

City of Flat Rock, Michigan

Financial Report

with Supplemental Information

June 30, 2011

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011 on our consideration of the City of Flat Rock, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *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 48 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.



Southgate, Michigan
December 12, 2011

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, 2011. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net assets decreased by \$2,370,829 (or 11%). The governmental net assets decreased by \$2,143,269 (or 16.5%) and the business-type net assets decreased by \$227,560 (or 2.6%).
- Of the \$19,228,198 reported in net assets, \$18,812,376 is the investment in capital assets net of related debt, \$347,688 is reserved for debt service and capital projects and \$68,134 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 \$2,251,127 a decrease of \$46,524 from the previous year.
- At the end of the current fiscal year the fund balance for the General Fund decreased \$145,990 to a final balance of \$597,040. The decrease was, in part, due to transfers to other funds in the amount of \$342,188. General Fund revenues exceeded expenditures in the amount of \$67,622.

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 separate Statements of Fiduciary Net Assets. These funds are reported using accrual accounting.

NOTES TO BASIC FINANCIAL STATEMENTS

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

ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION

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

NON-MAJOR GOVERNMENTAL FUNDS

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

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded its liabilities at the end of the fiscal year by \$19,228,198. However, 98% 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	\$ 3,001,273	\$ 966,874	\$ 3,968,147
Bond issuance cost and discounts, net of accumulated amortization	434,925	-	434,925
Capital assets, net of accumulated depreciation	<u>28,095,365</u>	<u>12,388,488</u>	<u>40,483,853</u>
TOTAL ASSETS	<u>\$31,531,563</u>	<u>\$13,355,362</u>	<u>\$44,886,925</u>
Long-term liabilities outstanding	\$18,540,400	\$ 4,360,803	\$22,901,203
Other liabilities	<u>2,163,291</u>	<u>594,233</u>	<u>2,757,524</u>
Total Liabilities	<u>20,703,691</u>	<u>4,955,036</u>	<u>25,658,727</u>
Net Assets			
Invested in capital assets, net of related debt	11,039,145	7,773,231	18,812,376
Restricted	347,688	-	347,688
Unassigned	<u>(558,961)</u>	<u>627,095</u>	<u>68,134</u>
Total Net Assets	<u>10,827,872</u>	<u>8,400,326</u>	<u>19,228,198</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$31,531,563</u>	<u>\$13,355,362</u>	<u>\$44,886,925</u>

CITY OF FLAT ROCK'S CHANGE IN NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues			
Program Revenues			
Charges for services	\$ 3,048,134	\$2,898,009	\$ 5,946,143
Operating grants	1,245,278	-	1,245,278
General Revenues			
Taxes and special assessments	8,459,090	-	8,459,090
Investment earnings	<u>924</u>	<u>-</u>	<u>924</u>
Total Revenues	<u>12,753,426</u>	<u>2,898,009</u>	<u>15,651,435</u>
Expenses			
General government	1,512,274	-	1,512,274
Police	3,021,329	-	3,021,329
Fire	1,149,289	-	1,149,289
Building and safety	201,837	-	201,837
Public works	1,568,698	-	1,568,698
Recreation and culture	2,094,653	-	2,094,653
Library	480,153	-	480,153
Community enrichment and development	699,267	-	699,267
Road maintenance and repair	1,478,241	-	1,478,241
Capital Road Improvements	787,102	-	787,102
Tax refund	1,105,344	-	1,105,344
Interest on long-term debt	795,179	-	795,179
Miscellaneous	3,329	-	3,329
Water and sewer	-	3,125,569	3,125,569
Total Expenses	<u>14,896,695</u>	<u>3,125,569</u>	<u>18,022,264</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE (Continued)

CITY OF FLAT ROCK'S CHANGE IN NET ASSETS
(Continued)

Changes in Net Assets	\$(2,143,269)	\$ (227,560)	\$(2,370,829)
Net Assets, July 1, 2010	<u>12,971,141</u>	<u>8,627,886</u>	<u>21,599,027</u>
Net Assets, June 30, 2011	<u>\$10,827,872</u>	<u>\$8,400,326</u>	<u>\$19,228,198</u>

Governmental Activities

Governmental activities decreased the City's net assets by \$2,143,269.

- A contributing factor to the increase is expenses were in the capital road improvements to three major roads within the city in the amount of \$795,179. Tax refunds in the amount of \$1,105,344 were another.

Business-Type Activities

Business-type activities decreased the City's net assets by \$227,560. Key factors of this decrease are as follows:

- Operating revenues decreased by 20% due to a reduction in one shift at an 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 \$597,040. Total fund balance decreased by \$145,990 during the fiscal year.

Tax Increment Finance Authority

The Tax Increment Finance Authority has a fund balance of \$94,144.

2010 Road Improvement Construction

The 2010 Road Improvement Construction has a fund balance of \$343,758

Other Governmental Funds

Other Governmental Funds had the following fund balances:

Special Revenue Funds	\$1,212,255
Debt Service Funds	\$3,930

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounts to \$40,483,853 (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 \$391,115. The following table is a comparison of the City's net capital assets as of June 30, 2011 compared to June 30, 2010:

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>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Capital assets not depreciated						
Land	\$ 1,298	\$1,323	\$ -	\$ -	\$ 1,298	\$ 1,323
Capital assets being depreciated						
Infrastructure	6,795	7,284	-	-	6,795	7,284
Buildings	18,055	17,668	4,870	4,756	22,925	22,424
Machinery and equipment	1,982	1,779	148	154	2,130	1,934
Water and sewer mains	-	-	6,849	7,468	6,849	7,468
Vehicles	83	41	12	10	95	50
Net capital assets	<u>\$28,213</u>	<u>\$28,095</u>	<u>\$11,879</u>	<u>\$12,388</u>	<u>\$40,092</u>	<u>\$40,483</u>

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

Long-Term Debt

At the end of the fiscal year, the City had total long-term bonds and notes outstanding of \$22,106,402.

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)	\$17,184,630	\$4,615,257	\$21,799,887
Equipment Loans	306,515	-	306,515
	<u>\$17,491,145</u>	<u>\$4,615,257</u>	<u>\$22,106,402</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 (\$22,106,402) is lower than the current state-imposed limit of \$37,531,221.

ECONOMIC CONDITION AND OUTLOOK

The City of Flat Rock's budget for year ending 2012 is not recommending any change to the millage rate. The water and sewer rates are \$6.00 residential and \$7.50 for commercial and \$7.75 for industrial per thousand gallons.

The City's 2012 budgeted revenue consists of 65.9% tax revenues, 24.7% local sources and 9.4% from other sources. The City's tax base is projected to have a decrease of \$470,115. Local revenues are projected to increase by \$141,250 for the fiscal year ended June 30, 2012. The major contributing factor to this increase is an increase in contributions from other funds, specifically the Downtown Development Authority.

The City's general fund expenditures are allocated 52.2% to public safety, police, fire, and building and safety. The department of public services amounts to 23.6% and the general operations, which include the clerk's and treasurer's departments, total 19.4% and other departments total 4.8%. In addition, it is recommended that expenditures will decrease by \$545,153 over the previous year's budget, which can be attributed to the budget cuts in most departments by reduction of staff and general expenditures reductions. The general fund is projecting the fund balance to decrease by \$43,011, which will bring the general fund balance to \$554,029 or 7% of the general fund budget.

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, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 2,419,559	\$ 491,197	\$ 2,910,756
Accounts Receivable	293,984	407,954	701,938
Due From Business-Type Activities	2,647	-	2,647
Due From Trust and Agency Fund	76	-	76
Due From Other Governmental Units	222,728	-	222,728
Inventories	12,882	20,572	33,454
Prepaid Expenses	49,397	47,151	96,548
Total Current Assets	3,001,273	966,874	3,968,147
Noncurrent Assets			
Bond Issuance Cost and Discounts, Net of Accumulated Amortization	434,925	-	434,925
Capital Assets, Net of Accumulated Depreciation	28,095,365	12,388,488	40,483,853
Total Noncurrent Assets	28,530,290	12,388,488	40,918,778
TOTAL ASSETS	\$ 31,531,563	\$ 13,355,362	\$44,886,925
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 333,783	\$ 235,177	\$ 568,960
Accrued Expenses	268,164	39,619	307,783
Due to Governmental Activities	-	2,647	2,647
Compensated Absences, Current	148,199	10,841	159,040
Current Portion of Long-Term Obligations	1,413,145	305,949	1,719,094
Total Current Liabilities	2,163,291	594,233	2,757,524
Noncurrent Liabilities			
Compensated Absences, Long-Term	552,229	30,246	582,475
Net Other Post Employment Benefit Obligations	1,910,171	-	1,910,171
Noncurrent Portion of Long-Term Obligations	16,078,000	4,330,557	20,408,557
Total Noncurrent Liabilities	18,540,400	4,360,803	22,901,203
Total Liabilities	20,703,691	4,955,036	25,658,727
NET ASSETS			
Investment in Capital Assets, Net of Related Debt Restricted for	11,039,145	7,773,231	18,812,376
Debt Service	3,930	-	3,930
Capital Projects	343,758	-	343,758
Unrestricted	(558,961)	627,095	68,134
Total Net Assets	10,827,872	8,400,326	19,228,198
TOTAL LIABILITIES AND NET ASSETS	\$ 31,531,563	\$ 13,355,362	\$44,886,925

See accompanying notes.

CITY OF FLAT ROCK, MICHIGAN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities						
General Government	\$ 1,512,274	\$ 215,254	\$ 692,472	\$ (604,548)	\$ -	\$ (604,548)
Police Department	3,021,329	421,757	-	(2,599,572)	-	(2,599,572)
Fire Department	1,149,289	221,112	-	(928,177)	-	(928,177)
Building and Safety	201,837	196,949	-	(4,888)	-	(4,888)
Public Works	1,568,698	304,526	-	(1,264,172)	-	(1,264,172)
Recreation and Culture	2,094,653	1,437,062	-	(657,591)	-	(657,591)
Library	480,153	36,802	5,795	(437,556)	-	(437,556)
Community Enrichment and Development	699,267	131,553	118,664	(449,050)	-	(449,050)
Road Maintenance and Repair	1,478,241	-	428,347	(1,049,894)	-	(1,049,894)
Capital Road Improvements	787,102	-	-	(787,102)	-	(787,102)
Tax Refund	1,105,344	-	-	(1,105,344)	-	(1,105,344)
Interest on Long-Term Debt	795,179	-	-	(795,179)	-	(795,179)
Miscellaneous	3,329	83,119	-	79,790	-	79,790
Total Governmental Activities	14,896,695	3,048,134	1,245,278	(10,603,283)	-	(10,603,283)
Business-Type Activities						
Water and Sewer	3,125,569	2,898,009	-	-	(227,560)	(227,560)
Total Primary Government	<u>\$ 18,022,264</u>	<u>\$ 5,946,143</u>	<u>\$ 1,245,278</u>	<u>(10,603,283)</u>	<u>(227,560)</u>	<u>(10,830,843)</u>
General Revenues						
Taxes						
Property Taxes, Levied for General Purposes				7,979,181	-	7,979,181
Property Taxes, Levied for Special Services				479,909	-	479,909
Investment Earnings				924	-	924
Total General Revenues				8,460,014	-	8,460,014
CHANGES IN NET ASSETS				(2,143,269)	(227,560)	(2,370,829)
NET ASSETS, BEGINNING				12,971,141	8,627,886	21,599,027
NET ASSETS, ENDING				<u>\$ 10,827,872</u>	<u>\$ 8,400,326</u>	<u>\$ 19,228,198</u>

See accompanying notes.

CITY OF FLAT ROCK, MICHIGAN
GOVERNMENTAL FUNDS - BALANCE SHEET

JUNE 30, 2011

	<u>General Fund</u>	<u>Tax Increment Finance Authority</u>	<u>2010 Road Improvement Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 567,075	\$ 94,970	\$ 347,102	\$ 1,410,412	\$ 2,419,559
Receivables					
Taxes	254,788	-	-	19,897	274,685
Accrued Interest and Other	19,299	-	-	-	19,299
Due From Other Funds	112,465	-	-	12,122	124,587
Due From Enterprise Funds	2,647	-	-	-	2,647
Due From Trust and Agency Funds	76	-	-	-	76
Due From Other Governmental Units	70,281	-	-	152,447	222,728
Inventory	12,882	-	-	-	12,882
Prepaid Expenses	42,901	-	-	6,496	49,397
TOTAL ASSETS	<u>\$1,082,414</u>	<u>\$ 94,970</u>	<u>\$ 347,102</u>	<u>\$ 1,601,374</u>	<u>\$ 3,125,860</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ 254,807	\$ -	\$ 3,344	\$ 75,632	\$ 333,783
Accrued Expenses	90,090	-	-	178,074	268,164
Compensated Absences, Current	140,477	-	-	7,722	148,199
Due to Other Funds	-	826	-	123,761	124,587
Total Liabilities	<u>485,374</u>	<u>826</u>	<u>3,344</u>	<u>385,189</u>	<u>874,733</u>
FUND BALANCE					
Nonspendable	55,783	-	-	6,496	62,279
Restricted for Debt Service	-	-	-	3,930	3,930
Restricted for Investment in Capital Assets	-	-	343,758	-	343,758
Unassigned	541,257	94,144	-	1,205,759	1,841,160
Total Fund Balance	<u>597,040</u>	<u>94,144</u>	<u>343,758</u>	<u>1,216,185</u>	<u>2,251,127</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$1,082,414</u>	<u>\$ 94,970</u>	<u>\$ 347,102</u>	<u>\$ 1,601,374</u>	<u>\$ 3,125,860</u>

See accompanying notes.

CITY OF FLAT ROCK, MICHIGAN

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

JUNE 30, 2011

Total Fund Balances for Governmental Funds	\$ 2,251,127
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.	28,095,365
Compensated absences are not due and payable in the current period and are not reported in the funds.	(552,229)
Other post employment benefit obligations are recognized for the Statement of Activities	(1,910,171)
Long-term liabilities are not due and payable in the current period and are not reported in the Funds.	(17,491,145)
Unamortized bond issue costs not recorded in the funds	<u>434,925</u>
Net Assets of Governmental Activities	<u>\$ 10,827,872</u>

See accompanying notes.

CITY OF FLAT ROCK, MICHIGAN

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

FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Tax Increment Finance Authority	2010 Road Improvement Construction	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$5,286,470	\$ 3,728,930	\$ -	\$ 1,057,806	\$ 10,073,206
Elections	4,539	-	-	-	4,539
General Government	210,715	-	-	-	210,715
Police Department	421,757	-	-	-	421,757
Fire Department	221,112	-	-	-	221,112
Building and Safety	196,949	-	-	-	196,949
Public Works	304,526	-	-	-	304,526
Recreation and Culture	120,150	-	-	1,316,912	1,437,062
Community Enrichment and Development	131,553	-	-	-	131,553
State Shared Revenue	692,472	-	-	434,142	1,126,614
Federal Shared Revenue	-	-	-	118,664	118,664
Rental Income	-	-	-	434,938	434,938
Other	-	30,717	-	89,204	119,921
Interest	-	561	-	363	924
Total Revenues	<u>7,590,243</u>	<u>3,760,208</u>	<u>-</u>	<u>3,452,029</u>	<u>14,802,480</u>
EXPENDITURES					
General Government	1,429,807	-	-	-	1,429,807
Police Department	2,862,305	-	-	-	2,862,305
Fire Department	1,049,417	-	-	-	1,049,417
Building and Safety	200,884	-	-	-	200,884
Public Works	1,297,183	-	-	-	1,297,183
Recreation and Culture	665,230	-	-	1,345,104	2,010,334
Library	-	-	-	429,256	429,256
Community Enrichment and Development	17,795	57,942	-	767,750	843,487
Road Maintenance and Repair	-	-	-	481,751	481,751
Capital Road Improvements	-	-	2,156,242	-	2,156,242
Tax Refund	-	2,684,830	-	-	2,684,830
Debt Service - Principal	-	-	-	1,105,000	1,105,000
Debt Service - Interest	-	-	-	795,179	795,179
Miscellaneous	-	-	-	3,329	3,329
Total Expenditures	<u>7,522,621</u>	<u>2,742,772</u>	<u>2,156,242</u>	<u>4,927,369</u>	<u>17,349,004</u>
Excess Revenues (Expenditures)	<u>67,622</u>	<u>1,017,436</u>	<u>(2,156,242)</u>	<u>(1,475,340)</u>	<u>(2,546,524)</u>
OTHER FINANCING SOURCES (USES)					
Financing Proceeds	-	-	2,500,000	-	2,500,000
Operating Transfers In	128,576	-	-	1,609,252	1,737,828
Operating Transfers Out	(342,188)	(1,096,646)	-	(298,994)	(1,737,828)
Total Other Financing Sources (Uses)	<u>(213,612)</u>	<u>(1,096,646)</u>	<u>2,500,000</u>	<u>1,310,258</u>	<u>2,500,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(145,990)	(79,210)	343,758	(165,082)	(46,524)
FUND BALANCE, JULY 1, 2010	<u>743,030</u>	<u>173,354</u>	<u>-</u>	<u>1,381,267</u>	<u>2,297,651</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 597,040</u>	<u>\$ 94,144</u>	<u>\$ 343,758</u>	<u>\$ 1,216,185</u>	<u>\$ 2,251,127</u>

See accompanying notes.

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, 2011

Net Change in Fund Balance - Total Governmental Funds \$ (46,524)

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 that capital outlays and construction in progress exceeded depreciation expense. (117,816)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded payments. (1,349,985)

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	(632,803)	
Amortization of current year bond issuance costs and discounts	(40,595)	
Change in long-term compensated absences	79,084	
Anticipated Michigan Tax Tribunal Settlement	<u>(34,630)</u>	<u>(628,944)</u>

Change in Net Assets of Governmental Activities \$ (2,143,269)

See accompanying notes.

CITY OF FLAT ROCK, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2011

	<u>Enterprise Fund Water and Sewer</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 491,197
Accounts Receivable, Customers	407,954
Prepaid Expenditures	47,151
Inventories	<u>20,572</u>
Total Current Assets	966,874
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	<u>12,388,488</u>
TOTAL ASSETS	<u><u>\$ 13,355,362</u></u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 235,177
Accrued Expenses and Other Liabilities	39,619
Due to Other Funds	2,647
Current Portion of Accumulated Compensated Absences	10,841
Current Portion of Deferred Loss on Bond Refund	1,844
Current Portion of Long-Term Obligations	<u>304,105</u>
Total Current Liabilities	<u>594,233</u>
Noncurrent Liabilities	
Accumulated Compensated Absences	41,087
Deferred Loss on Bond Refund	21,249
General Obligation Bonds Payable	4,615,257
Less Current Portion Shown in Current Liabilities	<u>(316,790)</u>
Total Noncurrent Liabilities	<u>4,360,803</u>
Total Liabilities	<u>4,955,036</u>
NET ASSETS	
Investment in Capital	
Assets, Net of Related Debt	7,773,231
Unrestricted	<u>627,095</u>
Total Net Assets	<u>8,400,326</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 13,355,362</u></u>

See accompanying notes.

CITY OF FLAT ROCK, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Enterprise Fund Water and Sewer</u>
OPERATING REVENUES	
Customer Billings	\$ 2,740,475
Capital Charges	21,951
Service Connections	46,095
Service Charges	55,806
Other Revenue	<u>33,682</u>
Total Operating Revenues	<u>2,898,009</u>
OPERATING EXPENSES	
Cost of Water Purchases	811,768
Cost of Sewage Disposal	760,741
System Maintenance and Repairs	622,208
General and Administrative	367,722
Depreciation	470,736
Amortization	<u>(1,844)</u>
Total Operating Expenses	<u>3,031,331</u>
Operating Loss	(133,322)
NON-OPERATING EXPENSES	
Interest Expense	<u>94,238</u>
Change in Net Assets	(227,560)
TOTAL NET ASSETS, BEGINNING	<u>8,627,886</u>
TOTAL NET ASSETS, ENDING	<u>\$ 8,400,326</u>

See accompanying notes.

CITY OF FLAT ROCK, MICHIGAN
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Enterprise Fund Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From Customers	\$ 2,856,659
Other Operating Revenues	33,682
Cash Payments for Goods and Services	(2,224,949)
Cash to Employees	<u>(246,172)</u>
Net Cash Provided by Operating Activities	<u>419,220</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Due to Other Funds	1,921
Principal Paid on Revenue and General Obligations	(386,079)
Interest Paid on Revenue and General Obligations	(94,238)
Proceeds From Revenue and General Obligations	966,433
Purchase of Capital Assets	<u>(979,667)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(491,630)</u>
Net Decrease in Cash	(72,410)
CASH BALANCE - JULY 1, 2010	<u>563,607</u>
CASH BALANCE - JUNE 30, 2011	<u>\$ 491,197</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	\$ (133,322)
Depreciation	470,736
Amortization	(1,844)
Change in Assets and Liabilities	
Increase in Accounts Receivable	(7,668)
Decrease in Prepaid Expenditures	776
Increase in Accounts Payable	86,738
Increase in Accrued Expenses and Other Liabilities	<u>3,804</u>
Net Cash Provided By Operating Activities	<u>\$ 419,220</u>

See accompanying notes.

CITY OF FLAT ROCK, MICHIGAN

FIDUCIARY FUNDS

STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2011

	<u>Tax Collection</u>	<u>Trust and Agency</u>	<u>Crime Prevention</u>	<u>Deferred Compensation</u>	<u>Total</u>
ASSETS					
Cash and Cash Equivalents	\$ 352,918	\$ 153,047	\$ 473	\$ -	\$ 506,438
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,389,314</u>	<u>2,389,314</u>
TOTAL ASSETS	<u>\$ 352,918</u>	<u>\$ 153,047</u>	<u>\$ 473</u>	<u>\$ 2,389,314</u>	<u>\$2,895,752</u>
LIABILITIES					
Accounts Payable	\$ 114,304	\$ 5,612	\$ -	\$ -	\$ 119,916
Due to Other Funds	238,614	-	-	-	238,614
Payments Received in Advance	-	147,435	473	-	147,908
Deferred Compensation Benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,389,314</u>	<u>2,389,314</u>
TOTAL LIABILITIES	<u>\$ 352,918</u>	<u>\$ 153,047</u>	<u>\$ 473</u>	<u>\$ 2,389,314</u>	<u>\$2,895,752</u>

See accompanying notes.

CITY OF FLAT ROCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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. 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 11.

Major Taxpayer

Approximately 36 percent of property tax revenue is from one company located in the City of Flat Rock, and 35 percent of water, sewer and industrial charge revenue are from the same company.

CITY OF FLAT ROCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011

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.

2010 Road Improvement Fund – The 2010 Road Improvement Fund is capital project fund created for road improvement projects throughout the City including Arsenal, Vreeland and Hall roads.

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:

Fiduciary Funds - Fiduciary Funds account for assets held by the City in a trustee capacity. Fiduciary 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, 2011

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 2010 tax is levied and collectible on July 1, 2010 and is recognized as revenue in the year ended June 30, 2011, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2010 taxable valuation of the City totaled \$374.0 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 \$5,286,000 for general operating, \$386,000 for library use, and \$94,000 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 \$5,000 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.

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

CITY OF FLAT ROCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 - As of June 30, 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable - amounts that are not in spendable form (such as inventory and prepaid items) or are required to be maintained intact.

Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the City's governmental funds have been restated to reflect the above classifications.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special projects).

CITY OF FLAT ROCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. There were no budget amendments adopted for the fiscal year ended June 30, 2011.

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>
General Fund			
Police Department	\$ 2,771,854	\$ 2,862,305	\$ (90,451)
Fire Department	969,795	1,049,417	(79,622)
Building and Safety	197,469	200,884	(3,415)
Public Works	1,268,409	1,297,183	(28,774)
Community Enrichment	16,413	17,795	(1,382)
Special Revenue Funds			
Block Grant	86,000	118,664	(32,664)
Concession Stand	-	4,218	(4,218)
Historical District	104,277	204,713	(100,436)

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

CITY OF FLAT ROCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 \$2,428,625 of which \$264,748 is covered by federal depository insurance and \$2,163,877 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 Money Market	\$ 428	AAAmmf	Fitch
Fifth Third Institutional Gov't Money Market	670,258	AAAmmf	Fitch

CITY OF FLAT ROCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Primary Government</u>
Receivables			
Taxes	\$ 254,788	\$ 19,897	\$ 274,685
Accounts	<u>19,299</u>	<u>-</u>	<u>19,299</u>
Net Receivables	<u>\$ 274,087</u>	<u>\$ 19,897</u>	<u>\$ 293,984</u>

NOTE 5 – CAPITAL ASSETS

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

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2011</u>
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 1,298,430	\$ 24,884	\$ -	\$ 1,323,314
Capital Assets Being Depreciated				
Infrastructure	22,935,225	1,485,377	-	24,420,602
Buildings and Improvements	22,760,768	68,578	-	22,829,346
Vehicles	872,587	-	-	872,587
Machinery and Equipment	<u>5,209,901</u>	<u>34,819</u>	<u>-</u>	<u>5,244,720</u>
Subtotal	<u>51,778,481</u>	<u>1,588,774</u>	<u>-</u>	<u>53,367,255</u>
Accumulated Depreciation				
Infrastructure	16,140,319	996,490	-	17,136,809
Buildings and Improvements	4,706,068	455,623	-	5,161,691
Vehicles	789,526	42,047	-	831,573
Machinery and Equipment	<u>3,227,817</u>	<u>237,314</u>	<u>-</u>	<u>3,465,131</u>
Subtotal	<u>24,863,730</u>	<u>1,731,474</u>	<u>-</u>	<u>26,595,204</u>
Net Capital Assets Being Depreciated	<u>26,914,751</u>	<u>(142,700)</u>	<u>-</u>	<u>26,772,051</u>
Net Capital Assets	<u>\$ 28,213,181</u>	<u>\$ (117,816)</u>	<u>\$ -</u>	<u>\$ 28,095,365</u>

CITY OF FLAT ROCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 – CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2011</u>
Business-Type Activities				
Capital Assets Being Depreciated				
Water and Sewer Mains	\$ 16,103,851	\$ 966,433	\$ -	\$ 17,070,284
Buildings	6,516,962	-	-	6,516,962
Equipment and Meters	443,233	13,234	-	456,467
Vehicles	<u>285,396</u>	<u>-</u>	<u>-</u>	<u>285,396</u>
Subtotal	<u>23,349,442</u>	<u>979,667</u>	<u>-</u>	<u>24,329,109</u>
Accumulated Depreciation				
Water and Sewer Mains	9,254,606	347,857	-	9,602,463
Buildings	1,646,760	113,673	-	1,760,433
Equipment and Meters	294,949	7,235	-	302,184
Vehicles	<u>273,570</u>	<u>1,971</u>	<u>-</u>	<u>275,541</u>
Subtotal	<u>11,469,885</u>	<u>470,736</u>	<u>-</u>	<u>11,940,621</u>
Net Capital Assets	<u>\$ 11,879,557</u>	<u>\$ 508,931</u>	<u>\$ -</u>	<u>\$ 12,388,488</u>

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

Governmental Activities	
Road Maintenance and Repair	\$ 996,490
Recreational Culture	433,133
Public Works	73,521
Police Department	36,557
Library	48,846
Fire Department	100,041
General Government	32,602
Building and Safety	<u>10,284</u>
Total Governmental Activities	<u>\$ 1,731,474</u>
Business-Type Activities	
Water and Sewer Mains	\$ 347,857
Buildings	113,673
Equipment and Meters	7,235
Vehicles	<u>1,971</u>
Total Business-Type Activities	<u>\$ 470,736</u>

CITY OF FLAT ROCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

Due to/from Other Funds

General Fund	Nonmajor Governmental Funds	\$ 111,639
	TIFA Fund	826
	Water and Sewer	2,647
	Trust and Agency	<u>76</u>
	Total General Fund	<u>\$ 115,188</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>\$ 12,122</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	\$ 342,188
Nonmajor Governmental Funds	Nonmajor Governmental Funds	298,994
TIFA Fund	Nonmajor Governmental Funds	<u>1,096,646</u>
	Total	<u>\$ 1,737,828</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, 2011

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
GOVERNMENTAL ACTIVITIES							
Michigan Transportation Fund Bonds Amount of Issue: \$800,000 Maturing Through 2013	1	4.00% - 5.20%	\$ 215,000	\$ -	\$ (70,000)	\$ 145,000	\$ 70,000
Certificate of Participation - Installment Purchase Amount of Issue: \$1,500,000 Maturing Through 2013	1	4.90% - 7.07%	425,000	-	(135,000)	290,000	140,000
Building Authority Refunding Bonds Amount of Issue: \$1,720,000 Maturing Through 2018	1	2.00% - 4.40%	1,090,000	-	(115,000)	975,000	125,000
Building Authority Bonds Amount of Issue: \$5,000,000 Maturing Through 2011	1	5.92%	230,000	-	(230,000)	-	-
Building Authority Refunding Bonds Amount of Issue: \$3,145,000 Maturing Through 2021	1	3.90% - 4.60%	3,320,000	-	(30,000)	3,290,000	275,000
Tax Increment Finance Authority - Limited Tax Development Bonds Amount of Issue: \$1,750,000 Maturing Through 2026	1	5.375% - 5.875%	1,530,000	-	(65,000)	1,465,000	65,000
Tax Increment Finance Authority - Limited Tax Development Bonds Amount of Issue: \$4,270,000 Maturing Through 2024	1	6.75% - 7.00%	3,800,000	-	(170,000)	3,630,000	180,000
Tax Increment Finance Authority - Limited Tax Development Bonds Amount of Issue: \$5,675,000 Maturing Through 2024	1	4.00% - 4.80%	4,620,000	-	(290,000)	4,330,000	300,000
Equipment Lease Purchase Agreement Amount of Issue: \$40,375 Maturing Through 2011	1	5.75%	17,528	-	(8,519)	9,009	9,009
Equipment Installment Purchase Agreement Amount of Issue: \$334,000 Maturing Through 2014	1	4.47%	334,000	-	(66,804)	267,196	66,800
Consent Judgement for Tax Settlement Amount of Issue: \$559,630 Maturing Through 2021	1	N/A	-	559,630	-	559,630	55,963
Equipment Lease Purchase Agreement Amount of Issue: \$33,951 Maturing Through 2016	1	6.465%	-	34,819	(4,509)	30,310	6,373
Capital Improvement Bonds Amount of Issue: \$2,500,000 Maturing Through 2025	1	3.00% - 5.00%	-	2,500,000	-	2,500,000	120,000
			<u>\$ 15,581,528</u>	<u>\$ 3,094,449</u>	<u>\$ (1,184,832)</u>	<u>\$ 17,491,145</u>	<u>\$ 1,413,145</u>
BUSINESS TYPE ACTIVITIES							
South Huron Valley Utility Authority Amount of Issue: \$1,901,130 Maturing Through 2011	1	2.00%	\$ 124,164	\$ -	\$ (124,164)	\$ -	\$ -
South Huron Valley Utility Authority Amount of Issue: \$3,271,516 Maturing Through 2021	1	2.25%	1,952,232	-	(158,567)	1,793,665	162,254
South Huron Valley Utility Authority Amount of Issue: \$2,352,760 Maturing Through 2026	1	2.125%	1,958,507	-	(103,348)	1,855,159	105,900
South Huron Valley Utility Authority Amount of Issue: \$409,360 Maturing Through 2030	1	4.000% - 6.375%	-	409,360	-	409,360	14,072
South Huron Valley Utility Authority Amount of Issue: \$557,073 Maturing Through 2031	1	2.500%	-	557,073	-	557,073	21,879
			<u>\$ 4,034,903</u>	<u>\$ 966,433</u>	<u>\$ (386,079)</u>	<u>\$ 4,615,257</u>	<u>\$ 304,105</u>

CITY OF FLAT ROCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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
2012	\$ 1,413,145	\$ 819,803	\$ 2,232,948	\$ 304,105	\$ 110,982	\$ 415,087
2013	1,459,578	756,545	2,216,123	311,623	107,143	418,766
2014	1,280,052	696,414	1,976,466	318,090	99,984	418,074
2015	1,325,558	639,117	1,964,675	326,449	92,675	419,124
2016	1,302,997	580,265	1,883,262	334,146	85,074	419,220
2017-2021	6,914,815	1,932,690	8,847,505	1,787,268	301,834	2,089,102
2022-2026	3,795,000	393,826	4,188,826	946,277	134,967	1,081,244
2027-2031	-	-	-	287,299	32,704	320,003
	<u>\$ 17,491,145</u>	<u>\$ 5,818,660</u>	<u>\$ 23,309,805</u>	<u>\$ 4,615,257</u>	<u>\$ 965,363</u>	<u>\$ 5,580,620</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, 2011

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:

	Fiscal Year Ended June 30		
	2009	2010	2011
Annual Pension Costs (APC)	\$ 571,000	\$ 547,636	\$ 601,779
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	\$ -	\$ -	\$ -

	Actuarial Valuation as of December 31		
	2008	2009	2010
Actuarial Value of Assets	\$ 11,427,268	\$ 11,553,218	\$ 11,751,533
Actuarial Accrued Liability (AAL)	\$ 18,959,513	\$ 19,012,367	\$ 19,479,412
Unfunded AAL (UAAL)	\$ 7,532,245	\$ 7,459,149	\$ 7,727,879
Funded Ratio	60.3%	60.8%	60.3%
Covered Payroll	\$ 3,603,933	\$ 3,608,759	\$ 3,141,984
UAAL as a percentage of covered payroll	209%	207%	246%

At December 31, 2010, the total participants of 103 consisted of 55 active employees, 5 vested former employees and 43 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, 2011, the City's annual pension cost of \$601,779 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, 2010, 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, 2011

NOTE 10 – 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.

NOTE 11 – 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 \$463,202 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, 2011, the City incurred operating costs of \$760,741. In addition, the City paid \$386,079 in principal payments and \$94,238 in interest expense. Complete financial statements for the Authority can be obtained from the administrative offices at 34001 West Jefferson, Brownstown, MI 48173

NOTE 12 – DEFERRED COMPENSATION PLAN

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

The Deferred Compensation Plan is recorded in the Fiduciary 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, 2011

NOTE 13 – 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, 36 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, 2011, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2009. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal 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)	\$ 1,035,327
Interest on the Prior Year's Net OPEB Obligation	53,216
Less Adjustment to the Annual Required Contribution	<u>(76,771)</u>
Annual OPEB cost	1,011,772
Amounts Contributed	
Payments of Current Premiums	378,969
Advance Funding	<u>-</u>
Increase in net OPEB Obligation	632,803
OPEB Obligation - Beginning of Year	<u>1,277,368</u>
OPEB Obligation - End of Year	<u>\$ 1,910,171</u>

CITY OF FLAT ROCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The schedule of employer contributions and the net OPEB obligations for the fiscal year ended June 30, 2011, 2010 and 2009 are as follows (three-year trend is not available because 2009 is the initial year of reporting):

	Year Ended June 30,		
	2011	2010	2009
Annual OPEB Costs	1,011,772	\$ 993,266	\$ 971,991
Percentage Contributed	37.456%	32.579%	37.479%
Net OPEB Obligation	1,910,171	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, 2011

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
REVENUES				
Property Taxes	\$ 5,810,147	\$ 5,810,147	\$ 5,286,470	\$ (523,677)
Elections	-	-	4,539	4,539
General Government	200,700	200,700	210,715	10,015
Police Department	502,810	502,810	421,757	(81,053)
Fire Department	261,150	261,150	221,112	(40,038)
Building and Safety				
Building Permits	97,300	97,300	84,485	(12,815)
Electrical Permits	20,000	20,000	23,724	3,724
Plumbing Permits	20,000	20,000	15,950	(4,050)
Mechanical Permits	10,000	10,000	19,835	9,835
Other Revenues	9,200	9,200	52,955	43,755
Public Works	285,550	285,550	304,526	18,976
Recreation and Culture	120,534	120,534	120,150	(384)
Community Enrichment and Development	117,510	117,510	131,553	14,043
State Shared Revenues	661,591	661,591	692,472	30,881
Total Revenues	8,116,492	8,116,492	7,590,243	(526,249)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative				
Elected Officials Wages	10,000	10,000	10,000	-
Judicial				
Legal Fees	60,000	60,000	58,752	1,248
District Court	500,000	500,000	463,202	36,798
Total Judicial	560,000	560,000	521,954	38,046
Elections				
Supervisory	8,000	8,000	8,473	(473)
Clerical	15,000	15,000	15,190	(190)
Overtime	2,500	2,500	2,514	(14)
Payroll Tax	1,951	1,951	1,437	514
Fees and Per Diem	10,000	10,000	9,204	796
Office Supplies	3,000	3,000	1,812	1,188
Operating Supplies	4,000	4,000	9,445	(5,445)
Meal Allowance	300	300	299	1
Advertising	1,500	1,500	1,791	(291)

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
GENERAL GOVERNMENT (Continued)				
Elections (Continued)				
Insurance and Bond	\$ 693	\$ 693	\$ 647	\$ 46
Equipment Maintenance	3,000	3,000	1,961	1,039
Total Elections	49,944	49,944	52,773	(2,829)
General Operations				
Custodian	19,092	19,092	36,583	(17,491)
Mechanic	250	250	22	228
Overtime Custodian	3,000	3,000	2,937	63
Overtime Park Maintenance	1,500	1,500	707	793
Payroll Taxes	1,824	1,824	3,151	(1,327)
Fees and Per Diem	200	200	550	(350)
Office Supplies	5,000	5,000	3,226	1,774
Bank Charges	2,000	2,000	242	1,758
Gasoline and Oil, etc.	2,000	2,000	1,209	791
Youth Services	1,090	1,090	767	323
Operating Supplies	1,000	1,000	556	444
Computer Expense	5,000	5,000	3,248	1,752
Clothing	700	700	863	(163)
Custodian Supplies	2,500	2,500	1,507	993
Pond Sprinklers	7,200	7,200	2,371	4,829
Audit Fee	11,286	11,286	12,130	(844)
Tax Roll Preparation	15,000	15,000	16,023	(1,023)
Membership and Dues	16,500	16,500	15,376	1,124
Telephone	9,000	9,000	2,403	6,597
Meals on Wheels	-	-	3,917	(3,917)
Senior Programs	-	-	6,459	(6,459)
Meal Allowance	100	100	240	(140)
Public Relations	500	500	649	(149)
Advertising	1,000	1,000	3,785	(2,785)
Insurance and Bond	24,334	24,334	10,911	13,423
Insurance Claims Deductible	500	500	-	500
Utilities	38,081	38,081	32,168	5,913
Building Maintenance	80,000	80,000	28,711	51,289
Equipment Maintenance	3,000	3,000	1,260	1,740
Equipment Lease	5,000	5,000	5,313	(313)
Civil Defense	2,500	2,500	3,291	(791)
Miscellaneous	1,000	1,000	352	648

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
GENERAL GOVERNMENT (Continued)				
General Operations (Continued)				
Taxes Refunded and Written Off	\$ 1,295,200	\$ 1,295,200	\$ 111,186	\$ 1,184,014
Land Acquisition	-	-	24,884	(24,884)
Total General Operations	<u>1,555,357</u>	<u>1,555,357</u>	<u>336,997</u>	<u>1,218,360</u>
City Assessor				
Assessor Salary	10,350	10,350	10,350	-
Clerical	10,000	10,000	10,000	-
Overtime	700	700	641	59
Payroll Taxes	819	819	814	5
Fees and Per Diem	1,200	1,200	1,200	-
Office Supplies	300	300	274	26
Computer Expense	250	250	2,760	(2,510)
Tax Roll Preparation	13,500	13,500	15,240	(1,740)
Membership and Dues	100	100	-	100
Meal Allowance	50	50	-	50
Advertising	100	100	126	(26)
Education and Training	1,500	1,500	-	1,500
Insurance and Bond	672	672	630	42
Miscellaneous	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
Total City Assessor	<u>39,641</u>	<u>39,641</u>	<u>42,035</u>	<u>(2,394)</u>
City Attorney				
Retainer	19,800	19,800	19,800	-
Labor	75,000	75,000	80,894	(5,894)
Other Matters	<u>1,500</u>	<u>1,500</u>	<u>23,423</u>	<u>(21,923)</u>
Total City Attorney	<u>96,300</u>	<u>96,300</u>	<u>124,117</u>	<u>(27,817)</u>
City Clerk				
Supervisory	15,894	15,894	30,576	(14,682)
Clerical	17,759	17,759	24,362	(6,603)
Overtime	-	-	191	(191)
Payroll Taxes	2,620	2,620	5,001	(2,381)
Hospitalization	21,253	21,253	-	21,253
Retiree Health Insurance	-	-	24,926	(24,926)
Employee Life Insurance	-	-	144	(144)
Retirement Contribution	433	433	1,158	(725)
Sick and Vacation Pay	500	500	-	500
Fees and Per Diem	250	250	-	250
Office Supplies	1,500	1,500	2,170	(670)
Operating Supplies	1,500	1,500	373	1,127
Medical Expenses	100	100	177	(77)
Computer Expenses	<u>3,000</u>	<u>3,000</u>	<u>3,582</u>	<u>(582)</u>

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
GENERAL GOVERNMENT (Continued)				
City Clerk (Continued)				
Membership and Dues	\$ 350	\$ 350	\$ 210	\$ 140
Telephone	1,500	1,500	2,149	(649)
Meal Allowance	100	100	-	100
Reimburse Employee's Blue Cross	600	600	-	600
Advertising	300	300	-	300
Education and Training	1,500	1,500	-	1,500
Insurance and Bond	3,090	3,090	11,204	(8,114)
Utilities	5,000	5,000	3,211	1,789
Miscellaneous	500	500	336	164
Total City Clerk	<u>77,749</u>	<u>77,749</u>	<u>109,770</u>	<u>(32,021)</u>
City Treasurer				
Supervisory	29,243	29,243	31,546	(2,303)
Clerical	75,319	75,319	71,484	3,835
Overtime	1,000	1,000	552	448
Payroll Taxes	8,076	8,076	9,612	(1,536)
Hospitalization	71,483	71,483	51,519	19,964
Retiree Health Insurance	-	-	20,554	(20,554)
Employee Life Insurance	768	768	727	41
Longevity Pay	800	800	800	-
Retirement Contribution	31,252	31,252	32,321	(1,069)
Sick and Vacation Pay	500	500	(4,810)	5,310
Fees and Per Diem	250	250	-	250
Office Supplies	1,500	1,500	615	885
Operating Supplies	1,500	1,500	240	1,260
Computer Expenses	3,000	3,000	5,291	(2,291)
Property Engineering Fees	600	600	650	(50)
Membership and Dues	345	345	255	90
Telephone	1,500	1,500	2,226	(726)
Meal Allowance	100	100	60	40
Advertising	300	300	-	300
Education and Training	1,500	1,500	737	763
Insurance and Bond	3,100	3,100	4,200	(1,100)
Utilities	5,000	5,000	3,344	1,656
Miscellaneous	500	500	238	262
	<u>237,636</u>	<u>237,636</u>	<u>232,161</u>	<u>5,475</u>
City Engineer				
Consulting Fees	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Total General Government	<u>2,630,627</u>	<u>2,630,627</u>	<u>1,429,807</u>	<u>1,200,820</u>

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
POLICE DEPARTMENT				
Supervisory	\$ 71,687	\$ 71,687	\$ 76,034	\$ (4,347)
Lieutenants	266,535	266,535	359,606	(93,071)
Sergeants	380,911	380,911	255,431	125,480
Patrolmen	511,056	511,056	582,906	(71,850)
Downriver Mutual Aid	2,000	2,000	2,889	(889)
Mechanic Wages	17,500	17,500	21,035	(3,535)
Custodian Wages	25,000	25,000	24,698	302
Temporary Wages	26,775	26,775	26,084	691
Shift Differential	14,000	14,000	9,322	4,678
Overtime	95,000	95,000	112,313	(17,313)
Payroll Taxes	121,672	121,672	132,783	(11,111)
Holiday Pay Premium	59,000	59,000	95,873	(36,873)
Hospitalization	451,150	451,150	244,763	206,387
Retirement Health Insurance	-	-	187,070	(187,070)
Employee Life Insurance	3,840	3,840	3,681	159
Longevity Pay	13,500	13,500	14,311	(811)
Retirement Contribution	243,276	243,276	297,606	(54,330)
Sick and Vacation Pay	1,500	1,500	58,184	(56,684)
Office Supplies	4,800	4,800	3,056	1,744
Postage	1,500	1,500	596	904
Dog Expenses	5,500	5,500	1,615	3,885
Canine Expenses	2,000	2,000	549	1,451
Gas and Oil	45,000	45,000	39,403	5,597
Operating Supplies	6,000	6,000	1,839	4,161
Photographic Supplies	1,500	1,500	-	1,500
Medical Expenses	5,660	5,660	2,087	3,573
Jail Expenses	23,300	23,300	13,091	10,209
Prisoner Medical	250	250	573	(323)
Computer Expense	15,000	15,000	9,498	5,502
Clothing	29,700	29,700	27,587	2,113
Custodial Supplies	4,500	4,500	2,232	2,268
Membership Dues	2,100	2,100	875	1,225
Legal Fees	4,000	4,000	10,008	(6,008)
Telephone	19,280	19,280	20,910	(1,630)
Meal Allowance	1,500	1,500	1,030	470
Gun Allowance	5,700	5,700	6,000	(300)
Gun Range	9,000	9,000	4,177	4,823
Public Relations	1,000	1,000	566	434
Reimburse Employee's Blue Cross	72,120	72,120	47,350	24,770
Education and Training	11,000	11,000	1,211	9,789
Insurance and Bonds	81,942	81,942	80,984	958
Insurance Claims Deductible	500	500	-	500
Utilities	38,000	38,000	30,018	7,982

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
POLICE DEPARTMENT (Continued)				
Building Maintenance	\$ 8,000	\$ 8,000	\$ 4,140	\$ 3,860
Equipment Maintenance	20,000	20,000	17,870	2,130
Equipment Lease	12,000	12,000	6,763	5,237
Auto Maintenance	24,000	24,000	16,514	7,486
Equipment Rental	5,000	5,000	1,492	3,508
Mutual Aid	4,100	4,100	4,083	17
Miscellaneous	2,500	2,500	1,599	901
Interest	1,000	1,000	-	1,000
Total Police Department	2,771,854	2,771,854	2,862,305	(90,451)
FIRE DEPARTMENT				
Chief Salary	51,033	51,033	54,019	(2,986)
Assistant Chief Salary	3,537	3,537	3,634	(97)
Mechanic	4,250	4,250	4,313	(63)
Custodian	7,000	7,000	8,144	(1,144)
Overtime	15,000	15,000	61,788	(46,788)
Full-Time Employees	239,148	239,148	234,963	4,185
Part-Time Employees	150,000	150,000	173,293	(23,293)
Retroactive Pay	30,000	30,000	21,529	8,471
Payroll Taxes	39,676	39,676	43,562	(3,886)
Holiday Pay Premium	15,000	15,000	23,522	(8,522)
Hospitalization	108,365	108,365	113,003	(4,638)
Employee Life Insurance	1,138	1,138	1,138	-
Longevity Pay	2,175	2,175	2,325	(150)
Retirement Contribution	52,212	52,212	45,081	7,131
Sick and Vacation Pay	500	500	(78)	578
Office Supplies	1,000	1,000	1,912	(912)
Bank Charges	500	500	-	500
Operating Supplies	13,000	13,000	7,568	5,432
Gas and Oil	7,000	7,000	7,266	(266)
Operating Supplies	4,000	4,000	5,323	(1,323)
Medical Expenses	4,000	4,000	1,566	2,434
Clothing	4,000	4,000	4,733	(733)
Custodial Supplies	600	600	399	201
Ambulance Billing Service	16,000	16,000	17,734	(1,734)
Membership and Dues	2,500	2,500	3,286	(786)
Legal Fees	1,000	1,000	-	1,000
Telephone	4,600	4,600	4,671	(71)
Meal Allowance	300	300	116	184
Public Relation	1,000	1,000	559	441
Advertising	500	500	117	383
Education and Training	4,000	4,000	3,270	730

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
FIRE DEPARTMENT (Continued)				
Educational Services	\$ 4,000	\$ 4,000	\$ 4,158	\$ (158)
Insurance and Bond	52,995	52,995	70,071	(17,076)
Utilities	27,826	27,826	20,871	6,955
Building Maintenance	5,000	5,000	8,049	(3,049)
Equipment Maintenance	15,000	15,000	15,711	(711)
Mutual Aid	1,700	1,700	1,560	140
Bond Principal	66,799	66,799	66,804	(5)
Interest	13,441	13,441	13,437	4
Total Fire Department	969,795	969,795	1,049,417	(79,622)
BUILDING AND SAFETY				
Supervisory	44,978	44,978	33,414	11,564
Mechanic	250	250	332	(82)
Clerical	32,785	32,785	35,090	(2,305)
Inspector	32,710	32,710	22,253	10,457
Overtime	500	500	133	367
Payroll Taxes	8,509	8,509	8,681	(172)
Hospitalization	20,544	20,544	14,468	6,076
Retiree Health Insurance	-	-	6,866	(6,866)
Employee Life Insurance	190	190	332	(142)
Longevity Pay	-	-	400	(400)
Retirement Contribution	1,734	1,734	21,720	(19,986)
Sick and Vacation Pay	500	500	19,906	(19,406)
Office Supplies	1,500	1,500	1,500	-
Gas and Oil	1,500	1,500	1,460	40
Operating Supplies	1,000	1,000	1,455	(455)
Computer Expense	1,500	1,500	3,554	(2,054)
Clothing	100	100	-	100
Membership and Dues	1,000	1,000	527	473
Consultant Fees	1,000	1,000	113	887
Inspections				
Mechanical	5,000	5,000	4,520	480
Electrical	10,000	10,000	5,595	4,405
Plumbing	10,000	10,000	3,338	6,662
Telephone	5,600	5,600	4,355	1,245
Auto Expense	2,000	2,000	610	1,390
Meal Allowance	100	100	20	80
Advertising	150	150	-	150
Education and Training	250	250	-	250
Insurance and Bond	8,760	8,760	6,895	1,865

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
BUILDING AND SAFETY (Continued)				
Utilities	\$ 5,059	\$ 5,059	\$ 3,176	\$ 1,883
Miscellaneous	250	250	171	79
Total Building and Safety	197,469	197,469	200,884	(3,415)
PUBLIC WORKS				
Supervisory	28,913	28,913	31,330	(2,417)
Labor	104,163	104,163	102,456	1,707
Mechanic	17,098	17,098	23,599	(6,501)
Temporary	19,280	19,280	7,515	11,765
Overtime	10,000	10,000	7,914	2,086
Overtime Department Heads	2,000	2,000	384	1,616
Payroll Taxes	15,532	15,532	17,889	(2,357)
Hospitalization	236,495	236,495	176,479	60,016
Retiree Health Insurance	-	-	96,303	(96,303)
Employee Life Insurance	2,086	2,086	2,559	(473)
Longevity Pay	5,850	5,850	5,486	364
Retirement Contribution	77,458	77,458	84,764	(7,306)
Sick and Vacation Pay	-	-	(7,018)	7,018
Office Supplies	1,000	1,000	1,335	(335)
Gas and Oil	45,000	45,000	33,645	11,355
Operating Supplies	12,000	12,000	1,837	10,163
Medical Expenses	1,000	1,000	-	1,000
Computer Expenses	750	750	1,509	(759)
Clothing	8,525	8,525	9,614	(1,089)
Custodial Supplies	1,000	1,000	203	797
Brick Pavers War Memorial	100	100	-	100
Membership and Dues	200	200	225	(25)
Consulting Fees	500	500	-	500
Garbage Pick Up	345,000	345,000	353,854	(8,854)
Street Lighting	160,000	160,000	191,386	(31,386)
Telephone	5,000	5,000	6,056	(1,056)
Meal Allowance	500	500	443	57
Reimburse Employee's Blue Cross	7,200	7,200	7,200	-
Advertising	100	100	22	78
Education and Training	1,000	1,000	85	915
Safety Training	1,000	1,000	-	1,000
Insurance and Bond	41,672	41,672	33,381	8,291
Utilities	25,000	25,000	16,293	8,707
Building Maintenance	10,000	10,000	9,813	187
Cemetery Maintenance	1,500	1,500	1,572	(72)
Equipment Maintenance	55,000	55,000	43,721	11,279
Equipment Lease	9,187	9,187	27,552	(18,365)
Park Maintenance	10,000	10,000	5,619	4,381

CITY OF FLAT ROCK, MICHIGAN
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
PUBLIC WORKS (Continued)				
Miscellaneous	\$ 500	\$ 500	\$ 206	\$ 294
Capital Outlay	-	-	-	-
Interest	6,800	6,800	1,952	4,848
Total Public Works	1,268,409	1,268,409	1,297,183	(28,774)
RECREATION AND CULTURE				
Recreation Committee				
Park Improvement	3,500	3,500	-	3,500
Recreation				
Supervisory	17,351	17,351	16,956	395
Contracted Instructors	500	500	-	500
Mechanic	1,000	1,000	1,283	(283)
Clerical	200	200	200	
Temporary	15,000	15,000	9,136	5,864
Bus Transportation	15,500	15,500	4,526	10,974
Programmers	34,646	34,646	32,610	2,036
Payroll Taxes	6,609	6,609	5,957	652
Hospitalization	7,222	7,222	7,150	72
Employee Life Insurance	190	190	205	(15)
Longevity Pay	400	400	450	(50)
Retirement Contribution	13,301	13,301	14,087	(786)
Sick and Vacation Pay	300	300	1,895	(1,595)
Office Supplies	1,000	1,000	976	24
Postage	500	500	793	(293)
Gas and Oil	5,500	5,500	4,575	925
Operating Supplies	600	600	68	532
Playground Equipment	200	200	263	(63)
Computer Expense	2,000	2,000	3,900	(1,900)
Clothing	50	50	19	31
Membership and Dues	500	500	752	(252)
Consulting Fees	150	150	-	150
Telephone	4,200	4,200	1,676	2,524
Travel Expense	40,000	40,000	38,631	1,369
Adult Softball	6,000	6,000	3,923	2,077
Safety Town	100	100	-	100
Youth Programs	5,000	5,000	7,577	(2,577)
Senior Programs	5,626	5,626	916	4,710
Adult Programs	5,000	5,000	1,315	3,685
MRPA Programs	7,000	7,000	5,915	1,085
Meal Allowance	50	50	10	40
Public Relations	100	100	43	57
Reimburse Employee's Blue Cross	1,800	1,800	1,800	-
Advertising	1,500	1,500	998	502

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
RECREATION AND CULTURE (Continued)				
Recreation (Continued)				
Education and Training	\$ 200	\$ 200	\$ -	\$ 200
Insurance and Bond	5,803	5,803	5,129	674
Equipment Maintenance	1,500	1,500	2,466	(966)
Miscellaneous	500	500	389	111
Total Recreation	<u>207,098</u>	<u>207,098</u>	<u>176,589</u>	<u>30,509</u>
Ball Field, Fountain and Ice Rink				
Ball Field Maintenance	40,000	40,000	35,350	4,650
Ice Rink Maintenance	2,000	2,000	6,120	(4,120)
Overtime Department Heads	-	-	-	-
Payroll Taxes	3,213	3,213	2,890	323
Ball Field Material and Supplies	10,000	10,000	10,758	(758)
Ice Rink Material and Supplies	1,000	1,000	476	524
Meal Allowance	100	100	-	100
Insurance and Bond	1,914	1,914	1,527	387
Ball Field Utilities	8,000	8,000	12,547	(4,547)
Ice Rink Utilities	1,000	1,000	6,519	(5,519)
Rent	410,116	410,116	412,454	(2,338)
Total Ball Field, Fountain and Ice Rink	<u>477,343</u>	<u>477,343</u>	<u>488,641</u>	<u>(11,298)</u>
Total Recreation and Culture	<u>687,941</u>	<u>687,941</u>	<u>665,230</u>	<u>22,711</u>
COMMUNITY ENRICHMENT AND DEVELOPMENT				
Planning Commission				
Clerical	500	500	500	-
Overtime	500	500	182	318
Payroll Taxes	77	77	52	25
Fees and Per Diem	1,500	1,500	1,765	(265)
Special Meetings	250	250	-	250
Office Supplies	100	100	188	(88)
Consultant Fees	4,000	4,000	6,919	(2,919)
Master Plan	500	500	-	500
Advertising	500	500	254	246
Revision of Ordinances	500	500	-	500
Education and Training	100	100	-	100
Insurance and Bond	672	672	630	42
Total Planning Commission	<u>9,199</u>	<u>9,199</u>	<u>10,490</u>	<u>(1,291)</u>

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
COMMUNITY ENRICHMENT AND DEVELOPMENT (Continued)				
Zoning Board of Appeals				
Clerical	\$ -	\$ -	\$ 1,000	\$ (1,000)
Overtime	100	100	187	(87)
Payroll Taxes	8	8	14	(6)
Fees and Per Diem	400	400	285	115
Office Supplies	100	100	224	(124)
Consultant	500	500	926	(426)
Advertising	500	500	110	390
Education and Training	50	50	-	50
Insurance and Bond	672	672	630	42
Total Zoning Board of Appeals	<u>2,330</u>	<u>2,330</u>	<u>3,376</u>	<u>(1,046)</u>
Beautification				
Clerical	500	500	500	-
Payroll Taxes	38	38	-	38
Fees and Per Diem	1,260	1,260	1,194	66
Office Supplies	100	100	67	33
Public Relations	750	750	750	-
Insurance and Bond	624	624	170	454
Total Beautification	<u>3,272</u>	<u>3,272</u>	<u>2,681</u>	<u>591</u>
Cable Commission				
Fees and Per Diem	800	800	650	150
Insurance and Bond	212	212	598	(386)
Equipment Maintenance	500	500	-	500
Miscellaneous	100	100	-	100
Total Cable Commission	<u>1,612</u>	<u>1,612</u>	<u>1,248</u>	<u>364</u>
Total Community Enrichment and Development	<u>16,413</u>	<u>16,413</u>	<u>17,795</u>	<u>(1,382)</u>
Total Expenditures	<u>8,542,508</u>	<u>8,542,508</u>	<u>7,522,621</u>	<u>1,019,887</u>
Excess Revenues (Expenditures)	<u>(426,016)</u>	<u>(426,016)</u>	<u>67,622</u>	<u>493,638</u>

CITY OF FLAT ROCK, MICHIGAN
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
OTHER FINANCING SOURCES (USES)				
Interfund Transfers				
Special Revenue Funds	\$ 180,000	\$ 180,000	\$ 113,000	\$ (67,000)
Debt Service Funds	-	-	14,810	14,810
Capital Project Funds	-	-	766	766
Special Revenue Funds	(275,000)	(275,000)	(182,494)	92,506
Debt Service Funds	<u>(229,924)</u>	<u>(229,924)</u>	<u>(159,694)</u>	<u>70,230</u>
Total Other Financing Sources (Uses)	<u>(324,924)</u>	<u>(324,924)</u>	<u>(213,612)</u>	<u>111,312</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other	(750,940)	(750,940)	(145,990)	604,950
FUND BALANCE, JULY 1, 2010	<u>743,030</u>	<u>743,030</u>	<u>743,030</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ (7,910)</u>	<u>\$ (7,910)</u>	<u>\$ 597,040</u>	<u>\$ 604,950</u>

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - MAJOR SPECIAL REVENUE FUND

TAX INCREMENT FINANCE AUTHORITY

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
REVENUES				
Taxes Captured	\$ 4,692,630	\$ 4,692,630	\$3,728,930	\$ (963,700)
Other	20,500	20,500	30,717	10,217
Interest	10,000	10,000	561	(9,439)
Total Revenues	<u>4,723,130</u>	<u>4,723,130</u>	<u>3,760,208</u>	<u>(962,922)</u>
EXPENDITURES				
Supervisory	1,000	1,000	1,000	-
Clerical	1,000	1,000	1,000	-
Secretary	600	600	600	-
Economic Development	14,050	14,050	11,767	2,283
Bank Charges	1,000	1,000	49	951
Audit	1,000	1,000	1,000	-
Street Lighting	9,000	9,000	10,380	(1,380)
Maintenance Gateway	40,000	40,000	24,177	15,823
Landscaping and Signs	-	-	3,745	(3,745)
Engineering Fees	5,000	5,000	-	5,000
Legal	9,000	9,000	3,720	5,280
Advertising	200	200	72	128
Insurance and Bond	750	750	432	318
Miscellaneous	500	500	-	500
Tax Refund	<u>3,472,546</u>	<u>3,472,546</u>	<u>2,684,830</u>	<u>787,716</u>
Total Expenditures	<u>3,555,646</u>	<u>3,555,646</u>	<u>2,742,772</u>	<u>812,874</u>
Excess Revenues	<u>1,167,484</u>	<u>1,167,484</u>	<u>1,017,436</u>	<u>(150,048)</u>
OTHER FINANCING SOURCES (USES)				
Interfund Transfers				
Recreation Center Operations	(75,000)	(75,000)	(15,000)	60,000
Debt Service Funds	<u>(1,167,938)</u>	<u>(1,167,938)</u>	<u>(1,081,646)</u>	<u>86,292</u>
Total Other Financing Sources (Uses)	<u>(1,242,938)</u>	<u>(1,242,938)</u>	<u>(1,096,646)</u>	<u>146,292</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(75,454)	(75,454)	(79,210)	(3,756)
FUND BALANCE, JULY 1, 2010	<u>173,354</u>	<u>173,354</u>	<u>173,354</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 97,900</u>	<u>\$ 97,900</u>	<u>\$ 94,144</u>	<u>\$ (3,756)</u>

OTHER SUPPLEMENTAL INFORMATION

CITY OF FLAT ROCK, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
ASSETS				
Cash and Cash Equivalents	\$1,406,482	\$ 3,930	\$ -	\$1,410,412
Receivable - Taxes	19,897	-	-	19,897
Due From Other Funds	12,122	-	-	12,122
Prepaid Expenditures	6,496	-	-	6,496
Due From Other Governmental Units	152,447	-	-	152,447
TOTAL ASSETS	<u>\$1,597,444</u>	<u>\$ 3,930</u>	<u>\$ -</u>	<u>\$1,601,374</u>
LIABILITIES				
Accounts Payable	\$ 75,632	\$ -	\$ -	\$ 75,632
Accrued Expenses	178,074	-	-	178,074
Compensated Absences, Current	7,722	-	-	7,722
Due to Other Funds	123,761	-	-	123,761
Total Liabilities	<u>385,189</u>	<u>-</u>	<u>-</u>	<u>385,189</u>
FUND BALANCE				
Restricted for Debt Service	-	3,930	-	3,930
Unassigned	1,212,255	-	-	1,212,255
Total Fund Balance	<u>1,212,255</u>	<u>3,930</u>	<u>-</u>	<u>1,216,185</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$1,597,444</u>	<u>\$ 3,930</u>	<u>\$ -</u>	<u>\$1,601,374</u>

CITY OF FLAT ROCK, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
REVENUES				
Property Taxes	\$1,057,806	\$ -	\$ -	\$1,057,806
Recreation and Culture	1,316,912	-	-	1,316,912
Federal Shared Revenue	118,664	-	-	118,664
State Shared Revenue	434,142	-	-	434,142
Rental Income	-	434,938	-	434,938
Other	89,204	-	-	89,204
Interest	363	-	-	363
Total Revenues	3,017,091	434,938	-	3,452,029
EXPENDITURES				
Road Maintenance and Repair	481,751	-	-	481,751
Recreation and Culture	1,345,104	-	-	1,345,104
Community Enrichment and Development	767,750	-	-	767,750
Library	429,256	-	-	429,256
Debt Service				
Principal	-	1,105,000	-	1,105,000
Interest	-	795,179	-	795,179
Miscellaneous	-	3,329	-	3,329
Total Expenditures	3,023,861	1,903,508	-	4,927,369
Excess Expenditures	(6,770)	(1,468,570)	-	(1,475,340)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	272,623	1,336,629	-	1,609,252
Operating Transfers Out	(283,417)	(14,810)	(767)	(298,994)
Total Other Financing Sources (Uses)	(10,794)	1,321,819	(767)	1,310,258
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(17,564)	(146,751)	(767)	(165,082)
FUND BALANCE, JULY 1, 2010	1,229,819	150,681	767	1,381,267
FUND BALANCE, JUNE 30, 2011	\$1,212,255	\$ 3,930	\$ -	\$1,216,185

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

JUNE 30, 2011

	<u>Recreation Center Operating Fund</u>	<u>Block Grant Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Downtown Development Authority</u>	<u>Historical District Fund</u>	<u>Concession Stand Fund</u>	<u>Library Fund</u>	<u>Other Funds</u>	<u>Total</u>
ASSETS										
Cash and Cash Equivalents	\$ 224,670	\$ -	\$ 15,341	\$ 59,200	\$ 684,267	\$ (869)	\$ 27,665	\$ 308,468	\$ 87,740	\$ 1,406,482
Receivable - Taxes	-	-	-	-	-	3,976	-	15,921	-	19,897
Due From Other Funds	-	-	-	12,122	-	-	-	-	-	12,122
Prepaid Expenditures	2,192	-	2,070	2,070	-	79	-	85	-	6,496
Due From Other Governmental Units	-	83,335	48,487	20,625	-	-	-	-	-	152,447
TOTAL ASSETS	<u>\$ 226,862</u>	<u>\$ 83,335</u>	<u>\$ 65,898</u>	<u>\$ 94,017</u>	<u>\$ 684,267</u>	<u>\$ 3,186</u>	<u>\$ 27,665</u>	<u>\$ 324,474</u>	<u>\$ 87,740</u>	<u>\$ 1,597,444</u>
LIABILITIES										
Accounts Payable	\$ 50,330	\$ -	\$ 3,278	\$ 5,552	\$ -	\$ 1,226	\$ -	\$ 15,111	\$ 135	\$ 75,632
Accrued Expenses	167,821	-	1,739	1,388	-	-	-	7,126	-	178,074
Compensated Absences, Current	2,423	-	-	-	-	-	-	5,299	-	7,722
Due to Other Funds	-	83,335	16,989	3,422	20,015	-	-	-	-	123,761
Total Liabilities	220,574	83,335	22,006	10,362	20,015	1,226	-	27,536	135	385,189
FUND BALANCE	<u>6,288</u>	<u>-</u>	<u>43,892</u>	<u>83,655</u>	<u>664,252</u>	<u>1,960</u>	<u>27,665</u>	<u>296,938</u>	<u>87,605</u>	<u>1,212,255</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 226,862</u>	<u>\$ 83,335</u>	<u>\$ 65,898</u>	<u>\$ 94,017</u>	<u>\$ 684,267</u>	<u>\$ 3,186</u>	<u>\$ 27,665</u>	<u>\$ 324,474</u>	<u>\$ 87,740</u>	<u>\$ 1,597,444</u>

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, 2011

	Recreation Center Operating Fund	Block Grant Fund	Major Street Fund	Local Street Fund	Downtown Development Authority	Historical District Fund	Concession Stand Fund	Library Fund	Other Funds	Total
REVENUES										
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 577,897	\$ 93,617	\$ -	\$ 386,292	\$ -	\$ 1,057,806
Recreation and Culture	1,316,912	-	-	-	-	-	-	-	-	1,316,912
Federal Shared Revenue	-	118,664	-	-	-	-	-	-	-	118,664
State Shared Revenue	-	-	300,516	127,831	-	-	-	5,795	-	434,142
Other	-	-	-	-	14,965	8	6,486	36,802	30,943	89,204
Interest	-	-	-	-	97	-	266	-	-	363
Total Revenues	<u>1,316,912</u>	<u>118,664</u>	<u>300,516</u>	<u>127,831</u>	<u>592,959</u>	<u>93,625</u>	<u>6,752</u>	<u>428,889</u>	<u>30,943</u>	<u>3,017,091</u>
EXPENDITURES										
Road Maintenance and Repair	-	-	221,235	260,516	-	-	-	-	-	481,751
Recreation and Culture	1,345,104	-	-	-	-	-	-	-	-	1,345,104
Community Enrichment and Development	-	118,664	-	-	549,597	91,713	4,218	-	3,558	767,750
Library	-	-	-	-	-	-	-	429,256	-	429,256
Total Expenditures	<u>1,345,104</u>	<u>118,664</u>	<u>221,235</u>	<u>260,516</u>	<u>549,597</u>	<u>91,713</u>	<u>4,218</u>	<u>429,256</u>	<u>3,558</u>	<u>3,023,861</u>
Excess Revenues (Expenditures)	<u>(28,192)</u>	<u>-</u>	<u>79,281</u>	<u>(132,685)</u>	<u>43,362</u>	<u>1,912</u>	<u>2,534</u>	<u>(367)</u>	<u>27,385</u>	<u>(6,770)</u>
OTHER FINANCING SOURCES (USES)										
Operating Transfers In	15,000	-	-	257,623	-	-	-	-	-	272,623
Operating Transfers Out	-	-	(75,129)	(87,031)	(8,257)	(113,000)	-	-	-	(283,417)
Total Other Financing Sources (Uses)	<u>15,000</u>	<u>-</u>	<u>(75,129)</u>	<u>170,592</u>	<u>(8,257)</u>	<u>(113,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,794)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(13,192)</u>	<u>-</u>	<u>4,152</u>	<u>37,907</u>	<u>35,105</u>	<u>(111,088)</u>	<u>2,534</u>	<u>(367)</u>	<u>27,385</u>	<u>(17,564)</u>
FUND BALANCE, JULY 1, 2010	<u>19,480</u>	<u>-</u>	<u>39,740</u>	<u>45,748</u>	<u>629,147</u>	<u>113,048</u>	<u>25,131</u>	<u>297,305</u>	<u>60,220</u>	<u>1,229,819</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 6,288</u>	<u>\$ -</u>	<u>\$ 43,892</u>	<u>\$ 83,655</u>	<u>\$ 664,252</u>	<u>\$ 1,960</u>	<u>\$ 27,665</u>	<u>\$ 296,938</u>	<u>\$ 87,605</u>	<u>\$ 1,212,255</u>

CITY OF FLAT ROCK, MICHIGAN
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2011

	<u>2010 Road Improvement Debt Service Fund</u>	<u>Aspen Drive Debt Service Fund</u>	<u>Building Authority Debt Service Fund</u>	<u>Building Authority Ballfield Debt Service Fund</u>	<u>Special Assessment Sidewalk Fund</u>	<u>TIFA Debt Service Fund</u>	<u>Total</u>
ASSETS							
Cash and Cash Equivalents	\$ -	\$ 72	\$ -	\$ 1,131	\$ -	\$ 2,727	\$ 3,930
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 72</u>	<u>\$ -</u>	<u>\$ 1,131</u>	<u>\$ -</u>	<u>\$ 2,727</u>	<u>\$ 3,930</u>
LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCE	<u>-</u>	<u>72</u>	<u>-</u>	<u>1,131</u>	<u>-</u>	<u>2,727</u>	<u>3,930</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ 72</u>	<u>\$ -</u>	<u>\$ 1,131</u>	<u>\$ -</u>	<u>\$ 2,727</u>	<u>\$ 3,930</u>

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, 2011

	2010 Road Improvement Debt Service Fund	Aspen Drive Debt Service Fund	Building Authority Debt Service Fund	Building Authority Ballfield Debt Service Fund	Special Assessment Sidewalk Fund	TIFA Debt Service Fund	Total
REVENUES							
Rental Income	\$ -	\$ -	\$ 22,484	\$ 412,454	\$ -	\$ -	\$ 434,938
EXPENDITURES							
Debt Service							
Principal	-	205,000	115,000	260,000	-	525,000	1,105,000
Interest	34,430	28,070	40,925	149,816	-	541,938	795,179
Miscellaneous	150	300	-	1,638	-	1,241	3,329
Total Expenditures	34,580	233,370	155,925	411,454	-	1,068,179	1,903,508
Excess Revenues (Expenditures)	(34,580)	(233,370)	(133,441)	1,000	-	(1,068,179)	(1,468,570)
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	34,580	233,370	-	-	-	1,068,679	1,336,629
Operating Transfers Out	-	-	-	-	(14,810)	-	(14,810)
Total Other Financing Sources (Uses)	34,580	233,370	-	-	(14,810)	1,068,679	1,321,819
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	(133,441)	1,000	(14,810)	500	(146,751)
FUND BALANCE, JULY 1, 2010	-	72	133,441	131	14,810	2,227	150,681
FUND BALANCE, JUNE 30, 2011	\$ -	\$ 72	\$ -	\$ 1,131	\$ -	\$ 2,727	\$ 3,930

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, 2011

	<u>Sidewalk Fund</u>
REVENUES	
Interest	\$ -
EXPENDITURES	
Community Enrichment and Development	<u>-</u>
Excess Revenues	-
OTHER FINANCING SOURCES	
Operating Transfers Out	<u>(767)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(767)
FUND BALANCE, JULY 1, 2010	<u>767</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ -</u>

CITY OF FLAT ROCK, MICHIGAN
GENERAL OBLIGATION BONDS PAYABLE
AS OF JUNE 30, 2011

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>
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>\$ 5,685</u>	<u>\$ 1,950</u>	<u>\$ 7,635</u>	<u>\$ 145,000</u>	<u>\$ 152,635</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>
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>\$ 11,484</u>	<u>\$ 3,915</u>	<u>\$ 15,399</u>	<u>\$ 290,000</u>	<u>\$ 305,399</u>

CITY OF FLAT ROCK, MICHIGAN
GENERAL OBLIGATION BONDS PAYABLE
AS OF JUNE 30, 2011

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>
11-12	\$ 19,571	\$ 17,446	\$ 37,017	\$ 125,000	\$ 162,017
12-13	17,446	15,074	32,520	130,000	162,520
13-14	15,074	12,571	27,645	130,000	157,645
14-15	12,571	9,736	22,307	140,000	162,307
15-16	9,736	6,691	16,427	145,000	161,427
16-17	6,691	3,410	10,101	150,000	160,101
17-18	<u>3,410</u>	<u>-</u>	<u>3,410</u>	<u>155,000</u>	<u>158,410</u>
	<u>\$ 84,499</u>	<u>\$ 64,928</u>	<u>\$ 149,427</u>	<u>\$ 975,000</u>	<u>\$ 1,124,427</u>

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>
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	<u>9,085</u>	<u>-</u>	<u>9,085</u>	<u>395,000</u>	<u>404,085</u>
	<u>\$ 427,151</u>	<u>\$ 355,648</u>	<u>\$ 782,799</u>	<u>\$ 3,290,000</u>	<u>\$ 4,072,799</u>

CITY OF FLAT ROCK, MICHIGAN
GENERAL OBLIGATION BONDS PAYABLE
AS OF JUNE 30, 2011

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>
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>\$ 384,628</u>	<u>\$ 342,411</u>	<u>\$ 727,039</u>	<u>\$ 1,465,000</u>	<u>\$ 2,192,039</u>

CITY OF FLAT ROCK, MICHIGAN
GENERAL OBLIGATION BONDS PAYABLE
AS OF JUNE 30, 2011

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>
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>\$ 994,451</u>	<u>\$ 869,603</u>	<u>\$ 1,864,054</u>	<u>\$ 3,630,000</u>	<u>\$ 5,494,054</u>

CITY OF FLAT ROCK, MICHIGAN
GENERAL OBLIGATION BONDS PAYABLE
AS OF JUNE 30, 2011

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>
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>\$ 727,666</u>	<u>\$ 630,405</u>	<u>\$ 1,358,071</u>	<u>\$ 4,330,000</u>	<u>\$ 5,688,071</u>

CITY OF FLAT ROCK, MICHIGAN
GENERAL OBLIGATION BONDS PAYABLE
AS OF JUNE 30, 2011

City of Flat Rock Tax Increment Finance Authority
Limited Tax Development Bonds Series 2006B (Taxable Obligation)
Dated August 3, 2006
Amount of Bond - \$2,500,000
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>
11-12	\$ 51,218	\$ 49,418	\$ 100,636	\$ 120,000	\$ 220,636
12-13	49,417	47,468	96,885	130,000	226,885
13-14	47,467	45,443	92,910	135,000	227,910
14-15	45,442	43,268	88,710	145,000	233,710
15-16	43,267	40,830	84,097	150,000	234,097
16-17	40,830	38,030	78,860	160,000	238,860
17-18	38,030	34,843	72,873	170,000	242,873
18-19	34,842	31,243	66,085	180,000	246,085
19-20	31,242	27,300	58,542	190,000	248,542
20-21	27,300	23,000	50,300	200,000	250,300
21-22	23,000	17,750	40,750	210,000	250,750
22-23	17,750	12,125	29,875	225,000	254,875
23-24	12,125	6,250	18,375	235,000	253,375
24-25	6,250	-	6,250	250,000	256,250
	<u>\$ 468,180</u>	<u>\$ 416,968</u>	<u>\$ 885,148</u>	<u>\$ 2,500,000</u>	<u>\$ 3,385,148</u>

CITY OF FLAT ROCK, MICHIGAN
WATER AND SEWER FUND
GENERAL OBLIGATION BONDS PAYABLE
AS OF JUNE 30, 2011

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
Principal Due October 1

<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>
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>\$ 114,688</u>	<u>\$ 94,509</u>	<u>\$ 209,197</u>	<u>\$ 1,793,665</u>	<u>\$ 2,002,862</u>

CITY OF FLAT ROCK, MICHIGAN
WATER AND SEWER FUND
GENERAL OBLIGATION BONDS PAYABLE
AS OF JUNE 30, 2011

South Huron Valley Utility Authority
2004 Sewer System Plant Expansion
Amount Issued - \$2,352,760; Flat Rock Share of \$9,220,000
Principal Due April 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>
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>\$ 165,502</u>	<u>\$ 165,502</u>	<u>\$ 331,004</u>	<u>\$ 1,855,159</u>	<u>\$ 2,186,163</u>

CITY OF FLAT ROCK, MICHIGAN

WATER AND SEWER FUND

GENERAL OBLIGATION BONDS PAYABLE

AS OF JUNE 30, 2011

South Huron Valley Utility Authority

2010 Sewer System Improvements

Amount Issued - \$409,360; Flat Rock Share of \$1,600,000

Principal Due May 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE NOV 1</u>	<u>INTEREST DUE MAY 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
11-12	\$ 11,156	\$ 11,156	\$ 22,312	\$ 14,072	\$ 36,384
12-13	10,875	10,875	21,750	15,351	37,101
13-14	10,606	10,606	21,212	15,351	36,563
14-15	10,337	10,337	20,674	16,630	37,304
15-16	10,005	10,005	20,010	16,630	36,640
16-17	9,564	9,564	19,128	17,910	37,038
17-18	9,089	9,089	18,178	17,910	36,088
18-19	8,615	8,615	17,230	19,189	36,419
19-20	8,106	8,106	16,212	19,189	35,401
20-21	7,598	7,598	15,196	21,747	36,943
21-22	7,021	7,021	14,042	20,468	34,510
22-23	6,479	6,479	12,958	21,747	34,705
23-24	5,903	5,903	11,806	23,027	34,833
24-25	5,293	5,293	10,586	24,306	34,892
25-26	4,648	4,648	9,296	24,306	33,602
26-27	3,874	3,874	7,748	25,585	33,333
27-28	3,058	3,058	6,116	29,423	35,539
28-29	2,120	2,120	4,240	31,981	36,221
29-30	1,101	1,102	2,203	34,538	36,741
	<u>\$ 135,448</u>	<u>\$ 135,449</u>	<u>\$ 270,897</u>	<u>\$ 409,360</u>	<u>\$ 680,257</u>

CITY OF FLAT ROCK, MICHIGAN

WATER AND SEWER FUND

GENERAL OBLIGATION BONDS PAYABLE

AS OF JUNE 30, 2011

South Huron Valley Utility Authority
 2011 Sewer System Improvements
 Amount Issued - \$557,073; Flat Rock Share of \$3,310,000
 Principal Due April 1

<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>
11-12	\$ 3,753	\$ 6,963	\$ 10,716	\$ 21,879	\$ 32,595
12-13	6,690	6,690	13,380	21,879	35,259
13-14	6,416	6,416	12,832	22,721	35,553
14-15	6,133	6,132	12,265	23,562	35,827
15-16	5,838	5,838	11,676	24,404	36,080
16-17	5,533	5,533	11,066	24,404	35,470
17-18	5,228	5,228	10,456	25,245	35,701
18-19	4,912	4,912	9,824	26,087	35,911
19-20	4,586	4,586	9,172	26,928	36,100
20-21	4,250	4,250	8,500	26,928	35,428
21-22	3,913	3,913	7,826	27,770	35,596
22-23	3,566	3,566	7,132	28,611	35,743
23-24	3,208	3,208	6,416	29,453	35,869
24-25	2,840	2,840	5,680	30,294	35,974
25-26	2,461	2,461	4,922	31,136	36,058
26-27	2,072	2,072	4,144	31,977	36,121
27-28	1,672	1,672	3,344	32,819	36,163
28-29	1,262	1,262	2,524	32,819	35,343
29-30	852	852	1,704	33,660	35,364
30-31	431	434	865	34,497	35,362
	<u>\$ 75,616</u>	<u>\$ 78,828</u>	<u>\$ 154,444</u>	<u>\$ 557,073</u>	<u>\$ 711,517</u>

CITY OF FLAT ROCK, MICHIGAN
GENERAL OBLIGATION EQUIPMENT LOANS PAYABLE
AS OF JUNE 30, 2011

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>
11-12	\$ 518	\$ 9,009	\$ 9,527

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>
11-12	\$ 10,453	\$ 66,800	\$ 77,253
12-13	7,467	66,800	74,267
13-14	4,480	66,800	71,280
14-15	1,493	66,796	68,289
	<u>\$ 23,893</u>	<u>\$ 267,196</u>	<u>\$ 291,089</u>

Equipment Loan
Dated September 20, 2010
Amount of Loan - \$34,819
Monthly Principal and Interest Installments of \$686

<u>FISCAL YEAR</u>	<u>INTEREST DUE ANNUALLY</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
11-12	\$ 1,859	\$ 6,373	\$ 8,232
12-13	1,417	6,815	8,232
13-14	943	7,289	8,232
14-15	433	7,799	8,232
15-16	24	2,034	2,058
	<u>\$ 4,676</u>	<u>\$ 30,310</u>	<u>\$ 34,986</u>

CITY OF FLAT ROCK, MICHIGAN
GENERAL OBLIGATION TAX SETTLEMENT PAYABLE
AS OF JUNE 30, 2011

Auto Alliance, Inc.
Refundable 2009 Real and Personal Property Tax
Dated January, 2011
Amount of Settlement - \$559,630 (Non-Interest Bearing)
Due August 31

<u>FISCAL YEAR</u>	<u>TOTAL REQUIREMENT</u>
11-12	\$ 55,963
12-13	55,963
13-14	55,963
14-15	55,963
15-16	55,963
16-17	55,963
17-18	55,963
18-19	55,963
19-20	55,963
20-21	55,963
	<u>\$ 559,630</u>

CITY OF FLAT ROCK, MICHIGAN
TAX LEVIES IN MILLAGE
LAST TWENTY-FIVE YEARS
FOR THE YEAR ENDED JUNE 30, 2011

<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>
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	-	-	2.85	-	16.00
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	16.25	-	1.00	-	-	17.25
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
2011	16.00	-	1.00	-	0.25	17.25

CITY OF FLAT ROCK, MICHIGAN

WATER AND SEWER RATES

LAST TWENTY-FIVE YEARS

FOR THE YEAR ENDED JUNE 30, 2011

FISCAL YEAR	RESIDENTIAL RATE	NON-RESIDENTIAL RATE	COMMERCIAL RATE	INDUSTRIAL RATE
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
2011	5.00	-	6.50	6.75

A Professional Corporation

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the 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, 2011, which collectively comprise the City of Flat Rock, Michigan's basic financial statements and have issued our report thereon dated December 12, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Flat Rock, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Flat Rock, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Flat Rock, Michigan's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Flat Rock, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City of Flat Rock, Michigan, in a separate letter dated December 12, 2011.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford & Co.

Southgate, Michigan
December 12, 2011