Premium	43,000	43,000	44,807	(1,807)
Hospitalization	372,316	285,600	492,282	(206,682)
Employee Life Insurance	5,119	5,119	4,993	126
Longevity Pay	13,500	13,500	14,920	(1,420)
Retirement Contribution	226,778	226,778	253,579	(26,801)
Sick and Vacation Pay	40,785	40,785	(2,245)	43,030
Office Supplies	4,800	4,800	6,201	(1,401)
Postage	1,500	1,500	1,407	93
Dog Expenses	5,500	5,500	4,488	1,012
Canine Expenses	2,000	2,000	1,858	142
Gas and Oil	45,000	45,000	35,277	9,723
Operating Supplies	6,000	6,000	4,145	1,855
Photographic Supplies	1,500	1,500	258	1,242
Medical Expenses	8,000	8,000	7,178	822
Jail Expenses	25,000	25,000	18,843	6,157
Computer Expense	15,000	15,000	13,985	1,015
Prisoner Medical	1,000	1,000	-	1,000
Clothing	40,000	40,000	33,655	6,345
Custodial Supplies	4,500	4,500	4,161	339

See notes to financial statements.

**CITY OF FLAT ROCK, MICHIGAN**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2010**

(Continued)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>POLICE DEPARTMENT (Continued)</b>				
Membership Dues	\$ 5,100	\$ 5,100	\$ 580	\$ 4,520
Legal Fees	4,000	4,000	1,300	2,700
Telephone	20,000	20,000	22,016	(2,016)
Meal Allowance	1,500	1,500	563	937
Gun Allowance	7,800	7,800	6,600	1,200
Gun Range	9,000	9,000	9,129	(129)
Public Relations	1,000	1,000	300	700
Reimburse Employee's Blue Cross	93,060	93,060	85,795	7,265
Advertising	1,000	1,000	25	975
Education and Training	13,000	13,000	7,354	5,646
Insurance and Bonds	85,000	85,000	87,290	(2,290)
Insurance Claims Deductible	500	500	1,000	(500)
Utilities	28,000	28,000	34,685	(6,685)
Building Maintenance	8,000	8,000	5,965	2,035
Equipment Maintenance	20,000	20,000	14,598	5,402
Equipment Lease	12,000	12,000	2,677	9,323
Auto Maintenance	24,000	24,000	22,287	1,713
Equipment Rental	5,000	5,000	-	5,000
Mutual Aid	4,500	4,500	4,083	417
Miscellaneous	2,500	2,500	1,566	934
Capital Outlay	60,000	60,000	45,458	14,542
Interest	1,000	1,000	-	1,000
<b>Total Police Department</b>	<u>3,131,843</u>	<u>3,045,127</u>	<u>3,165,615</u>	<u>(120,488)</u>
<b>FIRE DEPARTMENT</b>				
Chief Salary	56,225	56,225	56,266	(41)
Assistant Chief Salary	3,537	3,537	3,623	(86)
Mechanic	5,500	5,500	4,069	1,431
Custodian	5,000	5,000	7,897	(2,897)
Overtime	85,000	85,000	81,870	3,130
Full-Time Employees	232,050	232,050	263,902	(31,852)
Part-Time Employees	138,000	138,000	191,203	(53,203)
Retroactive Pay	25,000	25,000	-	25,000
Payroll Taxes	47,204	47,204	49,971	(2,767)
Holiday Pay Premium	15,000	15,000	5,954	9,046
Hospitalization	65,608	51,491	96,495	(45,004)
Employee Life Insurance	1,138	1,138	1,232	(94)
Longevity Pay	1,600	1,600	1,625	(25)
Retirement Contribution	47,001	47,001	47,841	(840)
Sick and Vacation Pay	500	500	656	(156)

See notes to financial statements.

## CITY OF FLAT ROCK, MICHIGAN

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2010

(Continued)

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>FIRE DEPARTMENT (Continued)</b>				
Office Supplies	\$ 1,000	\$ 1,000	\$ 1,907	\$ (907)
Bank Charges	-	-	1,000	(1,000)
Operating Supplies	7,000	7,000	9,660	(2,660)
Gas and Oil	7,000	7,000	5,652	1,348
Operating Supplies	4,000	4,000	3,203	797
Medical Expenses	4,000	4,000	2,115	1,885
Clothing	82,239	82,239	49,269	32,970
Custodial Supplies	600	600	595	5
Ambulance Billing Service	16,000	16,000	15,018	982
Membership and Dues	2,500	2,500	2,629	(129)
Legal Fees	1,000	1,000	-	1,000
Telephone	4,600	4,600	6,350	(1,750)
Meal Allowance	300	300	-	300
Public Relation	1,000	1,000	651	349
Reimburse Employee's Blue Cross	19,868	19,868	14,524	5,344
Advertising	500	500	129	371
Education and Training	4,000	4,000	5,825	(1,825)
Educational Services	4,000	4,000	4,859	(859)
Insurance and Bond	50,517	50,517	55,579	(5,062)
Utilities	27,826	27,826	23,981	3,845
Building Maintenance	5,000	5,000	4,186	814
Equipment Maintenance	15,000	15,000	27,492	(12,492)
Mutual Aid	2,000	2,000	1,560	440
Capital Outlay	557,000	557,000	836,847	(279,847)
Bond Principal	-	-	2	(2)
Interest	-	-	7,465	(7,465)
Total Fire Department	1,545,313	1,531,196	1,893,102	(361,906)
<b>BUILDING AND SAFETY</b>				
Supervisory	56,225	56,225	54,925	1,300
Ordinance Officer	13,693	13,693	16,624	(2,931)
Mechanic	500	500	286	214
Clerical	36,682	36,682	37,450	(768)
Inspector	32,710	32,710	29,501	3,209
Overtime	1,000	1,000	-	1,000
Payroll Taxes	11,074	11,074	10,873	201
Hospitalization	15,841	15,841	19,587	(3,746)
Employee Life Insurance	379	379	411	(32)
Longevity Pay	350	350	350	-
Retirement Contribution	24,362	24,362	24,459	(97)
Sick and Vacation Pay	500	500	(791)	1,291

See notes to financial statements.

## CITY OF FLAT ROCK, MICHIGAN

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2010

(Continued)

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>BUILDING AND SAFETY (Continued)</b>				
Fee Per Diem	\$ 500	\$ 500	\$ 189	\$ 311
Office Supplies	1,500	1,500	1,464	36
Gas and Oil	1,500	1,500	1,569	(69)
Operating Supplies	1,000	1,000	550	450
Computer Expense	1,500	1,500	1,491	9
Clothing	100	100	-	100
Membership and Dues	1,000	1,000	925	75
Consultant Fees	1,000	1,000	-	1,000
Inspections				
Mechanical	5,200	5,200	5,681	(481)
Electrical	5,600	5,600	5,000	600
Plumbing	2,600	2,600	4,331	(1,731)
Telephone	5,600	5,600	6,411	(811)
Auto Expense	2,000	2,000	980	1,020
Meal Allowance	400	400	-	400
Reimburse Employee's Blue Cross	3,600	3,600	3,300	300
Advertising	150	150	-	150
Education and Training	500	500	-	500
Insurance and Bond	8,170	8,170	15,223	(7,053)
Utilities	5,059	5,059	4,713	346
Miscellaneous	500	500	-	500
Total Building and Safety	240,795	240,795	245,502	(4,707)
<b>PUBLIC WORKS</b>				
Supervisory	56,903	56,903	50,050	6,853
Labor	202,187	202,187	207,271	(5,084)
Mechanic	45,894	45,894	41,525	4,369
Temporary	32,880	32,880	16,912	15,968
Overtime	10,000	10,000	7,926	2,074
Overtime Department Heads	2,000	2,000	455	1,545
Payroll Taxes	33,192	33,192	31,052	2,140
Hospitalization	215,271	215,271	229,221	(13,950)
Employee Life Insurance	3,133	3,133	3,192	(59)
Longevity Pay	7,500	7,500	7,525	(25)
Retirement Contribution	117,436	117,436	96,054	21,382
Sick and Vacation Pay	-	-	(5,902)	5,902
Office Supplies	1,000	1,000	1,387	(387)
Gas and Oil	45,000	45,000	25,382	19,618
Operating Supplies	12,000	13,000	8,891	4,109
Medical Expenses	200	200	100	100
Computer Expenses	750	750	406	344

See notes to financial statements.

## CITY OF FLAT ROCK, MICHIGAN

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2010

(Continued)

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>PUBLIC WORKS (Continued)</b>				
Clothing	\$ 12,100	\$ 12,100	\$ 11,357	\$ 743
Custodial Supplies	1,000	1,000	624	376
Brick Pavers War Memorial	100	100	109	(9)
Membership and Dues	200	200	240	(40)
Consulting Fees	500	500	243	257
Garbage Pick Up	380,000	380,000	383,034	(3,034)
Street Lighting	190,000	190,000	194,286	(4,286)
Telephone	5,000	5,000	8,501	(3,501)
Meal Allowance	500	500	347	153
Reimburse Employee's Blue Cross	19,615	19,615	12,574	7,041
Advertising	200	200	45	155
Education and Training	1,000	1,000	306	694
Safety Training	1,000	1,000	180	820
Insurance and Bond	46,352	46,352	57,871	(11,519)
Utilities	25,000	25,000	16,798	8,202
Building Maintenance	10,000	10,000	14,190	(4,190)
Cemetery Maintenance	1,500	1,500	1,561	(61)
Equipment Maintenance	55,000	55,000	29,286	25,714
Equipment Lease	21,100	21,100	28,245	(7,145)
Park Maintenance	10,000	10,000	10,078	(78)
Miscellaneous	500	500	96	404
Capital Outlay	20,000	20,000	-	20,000
Interest	6,800	6,800	2,351	4,449
Total Public Works	1,592,813	1,593,813	1,493,769	100,044
<b>RECREATION AND CULTURE</b>				
Recreation Committee				
Park Improvement	3,500	3,500	1,115	2,385
Recreation				
Supervisory	37,671	37,671	37,246	425
Contracted Instructors	1,000	1,000	291	709
Mechanic	1,000	1,000	924	76
Temporary	29,000	29,000	14,774	14,226
Bus Transportation	15,500	15,500	16,895	(1,395)
Programmers	49,224	49,224	51,060	(1,836)
Payroll Taxes	10,511	10,511	9,347	1,164
Hospitalization	11,529	11,529	13,646	(2,117)
Employee Life Insurance	379	379	411	(32)
Longevity Pay	400	400	400	-
Retirement Contribution	25,697	25,697	26,070	(373)
Sick and Vacation Pay	500	500	401	99

See notes to financial statements.

**CITY OF FLAT ROCK, MICHIGAN**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

(Continued)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>RECREATION AND CULTURE (Continued)</b>				
Recreation (Continued)				
Office Supplies	\$ 2,000	\$ 2,000	\$ 1,069	\$ 931
Postage	1,000	1,000	1,002	(2)
Gas and Oil	6,500	6,500	4,080	2,420
Operating Supplies	1,200	1,200	622	578
Playground Equipment	500	500	5	495
Computer Expense	3,000	3,000	2,635	365
Clothing	250	250	170	80
Membership and Dues	600	600	455	145
Consulting Fees	500	500	150	350
Telephone	4,200	4,200	3,331	869
Travel Expense	40,000	40,000	31,542	8,458
Adult Softball	5,000	5,000	6,366	(1,366)
Safety Town	300	300	105	195
Youth Programs	8,000	8,000	8,801	(801)
Senior Programs	1,000	1,000	981	19
Adult Programs	7,000	7,000	4,411	2,589
MRPA Programs	8,000	8,000	11,705	(3,705)
Meal Allowance	100	100	-	100
Public Relations	300	300	515	(215)
Reimburse Employee's Blue Cross	3,600	3,600	3,600	-
Advertising	3,000	3,000	1,198	1,802
Education and Training	500	500	55	445
Insurance and Bond	9,018	9,018	6,331	2,687
Equipment Maintenance	2,000	2,000	1,434	566
Miscellaneous	2,000	2,000	1,450	550
Arts Council	2,000	2,000	250	1,750
Total Recreation	<u>293,979</u>	<u>293,979</u>	<u>263,728</u>	<u>30,251</u>
Senior Citizens				
Custodian	100	100	-	100
Payroll Taxes	8	8	-	8
Custodial Supplies	100	100	-	100
Telephone	1,400	1,400	-	1,400
Meals on Wheels	3,500	3,500	3,439	61
Insurance and Bond	1,529	1,529	1,302	227
Utilities	4,000	4,000	2,044	1,956
Building Maintenance	500	500	3,468	(2,968)
Miscellaneous	100	100	-	100
Total Senior Citizens	<u>11,237</u>	<u>11,237</u>	<u>10,253</u>	<u>984</u>

See notes to financial statements.



**CITY OF FLAT ROCK, MICHIGAN**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2010**

**(Continued)**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With-Amended Budget</u>
<b>RECREATION AND CULTURE (Continued)</b>				
Youth Center				
Insurance and Bond	\$ 1,324	\$ 1,324	\$ 1,019	\$ 305
Utilities	-	-	604	(604)
Miscellaneous	100	100	-	100
Total Youth Center	<u>1,424</u>	<u>1,424</u>	<u>1,623</u>	<u>(199)</u>
Ball Field, Fountain and Ice Rink				
Ball Field Maintenance	40,000	40,000	49,991	(9,991)
Ice Rink Maintenance	20,000	20,000	20,066	(66)
Overtime Department Heads	-	-	315	(315)
Payroll Taxes	4,590	4,590	4,945	(355)
Ball Field Material and Supplies	10,000	10,000	7,766	2,234
Ice Rink Material and Supplies	6,000	6,000	5,394	606
Meal Allowance	100	100	210	(110)
Insurance and Bond	3,586	3,586	2,604	982
Ball Field Utilities	8,000	8,000	10,197	(2,197)
Ice Rink Utilities	5,000	5,000	13,270	(8,270)
Rent	413,036	413,036	414,694	(1,658)
Total Ball Field, Fountain and Ice Rink	<u>510,312</u>	<u>510,312</u>	<u>529,452</u>	<u>(19,140)</u>
Total Recreation and Culture	<u>820,452</u>	<u>820,452</u>	<u>806,171</u>	<u>14,281</u>
<b>COMMUNITY ENRICHMENT AND DEVELOPMENT</b>				
Planning Commission				
Clerical	\$ 500	\$ 500	\$ 53	\$ 447
Overtime	750	750	373	377
Payroll Taxes	96	96	33	63
Fees and Per Diem	1,620	1,620	1,230	390
Special Meetings	750	750	-	750
Office Supplies	100	100	142	(42)
Consultant Fees	7,500	7,500	8,763	(1,263)
Master Plan	1,000	1,000	-	1,000
Advertising	500	500	242	258
Revision of Ordinances	1,000	1,000	-	1,000
Education and Training	250	250	-	250
Insurance and Bond	790	790	772	18
Total Planning Commission	<u>14,856</u>	<u>14,856</u>	<u>11,608</u>	<u>3,248</u>

**See notes to financial statements.**

**CITY OF FLAT ROCK, MICHIGAN**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2010**

**(Continued)**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>COMMUNITY ENRICHMENT AND DEVELOPMENT (Continued)</b>				
Zoning Board of Appeals				
Clerical	\$ 500	\$ 500	\$ 1,040	\$ (540)
Overtime	100	100	106	(6)
Payroll Taxes	46	46	11	35
Fees and Per Diem	500	500	330	170
Office Supplies	100	100	188	(88)
Consultant	500	500	-	500
Advertising	2,000	2,000	419	1,581
Education and Training	150	150	-	150
Insurance and Bond	958	958	772	186
Total Zoning Board of Appeals	<u>4,854</u>	<u>4,854</u>	<u>2,866</u>	<u>1,988</u>
Beautification				
Clerical	500	500	500	-
Payroll Taxes	38	38	-	38
Fees and Per Diem	1,200	1,200	1,050	150
Office Supplies	100	100	142	(42)
Public Relations	1,500	1,500	1,342	158
Insurance and Bond	735	735	724	11
Maintenance Fee	5,500	4,500	3,357	1,143
Miscellaneous	1,000	1,000	68	932
Total Beautification	<u>10,573</u>	<u>9,573</u>	<u>7,183</u>	<u>2,390</u>
Cable Commission				
Fees and Per Diem	800	800	700	100
Insurance and Bond	850	850	206	644
Equipment Maintenance	500	500	1,445	(945)
Miscellaneous	100	100	-	100
Total Cable Commission	<u>2,250</u>	<u>2,250</u>	<u>2,351</u>	<u>(101)</u>
Total Community Enrichment and Development	<u>32,533</u>	<u>31,533</u>	<u>24,008</u>	<u>7,525</u>
Total Expenditures	<u>8,930,863</u>	<u>8,690,030</u>	<u>9,244,585</u>	<u>(554,555)</u>
Excess Revenues (Expenditures)	<u>155,790</u>	<u>446,623</u>	<u>(162,783)</u>	<u>(609,406)</u>

See notes to financial statements.

## CITY OF FLAT ROCK, MICHIGAN

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2010

(Continued)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Proceeds	\$ -	\$ -	\$ 334,000	\$ 334,000
Interfund Transfers				
Special Revenue Funds	(500,000)	(380,000)	(250,000)	130,000
Debt Service Funds	<u>(143,950)</u>	<u>(143,950)</u>	<u>(151,106)</u>	<u>(7,156)</u>
Total Other Financing Sources (Uses)	<u>(643,950)</u>	<u>(523,950)</u>	<u>(67,106)</u>	<u>456,844</u>
Excess Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	(488,160)	(77,327)	(229,889)	(152,562)
<b>FUND BALANCE, JULY 1, 2009</b>	<u>972,919</u>	<u>972,919</u>	<u>972,919</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30, 2010</b>	<u>\$ 484,759</u>	<u>\$ 895,592</u>	<u>\$ 743,030</u>	<u>\$ (152,562)</u>

See notes to financial statements.

## CITY OF FLAT ROCK, MICHIGAN

## BUDGETARY COMPARISON SCHEDULE - MAJOR SPECIAL REVENUE FUNDS

## TAX INCREMENT FINANCE AUTHORITY

FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>REVENUES</b>				
Taxes Captured	\$ 4,698,763	\$ 4,698,763	\$4,698,763	\$ -
Other	21,500	21,500	34,924	13,424
Interest	75,000	75,000	15,044	(59,956)
Total Revenues	4,795,263	4,795,263	4,748,731	(46,532)
<b>EXPENDITURES</b>				
Supervisory	-	-	750	(750)
Clerical	-	-	750	(750)
Secretary	600	600	600	-
Economic Development	35,000	35,000	33,307	1,693
Bank Charges	200	200	994	(794)
Audit	2,000	2,000	41,000	(39,000)
Street Lighting	9,000	9,000	9,393	(393)
Maintenance Gateway	15,000	15,000	6,000	9,000
Landscaping and Signs	5,000	5,000	3,550	1,450
Engineering Fees	5,000	5,000	-	5,000
Legal	9,000	9,000	7,200	1,800
Advertising	200	200	57	143
Insurance and Bond	750	750	598	152
Miscellaneous	500	500	-	500
Tax Refund	3,665,035	3,665,035	3,665,035	-
Total Expenditures	3,747,285	3,747,285	3,769,234	(21,949)
Excess Revenues	1,047,978	1,047,978	979,497	(68,481)
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund Transfers				
Recreation Center Operations	(150,000)	(150,000)	(50,000)	100,000
Debt Service Funds	(1,078,235)	(1,078,235)	(1,081,476)	(3,241)
Total Other Financing Sources (Uses)	(1,228,235)	(1,228,235)	(1,131,476)	96,759
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(180,257)	(180,257)	(151,979)	28,278
<b>FUND BALANCE, JULY 1, 2009</b>	325,333	325,333	325,333	-
<b>FUND BALANCE, JUNE 30, 2010</b>	\$ 145,076	\$ 145,076	\$ 173,354	\$ 28,278

See notes to financial statements.

## CITY OF FLAT ROCK, MICHIGAN

## BUDGETARY COMPARISON SCHEDULE - MAJOR SPECIAL REVENUE FUNDS

## DOWNTOWN DEVELOPMENT AUTHORITY

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>REVENUES</b>				
Property Taxes Captured	\$ 630,491	\$ 630,491	\$ 630,491	\$ -
Other	-	-	687	687
Interest Income	<u>10,000</u>	<u>10,000</u>	<u>3,731</u>	<u>(6,269)</u>
Total Revenues	<u>640,491</u>	<u>640,491</u>	<u>634,909</u>	<u>(5,582)</u>
<b>EXPENDITURES</b>				
Economic Development	34,500	34,500	33,299	1,201
Audit	1,000	1,000	1,000	-
Consultant	30,000	30,000	55,889	(25,889)
Construction	1,595,750	1,595,750	1,061,012	534,738
Landscaping	344,020	344,020	32,074	311,946
Engineering	50,000	50,000	209,580	(159,580)
Legal	15,000	15,000	40,200	(25,200)
Advertising	3,500	3,500	685	2,815
Utilities	5,000	5,000	1,359	3,641
Maintenance and Utilities	<u>-</u>	<u>-</u>	<u>2,345</u>	<u>(2,345)</u>
Total Expenditures	<u>2,078,770</u>	<u>2,078,770</u>	<u>1,437,443</u>	<u>641,327</u>
Excess Revenues (Expenditures)	(1,438,279)	(1,438,279)	(802,534)	635,745
<b>FUND BALANCE, JULY 1, 2009</b>	<u>1,431,681</u>	<u>1,431,681</u>	<u>1,431,681</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30, 2010</b>	<u>\$ (6,598)</u>	<u>\$ (6,598)</u>	<u>\$ 629,147</u>	<u>\$ 635,745</u>

See notes to financial statements.

## OTHER SUPPLEMENTAL INFORMATION

**CITY OF FLAT ROCK, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2010**

	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Project Funds</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 711,103	\$ 149,181	\$ 767	\$ 861,051
Accounts Receivable	27,264	2,000	-	29,264
Due From Other Funds	53,261	-	-	53,261
Prepaid Expenditures	7,149	-	-	7,149
Due From Other Governmental Units	57,544	-	-	57,544
<b>TOTAL ASSETS</b>	<b>\$ 856,321</b>	<b>\$ 151,181</b>	<b>\$ 767</b>	<b>\$ 1,008,269</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 91,051	\$ 500	\$ -	\$ 91,551
Accrued Expenses	65,766	-	-	65,766
Compensated Absences, Current	11,766	-	-	11,766
Due to Other Funds	87,066	-	-	87,066
<b>Total Liabilities</b>	<b>255,649</b>	<b>500</b>	<b>-</b>	<b>256,149</b>
<b>FUND BALANCE</b>				
Reserved for Debt Service	-	150,681	-	150,681
Reserved for Capital Projects	-	-	767	767
Unreserved	600,672	-	-	600,672
<b>Total Fund Balance</b>	<b>600,672</b>	<b>150,681</b>	<b>767</b>	<b>752,120</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 856,321</b>	<b>\$ 151,181</b>	<b>\$ 767</b>	<b>\$ 1,008,269</b>

See notes to financial statements.

**CITY OF FLAT ROCK, MICHIGAN**

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
<b>REVENUES</b>				
Property Taxes	\$ 563,112	\$ -	\$ -	\$ 563,112
Recreation and Culture	1,296,896	-	-	1,296,896
Federal Shared Revenue	217,537	-	-	217,537
State Shared Revenue	428,025	-	-	428,025
Rental Income	-	414,694	-	414,694
Special Assessments	-	834	-	834
Other	82,389	-	-	82,389
Interest	575	326	399	1,300
 Total Revenues	<u>2,588,534</u>	<u>415,854</u>	<u>399</u>	<u>3,004,787</u>
<b>EXPENDITURES</b>				
Road Maintenance and Repair	839,947	-	-	839,947
Recreation and Culture	1,327,608	-	-	1,327,608
Community Enrichment and Development	276,660	-	196	276,856
Library	441,907	-	-	441,907
Debt Service				
Principal	-	1,079,661	-	1,079,661
Interest	-	816,680	-	816,680
Miscellaneous	-	3,957	-	3,957
 Total Expenditures	<u>2,886,122</u>	<u>1,900,298</u>	<u>196</u>	<u>4,786,616</u>
 Excess Revenues (Expenditures)	<u>(297,588)</u>	<u>(1,484,444)</u>	<u>203</u>	<u>(1,781,829)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	637,015	1,310,212	-	1,947,227
Operating Transfers Out	(201,662)	-	(212,983)	(414,645)
 Total Other Financing Sources (Uses)	<u>435,353</u>	<u>1,310,212</u>	<u>(212,983)</u>	<u>1,532,582</u>
 Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	137,765	(174,232)	(212,780)	(249,247)
 <b>FUND BALANCE, JULY 1, 2009</b>	<u>462,907</u>	<u>324,913</u>	<u>213,547</u>	<u>1,001,367</u>
 <b>FUND BALANCE, JUNE 30, 2010</b>	<u>\$ 600,672</u>	<u>\$ 150,681</u>	<u>\$ 767</u>	<u>\$ 752,120</u>

See notes to financial statements.



**CITY OF FLAT ROCK, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**

**JUNE 30, 2010**

	<u>Recreation Center Operating Fund</u>	<u>Block Grant Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Historical District Fund</u>	<u>Concession Stand Fund</u>	<u>Library Fund</u>	<u>Other Funds</u>	<u>Total</u>
<b>ASSETS</b>									
Cash and Cash Equivalents	\$ 120,298	\$ -	\$ 79,071	\$ 17,122	\$ 107,967	\$ 25,131	\$ 302,430	\$ 59,084	\$ 711,103
Accounts Receivable	-	-	-	-	5,453	-	21,811	-	27,264
Due From Other Funds	-	-	-	52,125	-	-	-	1,136	53,261
Prepaid Expenditures	1,958	-	2,514	2,514	43	-	120	-	7,149
Due From Other Governmental Units	-	21,256	25,460	10,828	-	-	-	-	57,544
<b>TOTAL ASSETS</b>	<u>\$ 122,256</u>	<u>\$ 21,256</u>	<u>\$ 107,045</u>	<u>\$ 82,589</u>	<u>\$ 113,463</u>	<u>\$ 25,131</u>	<u>\$ 324,361</u>	<u>\$ 60,220</u>	<u>\$ 856,321</u>
<b>LIABILITIES</b>									
Accounts Payable	\$ 39,391	\$ -	\$ 7,870	\$ 27,307	\$ 145	\$ -	\$ 16,338	\$ -	\$ 91,051
Accrued Expenses	56,788	-	1,869	1,560	-	-	5,549	-	65,766
Compensated Absences, Current	6,597	-	-	-	-	-	5,169	-	11,766
Due to Other Funds	-	21,256	57,566	7,974	270	-	-	-	87,066
<b>Total Liabilities</b>	102,776	21,256	67,305	36,841	415	-	27,056	-	255,649
<b>FUND BALANCE</b>	<u>19,480</u>	<u>-</u>	<u>39,740</u>	<u>45,748</u>	<u>113,048</u>	<u>25,131</u>	<u>297,305</u>	<u>60,220</u>	<u>600,672</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 122,256</u>	<u>\$ 21,256</u>	<u>\$ 107,045</u>	<u>\$ 82,589</u>	<u>\$ 113,463</u>	<u>\$ 25,131</u>	<u>\$ 324,361</u>	<u>\$ 60,220</u>	<u>\$ 856,321</u>

See notes to financial statements.

## CITY OF FLAT ROCK, MICHIGAN

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

## NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

	Recreation Center Operating Fund	Block Grant Fund	Major Street Fund	Local Street Fund	Historical District Fund	Concession Stand Fund	Library Fund	Other Funds	Total
<b>REVENUES</b>									
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 110,596	\$ -	\$ 452,516	\$ -	\$ 563,112
Recreation and Culture	1,296,896	-	-	-	-	-	-	-	1,296,896
Federal Shared Revenue	-	217,537	-	-	-	-	-	-	217,537
State Shared Revenue	-	-	296,129	125,945	-	-	5,951	-	428,025
Other	-	-	-	797	2	7,020	46,169	28,401	82,389
Interest	15	-	70	30	70	94	205	91	575
Total Revenues	<u>1,296,911</u>	<u>217,537</u>	<u>296,199</u>	<u>126,772</u>	<u>110,668</u>	<u>7,114</u>	<u>504,841</u>	<u>28,492</u>	<u>2,588,534</u>
<b>EXPENDITURES</b>									
Road Maintenance and Repair	-	-	195,513	644,434	-	-	-	-	839,947
Recreation and Culture	1,327,608	-	-	-	-	-	-	-	1,327,608
Community Enrichment and Development	-	217,537	-	-	36,443	4,852	-	17,828	276,660
Library	-	-	-	-	-	-	441,907	-	441,907
Total Expenditures	<u>1,327,608</u>	<u>217,537</u>	<u>195,513</u>	<u>644,434</u>	<u>36,443</u>	<u>4,852</u>	<u>441,907</u>	<u>17,828</u>	<u>2,886,122</u>
Excess Revenues (Expenditures)	<u>(30,697)</u>	<u>-</u>	<u>100,686</u>	<u>(517,662)</u>	<u>74,225</u>	<u>2,262</u>	<u>62,934</u>	<u>10,664</u>	<u>(297,588)</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Operating Transfers In	50,000	-	-	587,015	-	-	-	-	637,015
Operating Transfers Out	-	-	(124,032)	(77,630)	-	-	-	-	(201,662)
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>-</u>	<u>(124,032)</u>	<u>509,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>435,353</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	19,303	-	(23,346)	(8,277)	74,225	2,262	62,934	10,664	137,765
<b>FUND BALANCE, JULY 1, 2009</b>	<u>177</u>	<u>-</u>	<u>63,086</u>	<u>54,025</u>	<u>38,823</u>	<u>22,869</u>	<u>234,371</u>	<u>49,556</u>	<u>462,907</u>
<b>FUND BALANCE, JUNE 30, 2010</b>	<u>\$ 19,480</u>	<u>\$ -</u>	<u>\$ 39,740</u>	<u>\$ 45,748</u>	<u>\$ 113,048</u>	<u>\$ 25,131</u>	<u>\$ 297,305</u>	<u>\$ 60,220</u>	<u>\$ 600,672</u>

See notes to financial statements.

**CITY OF FLAT ROCK, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**

JUNE 30, 2010

	<u>Aspen Drive Debt Service Fund</u>	<u>Building Authority Debt Service Fund</u>	<u>Building Authority Ballfield Debt Service Fund</u>	<u>Huron Woods Series A Retirement Fund</u>	<u>Huron Woods Series B Retirement Fund</u>	<u>Special Assessment Sidewalk Fund</u>	<u>TIFA Debt Service Fund</u>	<u>Total</u>
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 72	\$ 133,441	\$ 131	\$ -	\$ -	\$ 14,810	\$ 727	\$ 149,181
Accounts Receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 72</u>	<u>\$ 133,441</u>	<u>\$ 131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,810</u>	<u>\$ 2,727</u>	<u>\$ 151,181</u>
<b>LIABILITIES</b>								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ 500
<b>FUND BALANCE</b>	<u>72</u>	<u>133,441</u>	<u>131</u>	<u>-</u>	<u>-</u>	<u>14,810</u>	<u>2,227</u>	<u>150,681</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 72</u>	<u>\$ 133,441</u>	<u>\$ 131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,810</u>	<u>\$ 2,727</u>	<u>\$ 151,181</u>

See notes to financial statements.

**CITY OF FLAT ROCK, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**NONMAJOR DEBT SERVICE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Aspen Drive Debt Service Fund</u>	<u>Building Authority Debt Service Fund</u>	<u>Building Authority Baillfield Debt Service Fund</u>	<u>Huron Woods Series A Retirement Fund</u>	<u>Huron Woods Series B Retirement Fund</u>	<u>Special Assessment Sidewalk Fund</u>	<u>TIFA Debt Service Fund</u>	<u>Total</u>
<b>REVENUES</b>								
Rental Income	\$ -	\$ -	\$ 414,694	\$ -	\$ -	\$ -	\$ -	\$ 414,694
Special Assessments	-	-	-	-	-	834	-	834
Interest and Other	-	301	-	-	-	24	1	326
Total Revenues	-	301	414,694	-	-	858	1	415,854
<b>EXPENDITURES</b>								
Debt Service								
Principal	190,000	115,000	250,000	11,791	2,870	-	510,000	1,079,661
Interest	38,386	44,375	163,056	1,853	775	-	568,235	816,680
Miscellaneous	300	493	1,637	137	137	12	1,241	3,957
Total Expenditures	228,686	159,868	414,693	13,781	3,782	12	1,079,476	1,900,298
Excess Revenues (Expenditures)	(228,686)	(159,567)	1	(13,781)	(3,782)	846	(1,079,475)	(1,484,444)
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating Transfers In	228,736	-	-	-	-	-	1,081,476	1,310,212
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	50	(159,567)	1	(13,781)	(3,782)	846	2,001	(174,232)
<b>FUND BALANCE, JULY 1, 2009</b>	22	293,008	130	13,781	3,782	13,964	226	324,913
<b>FUND BALANCE, JUNE 30, 2010</b>	\$ 72	\$ 133,441	\$ 131	\$ -	\$ -	\$ 14,810	\$ 2,227	\$ 150,681

See notes to financial statements.

CITY OF FLAT ROCK, MICHIGAN  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2010

	<u>Sidewalk Fund</u>	<u>Road Improvement Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	<u>\$ 767</u>	<u>\$ -</u>	<u>\$ 767</u>
 <b>FUND BALANCE</b>	 <u>\$ 767</u>	 <u>\$ -</u>	 <u>\$ 767</u>

See notes to financial statements.

**CITY OF FLAT ROCK, MICHIGAN**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**NONMAJOR CAPITAL PROJECT FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Sidewalk Fund</u>	<u>Road Improvement Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Interest	\$ 2	\$ 397	\$ 399
<b>EXPENDITURES</b>			
Community Enrichment and Development	<u>1</u>	<u>195</u>	<u>196</u>
Excess Revenues	1	202	203
<b>OTHER FINANCING SOURCES</b>			
Operating Transfers Out	<u>-</u>	<u>(212,983)</u>	<u>(212,983)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1	(212,781)	(212,780)
<b>FUND BALANCE, JULY 1, 2009</b>	<u>766</u>	<u>212,781</u>	<u>213,547</u>
<b>FUND BALANCE, JUNE 30, 2010</b>	<u>\$ 767</u>	<u>\$ -</u>	<u>\$ 767</u>

See notes to financial statements.

**CITY OF FLAT ROCK, MICHIGAN**  
**GENERAL OBLIGATION BONDS PAYABLE**  
**AS OF JUNE 30, 2010**

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>
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>-</u>	<u>1,950</u>	<u>75,000</u>	<u>76,950</u>
	<u>\$ 11,188</u>	<u>\$ 5,685</u>	<u>\$ 16,873</u>	<u>\$ 215,000</u>	<u>\$ 231,873</u>

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 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>
10-11	\$ 11,093	\$ 7,569	\$ 18,662	\$ 135,000	\$ 153,662
11-12	7,569	3,915	11,484	140,000	151,484
12-13	<u>3,915</u>	<u>-</u>	<u>3,915</u>	<u>150,000</u>	<u>153,915</u>
	<u>\$ 22,577</u>	<u>\$ 11,484</u>	<u>\$ 34,061</u>	<u>\$ 425,000</u>	<u>\$ 459,061</u>

See notes to financial statements.

**CITY OF FLAT ROCK, MICHIGAN**

**GENERAL OBLIGATION BONDS PAYABLE**

**AS OF JUNE 30, 2010**

Building Authority Bond Series 2004

Authority Refunding Bond

Dated January 2004

Amount of Bond - \$1,720,000

Principal Due September 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>
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	3,410	-	3,410	155,000	158,410
	<u>\$ 105,853</u>	<u>\$ 84,499</u>	<u>\$ 190,352</u>	<u>\$ 1,090,000</u>	<u>\$ 1,280,352</u>

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>
10-11	\$ 6,189	\$ -	\$ 6,189	\$ 230,000	\$ 236,189
	<u>\$ 6,189</u>	<u>\$ -</u>	<u>\$ 6,189</u>	<u>\$ 230,000</u>	<u>\$ 236,189</u>

**See notes to financial statements.**



**CITY OF FLAT ROCK, MICHIGAN**

**GENERAL OBLIGATION BONDS PAYABLE**

**AS OF JUNE 30, 2010**

Building Authority Bond Series 2006

Dated September 6, 2006

Amount of Bond - \$3,415,000

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>
10-11	\$ 72,103	\$ 71,503	\$ 143,606	\$ 30,000	\$ 173,606
11-12	71,503	66,003	137,506	275,000	412,506
12-13	66,003	60,403	126,406	280,000	406,406
13-14	60,403	54,282	114,685	295,000	409,685
14-15	54,282	47,801	102,083	305,000	407,083
15-16	47,801	40,921	88,722	320,000	408,722
16-17	40,921	33,593	74,514	335,000	409,514
17-18	33,593	25,830	59,423	345,000	404,423
18-19	25,830	17,730	43,560	360,000	403,560
19-20	17,730	9,085	26,815	380,000	406,815
20-21	9,085	-	9,085	395,000	404,085
	<u>\$ 499,254</u>	<u>\$ 427,151</u>	<u>\$ 926,405</u>	<u>\$ 3,320,000</u>	<u>\$ 4,246,405</u>

See notes to financial statements.

**CITY OF FLAT ROCK, MICHIGAN**  
**GENERAL OBLIGATION BONDS PAYABLE**  
**AS OF JUNE 30, 2010**

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 AUG 1</u>	<u>INTEREST DUE FEB 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
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	4,113	-	4,113	140,000	144,113
	<u>\$ 428,593</u>	<u>\$ 384,630</u>	<u>\$ 813,223</u>	<u>\$ 1,530,000</u>	<u>\$ 2,343,223</u>

See notes to financial statements.

**CITY OF FLAT ROCK, MICHIGAN**  
**GENERAL OBLIGATION BONDS PAYABLE**  
**AS OF JUNE 30, 2010**

City of Flat Rock Tax Increment Finance Authority  
 Limited Tax Development Bonds Series 2006A (Taxable Obligation)  
 Dated August 3, 2006  
 Amount of Bond - \$4,270,000  
 Principal Due October 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>
10-11	\$ 130,585	\$ 124,848	\$ 255,433	\$ 170,000	\$ 425,433
11-12	124,848	118,772	243,620	180,000	423,620
12-13	118,772	112,191	230,963	195,000	425,963
13-14	112,191	105,104	217,295	210,000	427,295
14-15	105,104	97,678	202,782	220,000	422,782
15-16	97,678	89,748	187,426	235,000	422,426
16-17	89,748	81,141	170,889	255,000	425,889
17-18	81,141	71,759	152,900	270,000	422,900
18-19	71,759	61,681	133,440	290,000	423,440
19-20	61,681	50,909	112,590	310,000	422,590
20-21	50,909	39,441	90,350	330,000	420,350
21-22	39,441	27,105	66,546	355,000	421,546
22-23	27,105	14,074	41,179	375,000	416,179
23-24	14,074	-	14,074	405,000	419,074
	<u>\$ 1,125,036</u>	<u>\$ 994,451</u>	<u>\$ 2,119,487</u>	<u>\$ 3,800,000</u>	<u>\$ 5,919,487</u>

See notes to financial statements.

**CITY OF FLAT ROCK, MICHIGAN**  
**GENERAL OBLIGATION BONDS PAYABLE**  
**AS OF JUNE 30, 2010**

City of Flat Rock Tax Increment Finance Authority  
 Limited Tax Development Bonds Series 2006B (Taxable Obligation)  
 Dated August 3, 2006  
 Amount of Bond - \$5,675,000  
 Principal Due October 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>
10-11	\$ 103,061	\$ 97,261	\$ 200,322	\$ 290,000	\$ 490,322
11-12	97,261	91,073	188,334	300,000	488,334
12-13	91,073	84,886	175,959	300,000	475,959
13-14	84,886	78,404	163,290	305,000	468,290
14-15	78,404	71,817	150,221	310,000	460,221
15-16	71,817	64,926	136,743	315,000	451,743
16-17	64,926	57,726	122,652	320,000	442,652
17-18	57,726	50,301	108,027	330,000	438,027
18-19	50,301	42,764	93,065	335,000	428,065
19-20	42,764	34,786	77,550	345,000	422,550
20-21	34,786	26,576	61,362	355,000	416,362
21-22	26,576	18,026	44,602	360,000	404,602
22-23	18,026	9,120	27,146	375,000	402,146
23-24	9,120	-	9,120	380,000	389,120
	<u>\$ 830,727</u>	<u>\$ 727,666</u>	<u>\$ 1,558,393</u>	<u>\$ 4,620,000</u>	<u>\$ 6,178,393</u>

See notes to financial statements.

**CITY OF FLAT ROCK, MICHIGAN**  
**WATER AND SEWER FUND**  
**GENERAL OBLIGATION BONDS PAYABLE**  
**AS OF JUNE 30, 2010**

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE APR 1</u>	<u>INTEREST DUE OCT 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
10-11	\$ 1,242	\$ 1,242	\$ 2,484	\$ 124,164	\$ 126,648
	<u>\$ 1,242</u>	<u>\$ 1,242</u>	<u>\$ 2,484</u>	<u>\$ 124,164</u>	<u>\$ 126,648</u>

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 APR 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
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>-</u>	<u>2,229</u>	<u>198,164</u>	<u>200,393</u>
	<u>\$ 136,651</u>	<u>\$ 114,688</u>	<u>\$ 251,339</u>	<u>\$ 1,952,232</u>	<u>\$ 2,203,571</u>

See notes to financial statements.

**CITY OF FLAT ROCK, MICHIGAN**

**WATER AND SEWER FUND**

**GENERAL OBLIGATION BONDS PAYABLE**

**AS OF JUNE 30, 2010**

South Huron Valley Utility Authority  
2004 Sewer System Plant Expansion  
Amount Issued - \$2,352,760; Flat Rock Share of \$9,220,000

<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>
10-11	\$ 20,809	\$ 20,809	\$ 41,618	\$ 103,348	\$ 144,966
11-12	19,711	19,711	39,422	105,900	145,322
12-13	18,587	18,587	37,174	108,451	145,625
13-14	17,434	17,434	34,868	111,003	145,871
14-15	16,254	16,254	32,508	113,555	146,063
15-16	15,048	15,048	30,096	116,107	146,203
16-17	13,814	13,814	27,628	117,383	145,011
17-18	12,567	12,567	25,134	119,935	145,069
18-19	11,293	11,293	22,586	122,486	145,072
19-20	9,994	9,994	19,988	126,314	146,302
20-21	8,649	8,649	17,298	128,866	146,164
21-22	7,280	7,280	14,560	131,418	145,978
22-23	5,883	5,883	11,766	133,970	145,736
23-24	4,460	4,460	8,920	136,521	145,441
24-25	3,010	3,010	6,020	140,349	146,369
25-26	<u>1,518</u>	<u>1,518</u>	<u>3,036</u>	<u>142,901</u>	<u>145,937</u>
	<u>\$ 186,311</u>	<u>\$ 186,311</u>	<u>\$ 372,622</u>	<u>\$ 1,958,507</u>	<u>\$ 2,331,129</u>

See notes to financial statements.

**CITY OF FLAT ROCK, MICHIGAN**  
**GENERAL OBLIGATION EQUIPMENT LOANS PAYABLE**  
**AS OF JUNE 30, 2010**

Equipment Loan  
Dated September 26, 2006  
Amount of Loan - \$40,375  
Principal Due: October 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE ANNUALLY</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
10-11	\$ 1,008	\$ 8,519	\$ 9,527
11-12	518	9,009	9,527
	<u>\$ 1,526</u>	<u>\$ 17,528</u>	<u>\$ 19,054</u>

Equipment Loan  
Dated December 10, 2009  
Amount of Loan - \$334,000  
Principal Due: December 15

<u>FISCAL YEAR</u>	<u>INTEREST DUE ANNUALLY</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
10-11	\$ 7,672	\$ -	\$ 7,672
11-12	13,441	66,800	80,241
12-13	10,453	66,800	77,253
13-14	7,467	66,800	74,267
14-15	4,480	66,800	71,280
15-16	1,493	66,800	68,293
	<u>\$ 45,006</u>	<u>\$ 334,000</u>	<u>\$ 379,006</u>

See notes to financial statements.

**CITY OF FLAT ROCK, MICHIGAN**  
**TAX LEVIES IN MILLAGE**  
**LAST TWENTY-FIVE YEARS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<u>FISCAL YEAR</u>	<u>GENERAL FUND</u>	<u>MUNICIPAL BUILDING FUND</u>	<u>LIBRARY FUND</u>	<u>SEWER DEBT</u>	<u>HISTORICAL DISTRICT</u>	<u>TOTAL MILLAGE</u>
1986	11.50	2.25	-	4.00	-	17.75
1987	11.50	2.25	-	4.00	-	17.75
1988	11.50	2.20	-	4.05	-	17.75
1989	15.50	2.25	-	-	-	17.75
1990	15.50	1.75	-	-	-	17.25
1991	15.25	1.65	-	-	-	16.90
1992	14.48	2.10	-	-	-	16.58
1993	14.30	2.00	-	-	-	16.30
1994	13.14	-	-	2.86	-	16.00
1995	13.14	-	-	2.86	-	16.00
1996	13.15	-	1.00	2.85	-	17.00
1997	13.15	-	1.00	2.85	-	17.00
1998	13.15	-	1.00	2.85	-	17.00
1999	13.15	-	1.00	2.85	-	17.00
2000	13.15	-	1.00	2.85	-	17.00
2001	16.00	-	1.00	-	-	17.00
2002	16.00	-	1.00	-	0.25	17.25
2003	16.00	-	1.00	-	0.25	17.25
2004	16.00	-	1.00	-	0.25	17.25
2005	16.00	-	1.00	-	0.25	17.25
2006	16.00	-	1.00	-	0.25	17.25
2007	16.00	-	1.00	-	0.25	17.25
2008	16.00	-	1.00	-	0.25	17.25
2009	16.00	-	1.00	-	0.25	17.25
2010	16.00	-	1.00	-	0.25	17.25

**See accountant's report.**



**CITY OF FLAT ROCK, MICHIGAN**  
**WATER AND SEWER RATES**  
**LAST TWENTY-FIVE YEARS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<b>FISCAL YEAR</b>	<b>RESIDENTIAL RATE</b>	<b>NON-RESIDENTIAL RATE</b>
1986	4.29	4.29
1987	4.29	4.29
1988	4.29	4.29
1989	4.29	4.29
1990	4.01	4.01
1991	4.01	4.01
1992	4.01	4.01
1993	4.01	4.01
1994	4.00	4.00
1995	4.00	4.00
1996	4.00	4.00
1997	4.00	4.00
1998	4.00	4.50
1999	4.00	4.50
2000	4.00	4.50
2001	3.60	4.25
2002	4.00	4.50
2003	4.00	4.50
2004	4.00	4.50
2005	4.00	4.50
2006	4.50	5.00
2007	4.50	5.00
2008	4.50	5.00
2009	5.00	6.50/6/75
2010	5.00	6.50/6/75

**See accountant's report.**