

City of Flat Rock, Michigan

Financial Report

with Supplemental Information

June 30, 2012

CITY OF FLAT ROCK, MICHIGAN

TABLE OF CONTENTS

	Contents
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements	
Governmental Funds	
Balance Sheet	12
Reconciliation of Fund Balance of Governmental Funds to Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balance	14
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Fund	
Statement of Net Assets	16
Statement of Revenues, Expenses, and Changes in Fund Balance	17
Statement of Cash Flows	18
Fiduciary Funds - Statement of Assets and Liabilities	19
Notes to Financial Statements	20-35
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	36-46
Budgetary Comparison Schedule - Major Special Revenue Fund	47
Other Supplemental Information	
Nonmajor Governmental Funds	
Combining Balance Sheet	48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	49
Nonmajor Special Revenue Funds	
Combining Balance Sheet	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	51
Nonmajor Debt Service Funds	
Combining Balance Sheet	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	53
Nonmajor Capital Projects Funds	
Balance Sheet	54
Statement of Revenues, Expenditures, and Changes in Fund Balances	55

CITY OF FLAT ROCK, MICHIGAN

TABLE OF CONTENTS

Other Supplemental Information (Continued)	Contents
General Obligation Bonds Payable	56-65
General Obligation Equipment Loans Payable	66
General Obligation Tax Settlement Payable	67
Tax Levies in Millage – Last Twenty-Five Years	68
Water and Sewer Rates – Last Twenty-Five Years	69
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	70-71

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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, 2012, and the respective changes in financial position, and where applicable, cash flows 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 7, 2012 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 should be considered in assessing the results of our audit.

To the Honorable Mayor and
Members of the City Council
City of Flat Rock, Michigan
Page 2

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 47 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 introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Hungerford & Co.

December 7, 2012

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, 2012. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net assets decreased by \$2,397,559 (or 12.4%). The governmental net assets decreased by \$2,248,196 (or 20.7%) and the business-type net assets decreased by \$149,363 (or 1.8%).
- Total net assets of \$16,830,639 reflect a reduction of \$2,397,559 from last fiscal year. This reduction is mainly due to Michigan Tax Tribunal settlements and Other Post Employment Benefit costs.
- At the end of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,943,157 a decrease of \$307,970 from the previous year.
- At the end of the current fiscal year the fund balance for the General Fund decreased \$636 to a final balance of \$596,404. The decrease was, in part, due to transfers to other funds in the amount of \$255,816. General Fund revenues exceeded expenditures in the amount of \$228,599.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

Both statements report two activities:

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds:

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

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

Proprietary Funds:

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

Fiduciary Funds:

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

NOTES TO BASIC FINANCIAL STATEMENTS

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

ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION

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

NON-MAJOR GOVERNMENTAL FUNDS

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

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded its liabilities at the end of the fiscal year by \$16,830,639. However, 95% of the City's net assets represent its investment in capital assets (e.g., land, roads, storm sewers, water and sewer systems, building, and equipment) less any related debt used to acquire or construct these assets that is still outstanding. The City uses these capital assets to provide essential services to citizens; therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF FLAT ROCK, MICHIGAN

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE (Continued)

CITY OF FLAT ROCK'S NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets	\$ 2,684,006	\$ 885,913	\$ 3,569,919
Bond issuance cost and discounts, net of accumulated amortization	394,330	-	394,330
Capital assets, net of accumulated depreciation	<u>26,574,786</u>	<u>12,091,511</u>	<u>38,666,297</u>
TOTAL ASSETS	<u>\$29,653,122</u>	<u>\$12,977,424</u>	<u>\$42,630,546</u>
Long-term liabilities outstanding	\$18,787,030	\$ 4,050,724	\$22,837,754
Other liabilities (Current)	<u>2,286,416</u>	<u>675,737</u>	<u>2,962,153</u>
Total Liabilities	<u>21,073,446</u>	<u>4,726,461</u>	<u>25,799,907</u>
Net Assets			
Invested in capital assets, net of related debt	10,031,229	7,760,954	17,792,183
Restricted	131,175	-	131,175
Unassigned	<u>(1,582,728)</u>	<u>490,009</u>	<u>(1,092,719)</u>
Total Net Assets	<u>8,579,676</u>	<u>8,250,963</u>	<u>16,830,639</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$29,653,122</u>	<u>\$12,977,424</u>	<u>\$42,630,546</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	\$ 3,288,674	\$3,618,255	\$ 6,906,929
Operating grants	1,458,552	-	1,458,552
General Revenues			
Taxes and special assessments	8,238,636	-	8,238,636
Investment earnings	4,608	-	4,608
Total Revenues	<u>12,990,470</u>	<u>3,618,255</u>	<u>16,608,725</u>
Expenses			
General government	1,591,392	-	1,591,392
Police	2,947,509	-	2,947,509
Fire	1,157,090	-	1,157,090
Building and safety	217,893	-	217,893
Public works	1,744,198	-	1,744,198
Recreation and culture	2,264,689	-	2,264,689
Library	478,805	-	478,805
Community enrichment and development	1,237,519	-	1,237,519
Road maintenance and repair	1,553,936	-	1,553,936
Capital Road Improvements	3,484	-	3,484
Tax refund	1,231,807	-	1,231,807
Interest on long-term debt	807,183	-	807,183
Miscellaneous	3,161	-	3,161
Water and sewer	-	<u>3,468,892</u>	<u>3,468,892</u>
Total Expenses	<u>15,238,666</u>	<u>3,468,892</u>	<u>18,707,558</u>

CITY OF FLAT ROCK, MICHIGAN

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE (Continued)

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

Changes in Net Assets	\$(2,248,196)	\$ (149,363)	\$(2,397,559)
Net Assets, July 1, 2010	<u>10,827,872</u>	<u>8,400,326</u>	<u>19,228,198</u>
Net Assets, June 30, 2011	<u>\$ 8,579,676</u>	<u>\$8,250,963</u>	<u>\$16,830,639</u>

Governmental Activities

Governmental activities decreased the City's net assets by \$2,248,196.

- A contributing factor to the decrease is interest on long-term debt of \$807,183. Tax refunds in the amount of \$1,231,807 were another.

Business-Type Activities

Business-type activities decreased the City's net assets by \$149,363. Key factors of this decrease are due to cost savings measures implemented by 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 \$596,404. Total fund balance decreased by \$636 during the fiscal year.

Tax Increment Finance Authority

The Tax Increment Finance Authority has a fund balance of \$386,549, which is an increase of \$292,405 from the 2010-11 fiscal year.

Nonmajor Governmental Funds

Nonmajor Governmental Funds had a total fund balance of \$960,204, a total decrease of \$599,739 from the prior fiscal year. These Nonmajor funds consist of:

Special Revenue Funds	\$829,029
Debt Service Funds	\$ 2,634
Capital Project Funds	\$128,541

CITY OF FLAT ROCK, MICHIGAN

Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$38,666,297 (net of accumulated depreciation). This investment includes a broad range of capital assets, which are detailed in the table below. The total decrease in the City's capital assets for the current fiscal year was \$1,817,556, due to depreciation. The following table is a comparison of the City's net capital assets as of June 30, 2012 compared to June 30, 2011:

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

(rounding differences may be present)	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
Capital assets not depreciated						
Land	\$ 1,323	\$1,375	\$ -	\$ -	\$ 1,323	\$ 1,375
Capital assets being depreciated						
Infrastructure	7,284	6,337	-	-	7,284	6,337
Buildings	17,668	17,245	4,756	4,643	22,424	21,888
Machinery and equipment	1,779	1,577	154	141	1,934	1,718
Water and sewer mains	-	-	7,468	7,299	7,468	7,299
Vehicles	41	40	10	8	50	48
Net capital assets	<u>\$28,095</u>	<u>\$26,574</u>	<u>\$12,388</u>	<u>\$12,091</u>	<u>\$40,483</u>	<u>\$38,665</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 \$21,249,039.

OUTSTANDING DEBT AT YEAR END

	Governmental Activities	Business-Type Activities	Total Primary Government
General obligation bonds (backed by the City)	\$16,713,554	\$4,311,152	\$21,024,706
Equipment Loans	224,333	-	224,333
	<u>\$16,937,887</u>	<u>\$4,311,152</u>	<u>\$21,249,039</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 (\$21,249,039) is lower than the current state-imposed limit of \$34,157,015.

ECONOMIC CONDITION AND OUTLOOK

The City of Flat Rock's budget for year ending 2013 is not recommending any change to the millage rate. The water and sewer rates are \$7.00 residential and \$8.50 for commercial and \$8.75 for industrial per thousand gallons. These rates represent an increase of \$1.00 from the 2011-12 fiscal year.

The City's 2013 budgeted revenue consists of 62.6% tax revenues, 26.2% local sources and 11.2% from other sources. The City's tax base is projected to have a decrease of \$604,880. Local revenues are projected to increase by \$497,679 for the fiscal year ended June 30, 2013. The major contributing factor to this increase is contributions from other funds and the community voted millage for Police/Fire of 1.75 mills.

The City's General Fund expenditures are allocated 50.9% to public safety, police, fire, and building and safety. The department of public services amounts to 24.2% and the general operations, which include the clerk's and treasurer's departments, total 20.9% and other departments total 4%. In addition, it is recommended that expenditures will decrease by \$79,545 over the previous year's budget, which can be attributed to budget cuts in most departments and implementation of cost savings measures, especially in the health insurance area. The General Fund is projecting the fund balance to increase by \$5,956, which will bring the General Fund balance to \$602,360 or 8% 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, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 2,034,383	\$ 327,018	\$ 2,361,401
Accounts Receivable	285,952	537,448	823,400
Due From Business-Type Activities	1,308	-	1,308
Due From Other Governmental Units	318,201	-	318,201
Inventories	21,891	20,572	42,463
Prepaid Expenses	22,271	875	23,146
Total Current Assets	<u>2,684,006</u>	<u>885,913</u>	<u>3,569,919</u>
Noncurrent Assets			
Bond Issuance Cost and Discounts, Net of Accumulated Amortization	394,330	-	394,330
Capital Assets, Net of Accumulated Depreciation	<u>26,574,786</u>	<u>12,091,511</u>	<u>38,666,297</u>
Total Noncurrent Assets	<u>26,969,116</u>	<u>12,091,511</u>	<u>39,060,627</u>
TOTAL ASSETS	<u>\$ 29,653,122</u>	<u>\$ 12,977,424</u>	<u>\$42,630,546</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 218,094	\$ 220,476	\$ 438,570
Accrued Expenses	374,148	128,606	502,754
Due to Governmental Activities	-	1,308	1,308
Compensated Absences, Current	148,607	11,265	159,872
Current Portion of Long-Term Obligations	<u>1,545,567</u>	<u>314,082</u>	<u>1,859,649</u>
Total Current Liabilities	<u>2,286,416</u>	<u>675,737</u>	<u>2,962,153</u>
Noncurrent Liabilities			
Compensated Absences, Long-Term	504,285	34,249	538,534
Net Other Post Employment Benefit Obligations	2,890,425	-	2,890,425
Noncurrent Portion of Long-Term Obligations	<u>15,392,320</u>	<u>4,016,475</u>	<u>19,408,795</u>
Total Noncurrent Liabilities	<u>18,787,030</u>	<u>4,050,724</u>	<u>22,837,754</u>
Total Liabilities	<u>21,073,446</u>	<u>4,726,461</u>	<u>25,799,907</u>
NET ASSETS			
Investment in Capital Assets, Net of Related Debt Restricted for	10,031,229	7,760,954	17,792,183
Debt Service	2,634	-	2,634
Capital Projects	128,541	-	128,541
Unrestricted	<u>(1,582,728)</u>	<u>490,009</u>	<u>(1,092,719)</u>
Total Net Assets	<u>8,579,676</u>	<u>8,250,963</u>	<u>16,830,639</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,653,122</u>	<u>\$ 12,977,424</u>	<u>\$42,630,546</u>

See accompanying notes.

CITY OF FLAT ROCK, MICHIGAN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>
Primary Government						
Governmental Activities						
General Government	\$ 1,591,392	\$ 73,101	\$ 905,062	\$ (613,229)	\$ -	\$ (613,229)
Police Department	2,947,509	492,153	-	(2,455,356)	-	(2,455,356)
Fire Department	1,157,090	227,832	-	(929,258)	-	(929,258)
Building and Safety	217,893	217,200	-	(693)	-	(693)
Public Works	1,744,198	361,174	-	(1,383,024)	-	(1,383,024)
Recreation and Culture	2,264,689	1,552,927	-	(711,762)	-	(711,762)
Library	478,805	30,260	6,542	(442,003)	-	(442,003)
Community Enrichment and Development	1,237,519	99,717	37,641	(1,100,161)	-	(1,100,161)
Road Maintenance and Repair	1,553,936	-	509,307	(1,044,629)	-	(1,044,629)
Capital Road Improvements	3,484	-	-	(3,484)	-	(3,484)
Tax Refund	1,231,807	-	-	(1,231,807)	-	(1,231,807)
Interest on Long-Term Debt	807,183	-	-	(807,183)	-	(807,183)
Miscellaneous	3,161	234,310	-	231,149	-	231,149
Total Governmental Activities	15,238,666	3,288,674	1,458,552	(10,491,440)	-	(10,491,440)
Business-Type Activities						
Water and Sewer	3,618,255	3,468,892	-	-	(149,363)	(149,363)
Total Primary Government	\$ 18,856,921	\$ 6,757,566	\$ 1,458,552	(10,491,440)	(149,363)	(10,640,803)
General Revenues						
Taxes						
Property Taxes, Levied for General Purposes				7,772,949	-	7,772,949
Property Taxes, Levied for Special Services				465,687	-	465,687
Investment Earnings				4,608	-	4,608
Total General Revenues				8,243,244	-	8,243,244
CHANGES IN NET ASSETS				(2,248,196)	(149,363)	(2,397,559)
NET ASSETS, BEGINNING				10,827,872	8,400,326	19,228,198
NET ASSETS, ENDING				<u>\$ 8,579,676</u>	<u>\$ 8,250,963</u>	<u>\$ 16,830,639</u>

See accompanying notes.

CITY OF FLAT ROCK, MICHIGAN

GOVERNMENTAL FUNDS - BALANCE SHEET

JUNE 30, 2012

	<u>General Fund</u>	<u>Tax Increment Finance Authority</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 506,724	\$ 387,567	\$ 1,140,092	\$ 2,034,383
Receivables				
Taxes	221,574	-	17,309	238,883
Accrued Interest and Other	47,069	-	-	47,069
Due From Other Funds	98,645	-	58,929	157,574
Due From Enterprise Funds	1,286	-	22	1,308
Due From Other Governmental Units	146,304	-	171,897	318,201
Inventory	21,891	-	-	21,891
Prepaid Expenses	11,885	-	10,386	22,271
TOTAL ASSETS	<u>\$1,055,378</u>	<u>\$ 387,567</u>	<u>\$ 1,398,635</u>	<u>\$ 2,841,580</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 163,206	\$ -	\$ 54,888	\$ 218,094
Accrued Expenses	153,914	-	220,234	374,148
Compensated Absences, Current	135,817	-	12,790	148,607
Due to Other Funds	6,037	1,018	150,519	157,574
Total Liabilities	<u>458,974</u>	<u>1,018</u>	<u>438,431</u>	<u>898,423</u>
FUND BALANCE				
Nonspendable	33,776	-	-	33,776
Restricted for Debt Service	-	-	2,634	2,634
Restricted for Investment in Capital Assets	-	-	128,541	128,541
Unassigned	562,628	386,549	829,029	1,778,206
Total Fund Balance	<u>596,404</u>	<u>386,549</u>	<u>960,204</u>	<u>1,943,157</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$1,055,378</u>	<u>\$ 387,567</u>	<u>\$ 1,398,635</u>	<u>\$ 2,841,580</u>

See accompanying notes.

CITY OF FLAT ROCK, MICHIGAN

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

JUNE 30, 2012

Total Fund Balances for Governmental Funds	\$ 1,943,157
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.	26,574,786
Compensated absences are not due and payable in the current period and are not reported in the funds.	(504,285)
Other post employment benefit obligations are recognized for the Statement of Activities	(2,890,425)
Long-term liabilities are not due and payable in the current period and are not reported in the Funds.	(16,937,887)
Unamortized bond issue costs not recorded in the funds	<u>394,330</u>
Net Assets of Governmental Activities	<u>\$ 8,579,676</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, 2012

	<u>General Fund</u>	<u>Tax Increment Finance Authority</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property Taxes	\$5,200,223	\$ 3,499,965	\$ 1,081,949	\$ 9,782,137
General Government	73,101	-	-	73,101
Police Department	492,153	-	-	492,153
Fire Department	227,832	-	-	227,832
Building and Safety	217,200	-	-	217,200
Public Works	361,174	-	-	361,174
Recreation and Culture	5,685	-	1,547,242	1,552,927
Community Enrichment and Development	136,519	-	-	136,519
State Shared Revenue	826,149	-	600,144	1,426,293
Federal Shared Revenue	-	-	25,717	25,717
Rental Income	-	-	575,697	575,697
Other	-	-	234,310	234,310
Interest	-	4,006	602	4,608
Total Revenues	<u>7,540,036</u>	<u>3,503,971</u>	<u>4,065,661</u>	<u>15,109,668</u>
EXPENDITURES				
General Government	1,497,575	-	-	1,497,575
Police Department	2,719,914	-	-	2,719,914
Fire Department	1,022,321	-	-	1,022,321
Building and Safety	198,183	-	-	198,183
Public Works	1,360,819	-	-	1,360,819
Recreation and Culture	498,983	-	1,666,366	2,165,349
Library	-	-	555,120	555,120
Community Enrichment and Development	13,642	65,297	1,206,849	1,285,788
Road Maintenance and Repair	-	-	555,841	555,841
Tax Refund	-	1,971,384	-	1,971,384
Debt Service - Principal	-	-	1,275,000	1,275,000
Debt Service - Interest	-	-	807,183	807,183
Miscellaneous	-	-	3,161	3,161
Total Expenditures	<u>7,311,437</u>	<u>2,036,681</u>	<u>6,069,520</u>	<u>15,417,638</u>
Excess Revenues (Expenditures)	<u>228,599</u>	<u>1,467,290</u>	<u>(2,003,859)</u>	<u>(307,970)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	26,581	-	1,874,395	1,900,976
Operating Transfers Out	<u>(255,816)</u>	<u>(1,174,885)</u>	<u>(470,275)</u>	<u>(1,900,976)</u>
Total Other Financing Sources (Uses)	<u>(229,235)</u>	<u>(1,174,885)</u>	<u>1,404,120</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(636)	292,405	(599,739)	(307,970)
FUND BALANCE, JULY 1, 2011	<u>597,040</u>	<u>94,144</u>	<u>1,559,943</u>	<u>2,251,127</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ 596,404</u>	<u>\$ 386,549</u>	<u>\$ 960,204</u>	<u>\$ 1,943,157</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, 2012

Net Change in Fund Balance - Total Governmental Funds \$ (307,970)

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 depreciation expense exceeds capital outlays and construction in progress. (1,520,579)

Repayments of bond principal, capital leases, and other long term liabilities are expenditures in the governmental funds but not in the Statement of Activities (where it reduces long-term debt) 1,413,145

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	\$ (980,254)	
Amortization of current year bond issuance costs and discounts	(40,595)	
Change in long-term compensated absences	47,944	
Michigan Tax Tribunal Settlement, net of current year payments	<u>(859,887)</u>	<u>(1,832,792)</u>

Change in Net Assets of Governmental Activities \$ (2,248,196)

See accompanying notes.

CITY OF FLAT ROCK, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<u>Enterprise Fund Water and Sewer</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 327,018
Accounts Receivable, Customers	537,448
Prepaid Expenditures	875
Inventories	<u>20,572</u>
Total Current Assets	885,913
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	<u>12,091,511</u>
TOTAL ASSETS	<u>\$ 12,977,424</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 220,476
Accrued Expenses and Other Liabilities	128,606
Due to Other Funds	1,308
Current Portion of Accumulated Compensated Absences	11,265
Current Portion of Deferred Loss on Bond Refund	2,458
Current Portion of Long-Term Obligations	<u>311,624</u>
Total Current Liabilities	<u>675,737</u>
Noncurrent Liabilities	
Accumulated Compensated Absences	45,514
Deferred Loss on Bond Refund	19,405
General Obligation Bonds Payable	4,311,152
Less Current Portion Shown in Current Liabilities	<u>(325,347)</u>
Total Noncurrent Liabilities	<u>4,050,724</u>
Total Liabilities	<u>4,726,461</u>
NET ASSETS	
Investment in Capital Assets, Net of Related Debt	7,760,954
Unrestricted	<u>490,009</u>
Total Net Assets	<u>8,250,963</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,977,424</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, 2012

	<u>Enterprise Fund Water and Sewer</u>
OPERATING REVENUES	
Customer Billings	\$ 3,312,322
Capital Charges	26,604
Service Connections	41,493
Service Charges	52,418
Other Revenue	<u>36,055</u>
 Total Operating Revenues	 <u>3,468,892</u>
OPERATING EXPENSES	
Cost of Water Purchases	914,454
Cost of Sewage Disposal	901,346
System Maintenance and Repairs	927,505
General and Administrative	303,805
Depreciation	470,747
Amortization	<u>(1,844)</u>
 Total Operating Expenses	 <u>3,516,013</u>
 Operating Loss	 (47,121)
NON-OPERATING EXPENSES	
Interest Expense	<u>102,242</u>
 Change in Net Assets	 (149,363)
TOTAL NET ASSETS, BEGINNING	<u>8,400,326</u>
TOTAL NET ASSETS, ENDING	<u>\$ 8,250,963</u>

See accompanying notes.

CITY OF FLAT ROCK, MICHIGAN
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Enterprise Fund Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From Customers	\$ 3,303,343
Other Operating Revenues	36,055
Cash Payments for Goods and Services	(2,528,389)
Cash to Employees	<u>(393,732)</u>
Net Cash Provided by Operating Activities	<u>417,277</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Due to Other Funds	(1,339)
Principal Paid on Revenue and General Obligations	(304,105)
Interest Paid on Revenue and General Obligations	(102,242)
Purchase of Capital Assets	<u>(173,770)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(581,456)</u>
Net Decrease in Cash	(164,179)
CASH BALANCE - JULY 1, 2011	<u>491,197</u>
CASH BALANCE - JUNE 30, 2012	<u><u>\$ 327,018</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	\$ (47,121)
Depreciation	470,747
Amortization	(1,844)
Change in Assets and Liabilities	
Increase in Accounts Receivable	(129,494)
Decrease in Prepaid Expenditures	46,276
Decrease in Accounts Payable	(14,701)
Increase in Accrued Expenses and Other Liabilities	<u>93,414</u>
Net Cash Provided By Operating Activities	<u><u>\$ 417,277</u></u>

See accompanying notes.

CITY OF FLAT ROCK, MICHIGAN

FIDUCIARY FUNDS

STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2012

	<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	\$ 7,761	\$ 133,364	\$ 473	\$ -	\$ 141,598
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,396,632</u>	<u>2,396,632</u>
TOTAL ASSETS	<u>\$ 7,761</u>	<u>\$ 133,364</u>	<u>\$ 473</u>	<u>\$ 2,396,632</u>	<u>\$2,538,230</u>
 LIABILITIES					
Accounts Payable	\$ 5,462	\$ 2,815	\$ -	\$ -	\$ 8,277
Due to Other Funds	2,299	-	-	-	2,299
Payments Received in Advance	-	130,549	473	-	131,022
Deferred Compensation Benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,396,632</u>	<u>2,396,632</u>
TOTAL LIABILITIES	<u>\$ 7,761</u>	<u>\$ 133,364</u>	<u>\$ 473</u>	<u>\$ 2,396,632</u>	<u>\$2,538,230</u>

See accompanying notes.

CITY OF FLAT ROCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 30 percent of property tax revenue is from one company located in the City of Flat Rock, and 42 percent of water, sewer and industrial charge revenue are from the same company.

CITY OF FLAT ROCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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, 2012

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.

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, 2012

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 2011 tax is levied and collectible on July 1, 2011 and is recognized as revenue in the year ended June 30, 2012, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2011 taxable valuation of the City totaled \$375.3 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 \$5,200,000 for general operating, \$382,000 for library use, and \$93,000 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, 2012

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 - In the fund financial statements, governmental funds report the following components of fund balance:

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.

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, 2012

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, 2012.

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			
General Government	\$ 1,436,069	\$ 1,497,575	\$ (61,506)
Police Department	2,633,406	2,719,914	(86,508)
Building and Safety	185,842	198,183	(12,341)
Public Works	1,224,191	1,360,819	(136,628)
Special Revenue Funds			
OUIL	-	28,933	(28,933)
Community Center	1,546,547	1,666,366	(119,819)
Concession Stand	-	38,952	(38,952)
Major Streets	320,607	360,024	(39,417)

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

CITY OF FLAT ROCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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 \$2,615,916 of which \$514,807 is covered by federal depository insurance and \$2,101,109 is uninsured and uncollateralized. The City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

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

Credit Risk

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Fifth Third Institutional Gov't Money Market	\$ 330,876	AAAmf	Fitch

CITY OF FLAT ROCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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	\$ 221,574	\$ 17,309	\$ 238,883
Special Assessments	12,418	-	12,418
Accounts	<u>34,651</u>	<u>-</u>	<u>34,651</u>
Net Receivables	<u>\$ 268,643</u>	<u>\$ 17,309</u>	<u>\$ 285,952</u>

NOTE 5 – CAPITAL ASSETS

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

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2012</u>
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 1,323,314	\$ 51,752	\$ -	\$ 1,375,066
Capital Assets Being Depreciated				
Infrastructure	24,420,602	51,651	-	24,472,253
Buildings and Improvements	22,829,346	33,728	-	22,863,074
Vehicles	872,587	23,383	-	895,970
Machinery and Equipment	<u>5,244,720</u>	<u>20,098</u>	<u>-</u>	<u>5,264,818</u>
Subtotal	<u>53,367,255</u>	<u>128,860</u>	<u>-</u>	<u>53,496,115</u>
Accumulated Depreciation				
Infrastructure	17,136,809	998,095	-	18,134,904
Buildings and Improvements	5,161,691	456,298	-	5,617,989
Vehicles	831,573	23,999	-	855,572
Machinery and Equipment	<u>3,465,131</u>	<u>222,799</u>	<u>-</u>	<u>3,687,930</u>
Subtotal	<u>26,595,204</u>	<u>1,701,191</u>	<u>-</u>	<u>28,296,395</u>
Net Capital Assets Being Depreciated	<u>26,772,051</u>	<u>(1,572,331)</u>	<u>-</u>	<u>25,199,720</u>
Net Capital Assets	<u>\$ 28,095,365</u>	<u>\$ (1,520,579)</u>	<u>\$ -</u>	<u>\$ 26,574,786</u>

CITY OF FLAT ROCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 – CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2012</u>
Business-Type Activities				
Capital Assets Being Depreciated				
Water and Sewer Mains	\$ 17,070,284	\$ 173,770	\$ -	\$ 17,244,054
Buildings	6,516,962	-	-	6,516,962
Equipment and Meters	456,467	-	-	456,467
Vehicles	<u>285,396</u>	<u>-</u>	<u>-</u>	<u>285,396</u>
Subtotal	<u>24,329,109</u>	<u>173,770</u>	<u>-</u>	<u>24,502,879</u>
Accumulated Depreciation				
Water and Sewer Mains	9,602,463	342,148	-	9,944,611
Buildings	1,760,433	113,673	-	1,874,106
Equipment and Meters	302,184	12,954	-	315,138
Vehicles	<u>275,541</u>	<u>1,972</u>	<u>-</u>	<u>277,513</u>
Subtotal	<u>11,940,621</u>	<u>470,747</u>	<u>-</u>	<u>12,411,368</u>
Net Capital Assets	<u>\$ 12,388,488</u>	<u>\$ (296,977)</u>	<u>\$ -</u>	<u>\$ 12,091,511</u>

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

Governmental Activities	
Road Maintenance and Repair	\$ 998,095
Recreational Culture	414,166
Public Works	66,854
Police Department	30,313
Library	48,843
Fire Department	97,128
General Government	35,510
Building and Safety	<u>10,282</u>
Total Governmental Activities	<u>\$ 1,701,191</u>
Business-Type Activities	
Water and Sewer Mains	\$ 342,148
Buildings	113,673
Equipment and Meters	12,954
Vehicles	<u>1,972</u>
Total Business-Type Activities	<u>\$ 470,747</u>

CITY OF FLAT ROCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Other Funds		
General Fund	Nonmajor Governmental Funds	\$ 97,627
	TIFA Fund	1,018
	Water and Sewer	<u>1,286</u>
	Total General Fund	<u>\$ 99,931</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	\$ 52,892
	General Fund	6,037
	Water and Sewer	<u>22</u>
	Total Nonmajor Funds	<u>\$ 58,951</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	\$ 255,816
Nonmajor Governmental Funds	Nonmajor Governmental Funds	443,694
TIFA Fund	Nonmajor Governmental Funds	1,174,885
Nonmajor Governmental Funds	General Fund	<u>26,581</u>
	Total	<u>\$ 1,900,976</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, 2012

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%	\$ 145,000	\$ -	\$ (70,000)	\$ 75,000	\$ 75,000
Certificate of Participation - Installment Purchase Amount of Issue: \$1,500,000 Maturing Through 2013	1	4.90% - 7.07%	290,000	-	(140,000)	150,000	150,000
Building Authority Refunding Bonds Amount of Issue: \$1,720,000 Maturing Through 2018	1	2.00% - 4.40%	975,000	-	(125,000)	850,000	130,000
Building Authority Refunding Bonds Amount of Issue: \$3,415,000 Maturing Through 2021	1	3.90% - 4.60%	3,290,000	-	(275,000)	3,015,000	280,000
Tax Increment Finance Authority - Limited Tax Development Bonds Amount of Issue: \$1,750,000 Maturing Through 2026	1	5.375% - 5.875%	1,465,000	-	(65,000)	1,400,000	70,000
Tax Increment Finance Authority - Limited Tax Development Bonds Amount of Issue: \$4,270,000 Maturing Through 2024	1	6.75% - 7.00%	3,630,000	-	(180,000)	3,450,000	195,000
Tax Increment Finance Authority - Limited Tax Development Bonds Amount of Issue: \$5,675,000 Maturing Through 2024	1	4.00% - 4.80%	4,330,000	-	(300,000)	4,030,000	300,000
Equipment Lease Purchase Agreement Amount of Issue: \$40,375 Maturing Through 2011	1	5.75%	9,009	-	(9,009)	-	-
Equipment Installment Purchase Agreement Amount of Issue: \$334,000 Maturing Through 2014	1	4.47%	267,196	-	(66,800)	200,396	66,800
Consent Judgment for Tax Settlement Amount of Issue: \$559,630 Maturing Through 2021	1	N/A	559,630	-	(55,963)	503,667	55,963
Equipment Lease Purchase Agreement Amount of Issue: \$34,819 Maturing Through 2016	1	6.465%	30,310	-	(6,373)	23,937	6,815
Capital Improvement Bonds Amount of Issue: \$2,500,000 Maturing Through 2025	1	3.00% - 5.00%	2,500,000	-	(120,000)	2,380,000	130,000
Consent Judgment for Tax Settlement Amount of Issue: \$859,887 Maturing Through 2022	1	N/A	-	859,887	-	859,887	85,989
			<u>\$ 17,491,145</u>	<u>\$ 859,887</u>	<u>\$ (1,413,145)</u>	<u>\$ 16,937,887</u>	<u>\$ 1,545,567</u>
BUSINESS TYPE ACTIVITIES							
South Huron Valley Utility Authority Amount of Issue: \$3,271,516 Maturing Through 2021	1	2.25%	\$ 1,793,665	\$ -	\$ (162,254)	\$ 1,631,411	\$ 165,942
South Huron Valley Utility Authority Amount of Issue: \$2,352,760 Maturing Through 2026	1	2.125%	1,855,159	-	(105,900)	1,749,259	108,452
South Huron Valley Utility Authority Amount of Issue: \$409,360 Maturing Through 2030	1	4.000% - 6.375%	409,360	-	(14,072)	395,288	15,351
South Huron Valley Utility Authority Amount of Issue: \$557,073 Maturing Through 2031	1	2.500%	557,073	-	(21,879)	535,194	21,879
			<u>\$ 4,615,257</u>	<u>\$ -</u>	<u>\$ (304,105)</u>	<u>\$ 4,311,152</u>	<u>\$ 311,624</u>

CITY OF FLAT ROCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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
2013	\$ 1,545,567	\$ 756,545	\$ 2,302,112	\$ 311,624	\$ 107,143	\$ 418,767
2014	1,366,041	696,414	2,062,455	318,090	99,984	418,074
2015	1,411,544	639,120	2,050,664	326,449	92,675	419,124
2016	1,388,986	580,265	1,969,251	334,146	85,074	419,220
2017	1,446,952	519,144	1,966,096	340,389	77,091	417,480
2018-2022	7,018,794	1,598,931	8,617,725	1,626,535	261,172	1,887,707
2023-2027	2,760,003	208,441	2,968,444	824,183	110,429	934,612
2028-2031	-	-	-	229,736	20,813	250,549
	<u>\$ 16,937,887</u>	<u>\$ 4,998,860</u>	<u>\$ 21,936,747</u>	<u>\$ 4,311,152</u>	<u>\$ 854,381</u>	<u>\$ 5,165,533</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, 2012

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		
	2010	2011	2012
Annual Pension Costs (APC)	\$ 547,636	\$ 601,779	\$ 579,003
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	\$ -	\$ -	\$ -

	Actuarial Valuation as of December 31		
	2009	2010	2011
Actuarial Value of Assets	\$ 11,553,218	\$ 11,751,533	\$ 11,869,966
Actuarial Accrued Liability (AAL)	\$ 19,012,367	\$ 19,479,412	\$ 21,046,896
Unfunded AAL (UAAL)	\$ 7,459,149	\$ 7,727,879	\$ 9,176,930
Funded Ratio	60.8%	60.3%	56.4%
Covered Payroll	\$ 3,608,759	\$ 3,141,984	\$ 3,028,837
UAAL as a percentage of covered payroll	207%	246%	303%

At December 31, 2011, the total participants of 102 consisted of 52 active employees, 5 vested former employees and 45 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, 2012, the City's annual pension cost of \$579,003 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, 2011, 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, 2012

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 \$532,948 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, 2012, the City incurred operating costs of \$901,346. In addition, the City paid \$304,105 in principal payments and \$102,242 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, 2012

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, 35 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, 2012, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2012. 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)	\$ 1,439,431
Interest on the Prior Year's Net OPEB Obligation	76,407
Less Adjustment to the Annual Required Contribution	<u>(112,477)</u>
Annual OPEB cost	1,403,361
Amounts Contributed	
Payments of Current Premiums	<u>423,107</u>
Increase in net OPEB Obligation	980,254
OPEB Obligation - Beginning of Year	<u>1,910,171</u>
OPEB Obligation - End of Year	<u><u>\$ 2,890,425</u></u>

CITY OF FLAT ROCK, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The schedule of employer contributions and the net OPEB obligations for the fiscal year ended June 30, 2012, 2011 and 2010 are as follows:

	Year Ended June 30,		
	2012	2011	2010
Annual OPEB Costs	\$ 1,403,360	\$ 1,011,772	\$ 993,266
Percentage Contributed	30.150%	37.456%	32.579%
Net OPEB Obligation	2,866,020	1,910,171	1,277,368

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

Valuation as of June 30, 2012		
Actuarial Value of Assets		\$ -
Actuarial Accrued Liability (AAL)		16,983,463
Unfunded AAL		16,983,463
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, 2012 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 return on plan assets, and an annual healthcare cost trend for medical and drug costs of 7.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after three years, with an annual healthcare cost trend rate for dental and vision costs of 4.0 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, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
REVENUES				
Property Taxes	\$ 5,200,331	\$ 5,200,331	\$ 5,200,223	\$ (108)
Elections	500	500	-	(500)
General Government	79,800	79,800	73,100	(6,700)
Police Department	424,885	424,885	492,153	67,268
Fire Department	266,450	266,450	227,832	(38,618)
Building and Safety				
Building Permits	97,000	97,000	135,428	38,428
Electrical Permits	20,000	20,000	30,026	10,026
Plumbing Permits	15,000	15,000	18,833	3,833
Mechanical Permits	20,000	20,000	22,508	2,508
Other Revenues	8,600	8,600	10,406	1,806
Public Works	303,550	303,550	361,174	57,624
Recreation and Culture	10,000	10,000	5,685	(4,315)
Community Enrichment and Development	132,710	132,710	136,519	3,809
State Shared Revenues	<u>690,196</u>	<u>690,196</u>	<u>826,149</u>	<u>135,953</u>
 Total Revenues	 <u>7,269,022</u>	 <u>7,269,022</u>	 <u>7,540,036</u>	 <u>271,014</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative				
Elected Officials Wages	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Judicial				
Legal Fees	60,000	60,000	58,052	1,948
District Court	<u>499,740</u>	<u>499,740</u>	<u>532,948</u>	<u>(33,208)</u>
Total Judicial	<u>559,740</u>	<u>559,740</u>	<u>591,000</u>	<u>(31,260)</u>
Elections				
Supervisory	8,000	8,000	9,276	(1,276)
Clerical	15,000	15,000	15,425	(425)
Overtime	2,500	2,500	1,297	1,203
Payroll Tax	1,951	1,951	845	1,106
Fees and Per Diem	10,000	10,000	7,325	2,675
Office Supplies	3,000	3,000	3,585	(585)
Postage	-	-	60	(60)
Operating Supplies	8,000	8,000	6,790	1,210
Meal Allowance	300	300	254	46
Advertising	1,500	1,500	941	559

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2012

(Continued)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
GENERAL GOVERNMENT (Continued)				
Elections (Continued)				
Insurance and Bond	\$ 670	\$ 670	\$ 642	\$ 28
Equipment Maintenance	3,000	3,000	3,600	(600)
Total Elections	<u>53,921</u>	<u>53,921</u>	<u>50,040</u>	<u>3,881</u>
General Operations				
Custodian	27,708	27,708	36,455	(8,747)
Mechanic	250	250	250	-
Overtime Custodian	4,000	4,000	6,988	(2,988)
Overtime Park Maintenance	500	500	-	500
Payroll Taxes	2,491	2,491	3,367	(876)
Fees and Per Diem	1,000	1,000	1,995	(995)
Office Supplies	2,500	2,500	971	1,529
Bank Charges	500	500	1,343	(843)
Gasoline and Oil, etc.	1,500	1,500	1,498	2
Youth Services	790	790	973	(183)
Operating Supplies	750	750	490	260
Computer Expense	4,000	4,000	5,429	(1,429)
Clothing	1,000	1,000	695	305
Custodian Supplies	2,000	2,000	1,756	244
Pond Sprinklers	5,000	5,000	2,046	2,954
Audit Fee	13,500	13,500	11,875	1,625
Tax Roll Preparation	19,000	19,000	11,838	7,162
Property Engineering Fees	250	250	-	250
Membership and Dues	15,000	15,000	15,611	(611)
Consultant Fees	-	-	81,278	(81,278)
Telephone	3,600	3,600	5,858	(2,258)
Meals on Wheels	4,000	4,000	3,461	539
Senior Programs	6,200	6,200	5,712	488
Meal Allowance	100	100	570	(470)
Public Relations	500	500	1,143	(643)
Advertising	2,000	2,000	1,530	470
Insurance and Bond	11,239	11,239	17,074	(5,835)
Insurance Claims Deductible	500	500	-	500
Utilities	38,699	38,699	27,801	10,898
Building Maintenance	70,000	70,000	30,852	39,148
Equipment Maintenance	3,000	3,000	962	2,038
Equipment Lease	6,000	6,000	5,692	308
Civil Defense	3,500	3,500	3,265	235
Miscellaneous	1,000	1,000	621	379

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2012

(Continued)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
GENERAL GOVERNMENT (Continued)				
General Operations (Continued)				
Taxes Refunded and Written Off	\$ 64,645	\$ 64,645	\$ 53,634	\$ 11,011
Land Acquisition	<u>5,000</u>	<u>5,000</u>	<u>37,678</u>	<u>(32,678)</u>
Total General Operations	<u>321,722</u>	<u>321,722</u>	<u>380,711</u>	<u>(58,989)</u>
City Assessor				
Assessor Salary	10,350	10,350	10,350	-
Clerical	10,000	10,000	10,000	-
Overtime	700	700	129	571
Payroll Taxes	819	819	775	44
Fees and Per Diem	1,200	1,200	900	300
Office Supplies	500	500	370	130
Computer Expense	1,100	1,100	541	559
Tax Roll Preparation	18,000	18,000	11,973	6,027
Membership and Dues	200	200	-	200
Meal Allowance	100	100	-	100
Advertising	100	100	69	31
Education and Training	200	200	-	200
Insurance and Bond	649	649	563	86
Miscellaneous	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
Total City Assessor	<u>44,018</u>	<u>44,018</u>	<u>35,670</u>	<u>8,348</u>
City Attorney				
Retainer	19,800	19,800	18,150	1,650
Labor	75,000	75,000	48,986	26,014
Other Matters	<u>15,000</u>	<u>15,000</u>	<u>46,076</u>	<u>(31,076)</u>
Total City Attorney	<u>109,800</u>	<u>109,800</u>	<u>113,212</u>	<u>(3,412)</u>
City Clerk				
Supervisory	27,378	27,378	20,940	6,438
Clerical	11,309	11,309	5,186	6,123
Overtime	500	500	-	500
Payroll Taxes	2,998	2,998	3,096	(98)
Hospitalization	-	-	-	-
Retiree Health Insurance	34,025	34,025	34,564	(539)
Employee Life Insurance	-	-	7	(7)
Fees and Per Diem	250	250	-	250
Office Supplies	3,000	3,000	2,151	849
Operating Supplies	1,000	1,000	549	451
Medical Expenses	200	200	27	173
Computer Expenses	<u>3,000</u>	<u>3,000</u>	<u>4,255</u>	<u>(1,255)</u>

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2012

(Continued)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
GENERAL GOVERNMENT (Continued)				
City Clerk (Continued)				
Membership and Dues	\$ 375	\$ 375	\$ 295	\$ 80
Telephone	1,600	1,600	2,037	(437)
Advertising	100	100	-	100
Education and Training	100	100	-	100
Insurance and Bond	4,305	4,305	2,444	1,861
Utilities	3,850	3,850	2,958	892
Miscellaneous	<u>500</u>	<u>500</u>	<u>25</u>	<u>475</u>
Total City Clerk	<u>94,490</u>	<u>94,490</u>	<u>78,534</u>	<u>15,956</u>
City Treasurer				
Supervisory	23,240	23,240	23,456	(216)
Clerical	82,273	82,273	81,828	445
Overtime	600	600	534	66
Payroll Taxes	8,181	8,181	10,127	(1,946)
Hospitalization	45,874	45,874	49,186	(3,312)
Retiree Health Insurance	22,801	22,801	22,968	(167)
Employee Life Insurance	768	768	450	318
Longevity Pay	825	825	825	-
Retirement Contribution	37,640	37,640	36,554	1,086
Sick and Vacation Pay	-	-	353	(353)
Fees and Per Diem	100	100	-	100
Office Supplies	750	750	616	134
Operating Supplies	750	750	712	38
Computer Expenses	3,000	3,000	2,595	405
Property Engineering Fees	600	600	-	600
Membership and Dues	500	500	395	105
Telephone	2,100	2,100	1,069	1,031
Meal Allowance	100	100	60	40
Advertising	150	150	-	150
Education and Training	1,000	1,000	204	796
Insurance and Bond	4,326	4,326	2,918	1,408
Utilities	4,100	4,100	2,958	1,142
Miscellaneous	<u>200</u>	<u>200</u>	<u>-</u>	<u>200</u>
Total City Treasurer	<u>239,878</u>	<u>239,878</u>	<u>237,808</u>	<u>2,070</u>
City Engineer				
Consulting Fees	<u>2,500</u>	<u>2,500</u>	<u>600</u>	<u>1,900</u>
Total General Government	<u>1,436,069</u>	<u>1,436,069</u>	<u>1,497,575</u>	<u>(61,506)</u>

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2012

(Continued)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
POLICE DEPARTMENT				
Supervisory	\$ 79,767	\$ 79,767	\$ 80,072	\$ (305)
Lieutenants	403,734	403,734	334,224	69,510
Sergeants	126,978	126,978	203,894	(76,916)
Patrolmen	567,840	567,840	535,880	31,960
Downriver Mutual Aid	2,000	2,000	1,086	914
Mechanic Wages	20,000	20,000	20,000	-
Custodian Wages	25,000	25,000	25,000	-
Temporary Wages	26,775	26,775	26,311	464
Shift Differential	11,000	11,000	8,587	2,413
Overtime	120,000	120,000	179,913	(59,913)
Payroll Taxes	118,139	118,139	121,253	(3,114)
Holiday Pay Premium	80,000	80,000	87,893	(7,893)
Hospitalization	188,759	188,759	240,966	(52,207)
Retirement Health Insurance	233,717	233,717	219,483	14,234
Employee Life Insurance	3,648	3,648	1,930	1,718
Longevity Pay	14,000	14,000	12,941	1,059
Retirement Contribution	230,236	230,236	276,441	(46,205)
Sick and Vacation Pay	1,500	1,500	(5,161)	6,661
Office Supplies	4,000	4,000	3,042	958
Postage	1,000	1,000	536	464
Dog Expenses	2,500	2,500	2,013	487
Canine Expenses	1,000	1,000	2,201	(1,201)
Gas and Oil	45,000	45,000	41,128	3,872
Operating Supplies	3,000	3,000	843	2,157
Photographic Supplies	1,500	1,500	-	1,500
Medical Expenses	5,700	5,700	3,898	1,802
Jail Expenses	20,000	20,000	16,453	3,547
Prisoner Medical	1,000	1,000	-	1,000
Computer Expense	10,000	10,000	7,204	2,796
Clothing	30,000	30,000	25,711	4,289
Custodial Supplies	3,300	3,300	3,120	180
Membership Dues	1,500	1,500	470	1,030
Legal Fees	4,000	4,000	1,235	2,765
Telephone	20,000	20,000	17,714	2,286
Meal Allowance	1,500	1,500	640	860
Gun Allowance	5,400	5,400	5,400	-
Gun Range	9,000	9,000	3,863	5,137
Public Relations	1,000	1,000	837	163
Reimburse Employee's Blue Cross	28,800	28,800	24,000	4,800
Advertising	500	500	-	500
Education and Training	13,000	13,000	7,902	5,098
Insurance and Bonds	54,320	54,320	93,229	(38,909)
Insurance Claims Deductible	500	500	2,000	(1,500)
Utilities	37,293	37,293	27,408	9,885

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2012

(Continued)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
POLICE DEPARTMENT (Continued)				
Building Maintenance	\$ 8,000	\$ 8,000	\$ 5,467	\$ 2,533
Equipment Maintenance	20,000	20,000	19,442	558
Equipment Lease	8,000	8,000	8,809	(809)
Auto Maintenance	30,000	30,000	18,546	11,454
Equipment Rental	2,500	2,500	694	1,806
Mutual Aid	4,500	4,500	4,765	(265)
Miscellaneous	<u>2,500</u>	<u>2,500</u>	<u>631</u>	<u>1,869</u>
Total Police Department	<u>2,633,406</u>	<u>2,633,406</u>	<u>2,719,914</u>	<u>(86,508)</u>
FIRE DEPARTMENT				
Chief Salary	28,393	28,393	28,604	(211)
Assistant Chief Salary	3,537	3,537	3,623	(86)
Mechanic	5,500	5,500	5,500	-
Custodian	7,000	7,000	7,000	-
Overtime	65,000	65,000	66,245	(1,245)
Full-Time Employees	239,148	239,148	248,305	(9,157)
Part-Time Employees	170,000	170,000	195,123	(25,123)
Payroll Taxes	41,895	41,895	44,799	(2,904)
Holiday Pay Premium	25,000	25,000	24,966	34
Hospitalization	97,109	97,109	111,318	(14,209)
Employee Life Insurance	1,152	1,152	661	491
Longevity Pay	2,575	2,575	1,125	1,450
Retirement Contribution	42,280	42,280	29,714	12,566
Sick and Vacation Pay	-	-	3,768	(3,768)
Office Supplies	1,000	1,000	1,325	(325)
Bank Charges	500	500	-	500
Operating Supplies - Rescue	49,400	49,400	5,564	43,836
Gas and Oil	8,000	8,000	10,517	(2,517)
Operating Supplies	28,400	28,400	258	28,142
Medical Expenses	4,000	4,000	1,660	2,340
Computer Expense	600	600	1,081	(481)
Clothing	4,000	4,000	2,158	1,842
Custodial Supplies	600	600	866	(266)
Ambulance Billing Service	16,000	16,000	17,403	(1,403)
Membership and Dues	2,500	2,500	1,303	1,197
Legal Fees	1,000	1,000	-	1,000
Telephone	4,600	4,600	4,082	518
Meal Allowance	300	300	140	160
Public Relation	1,000	1,000	30	970
Advertising	500	500	-	500
Education and Training	4,000	4,000	7,099	(3,099)

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2012

(Continued)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
FIRE DEPARTMENT (Continued)				
Educational Services	\$ 4,000	\$ 4,000	\$ 2,860	\$ 1,140
Insurance and Bond	69,988	69,988	61,350	8,638
Insurance Claims Deductible	-	-	1,000	(1,000)
Utilities	23,354	23,354	19,506	3,848
Building Maintenance	5,000	5,000	6,119	(1,119)
Equipment Maintenance	15,000	15,000	17,902	(2,902)
Mutual Aid	2,000	2,000	1,821	179
Capital Outlay	-	-	10,272	(10,272)
Bond Principal	66,800	66,800	66,803	(3)
Interest	10,453	10,453	10,451	2
	<u>1,051,584</u>	<u>1,051,584</u>	<u>1,022,321</u>	<u>29,263</u>
BUILDING AND SAFETY				
Supervisory	28,392	28,392	30,759	(2,367)
Mechanic	500	500	500	-
Clerical	36,919	36,919	36,972	(53)
Inspector	22,027	22,027	36,081	(14,054)
Overtime	250	250	162	88
Payroll Taxes	6,777	6,777	7,830	(1,053)
Hospitalization	12,926	12,926	20,796	(7,870)
Retiree Health Insurance	7,617	7,617	7,651	(34)
Employee Life Insurance	192	192	128	64
Retirement Contribution	16,828	16,828	18,832	(2,004)
Sick Pay Retirees	500	500	560	(60)
Fees and Per Diem	500	500	-	500
Office Supplies	1,500	1,500	1,172	328
Gas and Oil	1,500	1,500	1,066	434
Operating Supplies	1,000	1,000	394	606
Computer Expense	1,500	1,500	1,502	(2)
Membership and Dues	500	500	365	135
Consultant Fees	1,000	1,000	2,653	(1,653)
Inspections				
Mechanical	7,500	7,500	4,329	3,171
Electrical	10,000	10,000	5,531	4,469
Plumbing	7,500	7,500	3,878	3,622
Telephone	5,600	5,600	1,958	3,642
Auto Expense	2,000	2,000	744	1,256
Meal Allowance	100	100	30	70
Advertising	200	200	33	167
Education and Training	500	500	45	455
Insurance and Bond	7,101	7,101	7,759	(658)

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2012

(Continued)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
BUILDING AND SAFETY (Continued)				
Utilities	\$ 4,413	\$ 4,413	\$ 6,453	\$ (2,040)
Miscellaneous	500	500	-	500
Total Building and Safety	<u>185,842</u>	<u>185,842</u>	<u>198,183</u>	<u>(12,341)</u>
PUBLIC WORKS				
Supervisory	34,480	34,480	37,311	(2,831)
Labor	90,637	90,637	88,268	2,369
Mechanic	14,904	14,904	19,470	(4,566)
Temporary	15,000	15,000	11,064	3,936
Overtime	6,000	6,000	36,986	(30,986)
Overtime Department Heads	750	750	-	750
Payroll Taxes	14,150	14,150	12,841	1,309
Hospitalization	127,746	127,746	184,031	(56,285)
Retiree Health Insurance	94,489	94,489	90,695	3,794
Employee Life Insurance	1,920	1,920	1,466	454
Longevity Pay	6,000	6,000	6,535	(535)
Retirement Contribution	77,563	77,563	86,101	(8,538)
Sick and Vacation Pay	-	-	1,776	(1,776)
Office Supplies	1,500	1,500	1,249	251
Gas and Oil	45,000	45,000	33,604	11,396
Operating Supplies	7,000	7,000	3,142	3,858
Medical Expenses	1,000	1,000	1,160	(160)
Computer Expenses	1,350	1,350	769	581
Clothing	7,200	7,200	7,901	(701)
Custodial Supplies	500	500	208	292
Brick Pavers War Memorial	100	100	63	37
Membership and Dues	250	250	180	70
Consulting Fees	500	500	909	(409)
Garbage Pick Up	350,000	350,000	350,703	(703)
Street Lighting	180,000	180,000	240,005	(60,005)
Telephone	5,000	5,000	6,358	(1,358)
Meal Allowance	500	500	369	131
Reimburse Employee's Blue Cross	7,200	7,200	4,500	2,700
Advertising	200	200	-	200
Education and Training	500	500	85	415
Safety Training	500	500	156	344
Insurance and Bond	27,052	27,052	39,045	(11,993)
Utilities	18,213	18,213	14,034	4,179
Building Maintenance	10,000	10,000	12,134	(2,134)
Cemetery Maintenance	1,500	1,500	1,604	(104)
Equipment Maintenance	55,000	55,000	49,291	5,709
Equipment Lease	9,187	9,187	9,009	178
Park Maintenance	10,000	10,000	7,133	2,867

CITY OF FLAT ROCK, MICHIGAN
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

(Continued)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
PUBLIC WORKS (Continued)				
Miscellaneous	\$ 300	\$ 300	\$ 149	\$ 151
Interest	<u>1,000</u>	<u>1,000</u>	<u>515</u>	<u>485</u>
Total Public Works	<u>1,224,191</u>	<u>1,224,191</u>	<u>1,360,819</u>	<u>(136,628)</u>
RECREATION AND CULTURE				
Recreation Committee				
Park Improvement	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Ball Field, Fountain and Ice Rink				
Ball Field Maintenance	40,000	40,000	49,807	(9,807)
Ice Rink Maintenance	5,000	5,000	8,774	(3,774)
Payroll Taxes	3,443	3,443	4,014	(571)
Ball Field Material and Supplies	10,000	10,000	5,422	4,578
Ice Rink Material and Supplies	1,000	1,000	690	310
Concession Stand	-	-	1,413	(1,413)
Meal Allowance	100	100	-	100
Insurance and Bond	1,603	1,603	2,112	(509)
Ball Field Utilities	15,000	15,000	7,212	7,788
Ice Rink Utilities	5,000	5,000	6,288	(1,288)
Rent	<u>415,006</u>	<u>415,006</u>	<u>413,251</u>	<u>1,755</u>
Total Ball Field, Fountain and Ice Rink	<u>496,152</u>	<u>496,152</u>	<u>498,983</u>	<u>(2,831)</u>
Total Recreation and Culture	<u>501,152</u>	<u>501,152</u>	<u>498,983</u>	<u>2,169</u>
COMMUNITY ENRICHMENT AND DEVELOPMENT				
Planning Commission				
Clerical	500	500	500	-
Overtime	500	500	397	103
Payroll Taxes	77	77	30	47
Fees and Per Diem	1,620	1,620	885	735
Special Meetings	750	750	-	750
Office Supplies	200	200	207	(7)
Consultant Fees	7,500	7,500	3,475	4,025
Master Plan	1,000	1,000	-	1,000
Advertising	250	250	40	210
Revision of Ordinances	1,000	1,000	312	688
Education and Training	100	100	-	100
Insurance and Bond	<u>649</u>	<u>649</u>	<u>563</u>	<u>86</u>
Total Planning Commission	<u>14,146</u>	<u>14,146</u>	<u>6,409</u>	<u>7,737</u>

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2012

(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	\$ 1,000	\$ -
Overtime	400	400	324	76
Payroll Taxes	107	107	25	82
Fees and Per Diem	500	500	285	215
Office Supplies	200	200	178	22
Consultant	500	500	-	500
Advertising	500	500	261	239
Education and Training	100	100	-	100
Insurance and Bond	649	649	563	86
	<u>3,956</u>	<u>3,956</u>	<u>2,636</u>	<u>1,320</u>
Total Zoning Board of Appeals				
Beautification				
Clerical	200	200	200	-
Payroll Taxes	15	15	-	15
Fees and Per Diem	1,260	1,260	1,290	(30)
Office Supplies	100	100	68	32
Public Relations	750	750	859	(109)
Insurance and Bond	175	175	563	(388)
Maintenance Fee	-	-	985	(985)
Miscellaneous	100	100	-	100
	<u>2,600</u>	<u>2,600</u>	<u>3,965</u>	<u>(1,365)</u>
Total Beautification				
Cable Commission				
Fees and Per Diem	800	800	625	175
Insurance and Bond	223	223	7	216
Equipment Maintenance	250	250	-	250
Miscellaneous	100	100	-	100
	<u>1,373</u>	<u>1,373</u>	<u>632</u>	<u>741</u>
Total Cable Commission				
Total Community Enrichment and Development				
	<u>22,075</u>	<u>22,075</u>	<u>13,642</u>	<u>8,433</u>
Total Expenditures				
	<u>7,054,319</u>	<u>7,054,319</u>	<u>7,311,437</u>	<u>(257,118)</u>
Excess Revenues				
	<u>214,703</u>	<u>214,703</u>	<u>228,599</u>	<u>13,896</u>

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2012

(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	\$ 100,000	\$ 100,000	\$ 26,581	\$ (73,419)
Special Revenue Funds	(120,000)	(120,000)	(103,735)	16,265
Debt Service Funds	<u>(232,715)</u>	<u>(232,715)</u>	<u>(152,081)</u>	<u>80,634</u>
Total Other Financing Sources (Uses)	<u>(252,715)</u>	<u>(252,715)</u>	<u>(229,235)</u>	<u>23,480</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other	(38,012)	(38,012)	(636)	37,376
FUND BALANCE, JULY 1, 2011	<u>597,040</u>	<u>597,040</u>	<u>597,040</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ 559,028</u>	<u>\$ 559,028</u>	<u>\$ 596,404</u>	<u>\$ 37,376</u>

CITY OF FLAT ROCK, MICHIGAN

BUDGETARY COMPARISON SCHEDULE - MAJOR SPECIAL REVENUE FUND

TAX INCREMENT FINANCE AUTHORITY

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
REVENUES				
Taxes Captured	\$ 3,513,165	\$ 3,513,165	\$3,499,965	\$ (13,200)
Other	20,500	20,500	-	(20,500)
Interest	10,000	10,000	4,006	(5,994)
	<u>3,543,665</u>	<u>3,543,665</u>	<u>3,503,971</u>	<u>(39,694)</u>
Total Revenues				
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	12,551	1,499
Bank Charges	1,000	1,000	77	923
Audit	1,000	1,000	1,500	(500)
Construction	15,000	15,000	14,547	453
Street Lighting	9,000	9,000	10,596	(1,596)
Maintenance Gateway	25,000	25,000	22,335	2,665
Engineering Fees	5,000	5,000	-	5,000
Legal	9,000	9,000	318	8,682
Advertising	200	200	207	(7)
Insurance and Bond	750	750	566	184
Miscellaneous	500	500	-	500
Tax Refund	2,153,691	2,153,691	1,971,384	182,307
	<u>2,236,791</u>	<u>2,236,791</u>	<u>2,036,681</u>	<u>200,110</u>
Total Expenditures				
Excess Revenues	1,306,874	1,306,874	1,467,290	160,416
OTHER FINANCING SOURCES (USES)				
Interfund Transfers				
Recreation Center Operations	(115,000)	(115,000)	(115,000)	-
Debt Service Funds	(1,147,877)	(1,147,877)	(1,059,885)	87,992
	<u>(1,262,877)</u>	<u>(1,262,877)</u>	<u>(1,174,885)</u>	<u>87,992</u>
Total Other Financing Sources (Uses)				
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	43,997	43,997	292,405	248,408
FUND BALANCE, JULY 1, 2011	<u>94,144</u>	<u>94,144</u>	<u>94,144</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ 138,141</u>	<u>\$ 138,141</u>	<u>\$ 386,549</u>	<u>\$ 248,408</u>

OTHER SUPPLEMENTAL INFORMATION

CITY OF FLAT ROCK, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
ASSETS				
Cash and Cash Equivalents	\$1,003,145	\$ 3,634	\$133,313	\$1,140,092
Receivable - Taxes	17,309	-	-	17,309
Due From Other Funds	58,929	-	-	58,929
Due From Enterprise Fund	22	-	-	22
Prepaid Expenditures	10,386	-	-	10,386
Due From Other Governmental Units	171,897	-	-	171,897
TOTAL ASSETS	\$1,261,688	\$ 3,634	\$133,313	\$1,398,635
 LIABILITIES				
Accounts Payable	\$ 49,116	\$ 1,000	\$ 4,772	\$ 54,888
Accrued Expenses	220,234	-	-	220,234
Compensated Absences, Current	12,790	-	-	12,790
Due to Other Funds	150,519	-	-	150,519
Total Liabilities	432,659	1,000	4,772	438,431
 FUND BALANCE				
Restricted for Debt Service	-	2,634	-	2,634
Restricted for Investment in Capital Assets	-	-	128,541	128,541
Unassigned	829,029	-	-	829,029
Total Fund Balance	829,029	2,634	128,541	960,204
TOTAL LIABILITIES AND FUND BALANCE	\$1,261,688	\$ 3,634	\$133,313	\$1,398,635

CITY OF FLAT ROCK, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
REVENUES				
Property Taxes	\$1,081,949	\$ -	\$ -	\$1,081,949
Recreation and Culture	1,547,242	-	-	1,547,242
Federal Shared Revenue	25,717	-	-	25,717
State Shared Revenue	600,144	-	-	600,144
Rental Income	-	575,697	-	575,697
Other	170,238	-	64,072	234,310
Interest	<u>602</u>	<u>-</u>	<u>-</u>	<u>602</u>
 Total Revenues	 <u>3,425,892</u>	 <u>575,697</u>	 <u>64,072</u>	 <u>4,065,661</u>
EXPENDITURES				
Road Maintenance and Repair	497,252	-	58,589	555,841
Recreation and Culture	1,666,366	-	-	1,666,366
Community Enrichment and Development	1,206,849	-	-	1,206,849
Library	555,120	-	-	555,120
Debt Service				
Principal	-	1,275,000	-	1,275,000
Interest	-	807,183	-	807,183
Miscellaneous	<u>-</u>	<u>3,161</u>	<u>-</u>	<u>3,161</u>
 Total Expenditures	 <u>3,925,587</u>	 <u>2,085,344</u>	 <u>58,589</u>	 <u>6,069,520</u>
 Excess Revenue (Expenditures)	 <u>(499,695)</u>	 <u>(1,509,647)</u>	 <u>5,483</u>	 <u>(2,003,859)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	366,044	1,508,351	-	1,874,395
Operating Transfers Out	<u>(249,575)</u>	<u>-</u>	<u>(220,700)</u>	<u>(470,275)</u>
 Total Other Financing Sources (Uses)	 <u>116,469</u>	 <u>1,508,351</u>	 <u>(220,700)</u>	 <u>1,404,120</u>
 Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	 (383,226)	 (1,296)	 (215,217)	 (599,739)
 FUND BALANCE, JULY 1, 2011	 <u>1,212,255</u>	 <u>3,930</u>	 <u>343,758</u>	 <u>1,559,943</u>
 FUND BALANCE, JUNE 30, 2012	 <u>\$ 829,029</u>	 <u>\$ 2,634</u>	 <u>\$128,541</u>	 <u>\$ 960,204</u>

CITY OF FLAT ROCK, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012

	<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>Greenways</u>	<u>Other Funds</u>	<u>Total</u>
ASSETS											
Cash and Cash Equivalents	\$ 240,069	\$ -	\$ 81,986	\$ 81,334	\$ 331,351	\$ 40,182	\$ -	\$ 168,486	\$ -	\$ 59,737	\$ 1,003,145
Receivable - Taxes	-	-	-	-	-	3,463	-	13,846	-	-	17,309
Due From Other Funds	5,956	-	-	52,892	-	-	-	81	-	-	58,929
Due From Enterprise Fund	-	-	-	-	-	-	-	22	-	-	22
Prepaid Expenditures	3,037	-	890	890	-	12	-	36	-	5,521	10,386
Due From Other Governmental Units	-	170	62,136	23,948	-	-	-	-	85,643	-	171,897
TOTAL ASSETS	<u>\$ 249,062</u>	<u>\$ 170</u>	<u>\$ 145,012</u>	<u>\$ 159,064</u>	<u>\$ 331,351</u>	<u>\$ 43,657</u>	<u>\$ -</u>	<u>\$ 182,471</u>	<u>\$ 85,643</u>	<u>\$ 65,258</u>	<u>\$ 1,261,688</u>
LIABILITIES											
Accounts Payable	\$ 24,531	\$ -	\$ 11,420	\$ 3,383	\$ -	\$ 1,105	\$ -	\$ 8,677	\$ -	\$ -	\$ 49,116
Accrued Expenses	212,912	-	749	749	-	-	-	5,824	-	-	220,234
Compensated Absences, Current	8,834	-	-	-	-	-	-	3,956	-	-	12,790
Due to Other Funds	621	170	56,605	3,244	4,236	-	-	-	85,643	-	150,519
Total Liabilities	246,898	170	68,774	7,376	4,236	1,105	-	18,457	85,643	-	432,659
FUND BALANCE	<u>2,164</u>	<u>-</u>	<u>76,238</u>	<u>151,688</u>	<u>327,115</u>	<u>42,552</u>	<u>-</u>	<u>164,014</u>	<u>-</u>	<u>65,258</u>	<u>829,029</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 249,062</u>	<u>\$ 170</u>	<u>\$ 145,012</u>	<u>\$ 159,064</u>	<u>\$ 331,351</u>	<u>\$ 43,657</u>	<u>\$ -</u>	<u>\$ 182,471</u>	<u>\$ 85,643</u>	<u>\$ 65,258</u>	<u>\$ 1,261,688</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, 2012

	<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>Greenways</u>	<u>Other Funds</u>	<u>Total</u>
REVENUES											
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 606,681	\$ 93,184	\$ -	\$382,084	\$ -	\$ -	\$1,081,949
Recreation and Culture	1,547,242	-	-	-	-	-	-	-	-	-	1,547,242
Federal Shared Revenue	-	20,391	-	-	-	-	-	-	-	5,326	25,717
State Shared Revenue	-	-	368,272	141,035	-	-	-	5,194	85,643	-	600,144
Other	-	-	24,000	36,000	59,664	4	11,276	34,918	-	4,376	170,238
Interest	-	-	98	176	72	-	11	-	-	245	602
Total Revenues	<u>1,547,242</u>	<u>20,391</u>	<u>392,370</u>	<u>177,211</u>	<u>666,417</u>	<u>93,188</u>	<u>11,287</u>	<u>422,196</u>	<u>85,643</u>	<u>9,947</u>	<u>3,425,892</u>
EXPENDITURES											
Road Maintenance and Repair	-	-	212,715	284,537	-	-	-	-	-	-	497,252
Recreation and Culture	1,666,366	-	-	-	-	-	-	-	-	-	1,666,366
Community Enrichment and Development	-	20,391	-	-	1,003,554	52,596	12,371	-	85,643	32,294	1,206,849
Library	-	-	-	-	-	-	-	555,120	-	-	555,120
Total Expenditures	<u>1,666,366</u>	<u>20,391</u>	<u>212,715</u>	<u>284,537</u>	<u>1,003,554</u>	<u>52,596</u>	<u>12,371</u>	<u>555,120</u>	<u>85,643</u>	<u>32,294</u>	<u>3,925,587</u>
Excess Revenues (Expenditures)	<u>(119,124)</u>	<u>-</u>	<u>179,655</u>	<u>(107,326)</u>	<u>(337,137)</u>	<u>40,592</u>	<u>(1,084)</u>	<u>(132,924)</u>	<u>-</u>	<u>(22,347)</u>	<u>(499,695)</u>
OTHER FINANCING SOURCES (USES)											
Operating Transfers In	115,000	-	-	251,044	-	-	-	-	-	-	366,044
Operating Transfers Out	-	-	(147,309)	(75,685)	-	-	(26,581)	-	-	-	(249,575)
Total Other Financing Sources (Uses)	<u>115,000</u>	<u>-</u>	<u>(147,309)</u>	<u>175,359</u>	<u>-</u>	<u>-</u>	<u>(26,581)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,469</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(4,124)</u>	<u>-</u>	<u>32,346</u>	<u>68,033</u>	<u>(337,137)</u>	<u>40,592</u>	<u>(27,665)</u>	<u>(132,924)</u>	<u>-</u>	<u>(22,347)</u>	<u>(383,226)</u>
FUND BALANCE, JULY 1, 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>-</u>	<u>87,605</u>	<u>1,212,255</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ 2,164</u>	<u>\$ -</u>	<u>\$ 76,238</u>	<u>\$151,688</u>	<u>\$ 327,115</u>	<u>\$ 42,552</u>	<u>\$ -</u>	<u>\$164,014</u>	<u>\$ -</u>	<u>\$ 65,258</u>	<u>\$ 829,029</u>

CITY OF FLAT ROCK, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2012

	<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>TIFA Debt Service Fund</u>	<u>Total</u>
ASSETS						
Cash and Cash Equivalents	\$ -	\$ 72	\$ 204	\$ 631	\$ 2,727	\$ 3,634
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000
FUND BALANCE	<u>-</u>	<u>72</u>	<u>204</u>	<u>631</u>	<u>1,727</u>	<u>2,634</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ 72</u>	<u>\$ 204</u>	<u>\$ 631</u>	<u>\$ 2,727</u>	<u>\$ 3,634</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, 2012

	<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>TIFA Debt Service Fund</u>	<u>Total</u>
REVENUES						
Rental Income	\$ -	\$ -	\$ 162,446	\$ 413,251	\$ -	\$ 575,697
EXPENDITURES						
Debt Service						
Principal	120,000	210,000	125,000	275,000	545,000	1,275,000
Interest	100,635	17,381	37,017	137,506	514,644	807,183
Miscellaneous	150	300	225	1,245	1,241	3,161
Total Expenditures	<u>220,785</u>	<u>227,681</u>	<u>162,242</u>	<u>413,751</u>	<u>1,060,885</u>	<u>2,085,344</u>
Excess Revenues (Expenditures)	<u>(220,785)</u>	<u>(227,681)</u>	<u>204</u>	<u>(500)</u>	<u>(1,060,885)</u>	<u>(1,509,647)</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	220,785	227,681	-	-	1,059,885	1,508,351
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>220,785</u>	<u>227,681</u>	<u>-</u>	<u>-</u>	<u>1,059,885</u>	<u>1,508,351</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	204	(500)	(1,000)	(1,296)
FUND BALANCE, JULY 1, 2011	<u>-</u>	<u>72</u>	<u>-</u>	<u>1,131</u>	<u>2,727</u>	<u>3,930</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ -</u>	<u>\$ 72</u>	<u>\$ 204</u>	<u>\$ 631</u>	<u>\$ 1,727</u>	<u>\$ 2,634</u>

CITY OF FLAT ROCK, MICHIGAN
BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUND
JUNE 30, 2012

**2010 Road
Improvement**

ASSETS

Cash and Cash Equivalents

\$ 133,313

LIABILITIES

Accounts Payable

\$ 4,772

FUND BALANCE

128,541

**TOTAL LIABILITIES AND
FUND BALANCE**

\$ 133,313

CITY OF FLAT ROCK, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>2010 Road Improvement</u>
REVENUES	
Other	\$ 64,072
EXPENDITURES	
Capital Road Improvements	<u>58,589</u>
Excess Revenues	5,483
OTHER FINANCING SOURCES	
Operating Transfers Out	<u>(220,700)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(215,217)
FUND BALANCE, JULY 1, 2011	<u>343,758</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ 128,541</u>

CITY OF FLAT ROCK, MICHIGAN
GENERAL OBLIGATION BONDS PAYABLE
AS OF JUNE 30, 2012

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>
12-13	<u>\$ 1,950</u>	<u>\$ -</u>	<u>\$ 1,950</u>	<u>\$ 75,000</u>	<u>\$ 76,950</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>
12-13	<u>\$ 3,915</u>	<u>\$ -</u>	<u>\$ 3,915</u>	<u>\$ 150,000</u>	<u>\$ 153,915</u>

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>
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>\$ 64,928</u>	<u>\$ 47,482</u>	<u>\$ 112,410</u>	<u>\$ 850,000</u>	<u>\$ 962,410</u>

CITY OF FLAT ROCK, MICHIGAN
GENERAL OBLIGATION BONDS PAYABLE
AS OF JUNE 30, 2012

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>
12-13	\$ 66,003	\$ 60,403	\$ 126,406	\$ 280,000	\$ 406,406
13-14	60,403	54,282	114,685	295,000	409,685
14-15	54,282	47,801	102,083	305,000	407,083
15-16	47,801	40,921	88,722	320,000	408,722
16-17	40,921	33,593	74,514	335,000	409,514
17-18	33,593	25,830	59,423	345,000	404,423
18-19	25,830	17,730	43,560	360,000	403,560
19-20	17,730	9,085	26,815	380,000	406,815
20-21	9,085	-	9,085	395,000	404,085
	<u>\$ 355,648</u>	<u>\$ 289,645</u>	<u>\$ 645,293</u>	<u>\$ 3,015,000</u>	<u>\$ 3,660,293</u>

CITY OF FLAT ROCK, MICHIGAN
GENERAL OBLIGATION BONDS PAYABLE
AS OF JUNE 30, 2012

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>
12-13	\$ 40,472	\$ 38,591	\$ 79,063	\$ 70,000	\$ 149,063
13-14	38,591	36,575	75,166	75,000	150,166
14-15	36,575	34,513	71,088	75,000	146,088
15-16	34,512	32,313	66,825	80,000	146,825
16-17	32,312	29,816	62,128	85,000	147,128
17-18	29,816	27,172	56,988	90,000	146,988
18-19	27,172	24,381	51,553	95,000	146,553
19-20	24,381	21,444	45,825	100,000	145,825
20-21	21,444	18,359	39,803	105,000	144,803
21-22	18,359	15,128	33,487	110,000	143,487
22-23	15,128	11,603	26,731	120,000	146,731
23-24	11,603	7,931	19,534	125,000	144,534
24-25	7,931	4,113	12,044	130,000	142,044
25-26	<u>4,113</u>	<u>-</u>	<u>4,113</u>	<u>140,000</u>	<u>144,113</u>
	<u>\$ 342,409</u>	<u>\$ 301,939</u>	<u>\$ 644,348</u>	<u>\$ 1,400,000</u>	<u>\$ 2,044,348</u>

CITY OF FLAT ROCK, MICHIGAN
GENERAL OBLIGATION BONDS PAYABLE
AS OF JUNE 30, 2012

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>
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>\$ 869,603</u>	<u>\$ 750,831</u>	<u>\$ 1,620,434</u>	<u>\$ 3,450,000</u>	<u>\$ 5,070,434</u>

CITY OF FLAT ROCK, MICHIGAN
GENERAL OBLIGATION BONDS PAYABLE
AS OF JUNE 30, 2012

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>
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>\$ 630,405</u>	<u>\$ 539,332</u>	<u>\$ 1,169,737</u>	<u>\$ 4,030,000</u>	<u>\$ 5,199,737</u>

CITY OF FLAT ROCK, MICHIGAN
GENERAL OBLIGATION BONDS PAYABLE
AS OF JUNE 30, 2012

City of Flat Rock Capital Improvement Bonds
2010 Limited Tax General Obligation
Dated September 9, 2010
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>
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>\$ 416,962</u>	<u>\$ 367,550</u>	<u>\$ 784,512</u>	<u>\$ 2,380,000</u>	<u>\$ 3,164,512</u>

CITY OF FLAT ROCK, MICHIGAN
WATER AND SEWER FUND
GENERAL OBLIGATION BONDS PAYABLE
AS OF JUNE 30, 2012

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>
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>\$ 94,509</u>	<u>\$ 76,156</u>	<u>\$ 170,665</u>	<u>\$ 1,631,411</u>	<u>\$ 1,802,076</u>

CITY OF FLAT ROCK, MICHIGAN
WATER AND SEWER FUND
GENERAL OBLIGATION BONDS PAYABLE
AS OF JUNE 30, 2012

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>
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>\$ 145,791</u>	<u>\$ 145,791</u>	<u>\$ 291,582</u>	<u>\$ 1,749,259</u>	<u>\$ 2,040,841</u>

CITY OF FLAT ROCK, MICHIGAN

WATER AND SEWER FUND

GENERAL OBLIGATION BONDS PAYABLE

AS OF JUNE 30, 2012

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>
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>\$ 124,292</u>	<u>\$ 124,293</u>	<u>\$ 248,585</u>	<u>\$ 395,288</u>	<u>\$ 643,873</u>

CITY OF FLAT ROCK, MICHIGAN

WATER AND SEWER FUND

GENERAL OBLIGATION BONDS PAYABLE

AS OF JUNE 30, 2012

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>
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>\$ 71,863</u>	<u>\$ 71,865</u>	<u>\$ 143,728</u>	<u>\$ 535,194</u>	<u>\$ 678,922</u>

CITY OF FLAT ROCK, MICHIGAN

GENERAL OBLIGATION EQUIPMENT LOANS PAYABLE

AS OF JUNE 30, 2012

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>
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>\$ 13,440</u>	<u>\$ 200,396</u>	<u>\$ 213,836</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>
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>\$ 2,817</u>	<u>\$ 23,937</u>	<u>\$ 26,754</u>

CITY OF FLAT ROCK, MICHIGAN
GENERAL OBLIGATION TAX SETTLEMENT PAYABLE
AS OF JUNE 30, 2012

Auto Alliance, Inc.
 Refundable 2009 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>
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
	<hr/>
	\$ 503,667

Auto Alliance, Inc.
 Refundable 2009 - 2011 Real Property Tax
 Dated January, 2011
 Amount of Settlement - \$859,887 (Non-Interest Bearing)
 Due October 31

<u>FISCAL YEAR</u>	<u>TOTAL REQUIREMENT</u>
12-13	\$ 85,989
13-14	85,989
14-15	85,989
15-16	85,989
16-17	85,989
17-18	85,989
18-19	85,989
19-20	85,989
20-21	85,989
21-22	85,986
	<hr/>
	\$ 859,887

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

<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>
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
2012	16.00	-	1.00	-	0.25	17.25

CITY OF FLAT ROCK, MICHIGAN

WATER AND SEWER RATES

LAST TWENTY-FIVE YEARS

FOR THE YEARS ENDED JUNE 30

FISCAL YEAR	RESIDENTIAL RATE	NON-RESIDENTIAL RATE	COMMERCIAL RATE	INDUSTRIAL RATE
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
2012	6.00	-	7.50	7.75

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, 2012, which collectively comprise the City of Flat Rock, Michigan's basic financial statements and have issued our report thereon dated December 7, 2012. 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

Management of the City of Flat Rock, Michigan, is responsible for establishing and maintaining effective 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.

To the Honorable Mayor and
Members of the City Council
City of Flat Rock, Michigan
Page 2

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 7, 2012.

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



Southgate, Michigan
December 7, 2012