

**City of Flat Rock,
Michigan**

Financial Statements

June 30, 2020



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City of Flat Rock, Michigan
List of Elected Officials
June 30, 2020

Officials and City Council

Mark Hammond – Mayor

James Martin – Mayor Pro-Tem

John Bergeron – Councilman

Mark Maul – Councilman

Kim Pardo – Councilwoman

Ricky Tefend – Councilman

Kenneth Wrobel – Councilman



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Independent Auditors' Report

Mayor and City Council
City of Flat Rock, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Flat Rock, Michigan as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Flat Rock, Michigan as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Deficit Net Position

The City has an unrestricted unassigned deficit in the Community Center Fund of \$297,219 as of June 30, 2020, which has resulted from operating deficits. The deficit and status of the City's Deficit Elimination Plans that are required by the Michigan Department of Treasury, are disclosed in Note 2. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Michigan Employees Retirement System Schedules, and other post-employment benefits schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Flat Rock, Michigan's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2020 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 solely 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 effectiveness of the City of Flat Rock, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Flat Rock, Michigan's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Ann Arbor, MI
December 3, 2020

Our discussion and analysis of the City of Flat Rock, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the City's financial statements.

Financial Highlights

- The City's total assets and deferred outflows of resources decreased by \$1,648,873 (or 5%). The governmental total assets and deferred outflows decreased by \$920,582 (or 5%) and the business-type total assets and deferred outflows decreased by \$728,291 (or 5%). Component Unit total assets and deferred outflows of resources decreased by \$338,490 (or 3%).
- Total net position of \$(19,393,958) reflects a decrease of \$5,094,138 from last fiscal year.
- At the end of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$2,073,931 a decrease of \$342,363.
- At the end of the current fiscal year the fund balance for the General Fund increased \$29,167 to a final balance of \$1,199,287.

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 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 position 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 position 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 position." Over time, increases and decreases in net position 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 three 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.
3. *Component Units:* Downtown Development Authority and Tax Increment Financial Authority.

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 assets and liabilities. These funds are reported using accrual accounting.

Component Unit Funds:

Included in the component units for the City are the Downtown Development Authority and the Tax Increment Financial Authority. Although the component units are separate legal entities, the City is financially responsible for them.

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.

	Governmental Activities		Business-type Activities		Total		Component Unit Activities	
	2020	2019	2020	2019	2020	2019	2020	2019
Assets								
Current and other assets	\$ 2,709,002	\$ 2,967,716	\$ 2,097,647	\$ 3,490,304	\$ 4,806,649	\$ 6,458,020	\$ 1,178,910	\$ 1,256,555
Capital assets	11,154,468	11,711,848	12,034,615	11,463,593	23,189,083	23,175,441	11,739,421	12,000,266
Total assets	13,863,470	14,679,564	14,132,262	14,953,897	27,995,732	29,633,461	12,918,331	13,256,821
Deferred Outflows of Resources								
Deferred Charges	2,847,831	2,952,319	659,584	566,240	3,507,415	3,518,559	-	-
Total assets and deferred outflows	16,711,301	17,631,883	14,791,846	15,520,137	31,503,147	33,152,020	12,918,331	13,256,821
Liabilities								
Current	690,801	509,793	322,129	460,874	1,012,930	970,667	86,071	110,719
Noncurrent	39,435,507	36,465,682	10,366,087	9,680,981	49,801,594	46,146,663	3,689,904	4,454,904
Total liabilities	40,126,308	36,975,475	10,688,216	10,141,855	50,814,524	47,117,330	3,775,975	4,565,623
Deferred Inflows of Resources								
Deferred inflows	74,818	257,736	7,763	76,774	82,581	334,510	-	-
Total liabilities and deferred inflows	40,201,126	37,233,211	10,695,979	10,218,629	50,897,105	47,451,840	3,775,975	4,565,623
Net Position								
Net investment in capital assets	6,752,251	6,614,149	9,875,807	8,853,709	16,628,058	15,467,858	8,049,517	7,545,362
Restricted	1,031,719	595,991	-	-	1,031,719	595,991	1,092,839	1,145,836
Unrestricted (deficit)	(31,273,795)	(26,811,468)	(5,779,940)	(3,552,201)	(37,053,735)	(30,363,669)	-	-
Total net position	\$ (23,489,825)	\$ (19,601,328)	\$ 4,095,867	\$ 5,301,508	\$ (19,393,958)	\$ (14,299,820)	\$ 9,142,356	\$ 8,691,198

Financial Analysis of the Government as a Whole

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the City's case, liabilities exceeded its assets at the end of the fiscal year by \$22,818,792. However, included in the City's net position represents its investment in capital assets (e.g., land, roads, storm sewers, water and sewer systems, building, and equipment) less any related debt used to acquire or construct these assets that is still outstanding. The City uses these capital assets to provide essential services to citizens; therefore, these assets are not available for future spending. Although the City's investment in its capital assets is

reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-type Activities		Total		Component Unit Activities	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenues								
Program revenue:								
Charges for services	\$ 2,876,386	\$ 3,458,385	\$ 4,050,261	\$ 3,771,557	\$ 6,926,647	\$ 7,229,942	\$ -	\$ -
Operating grants and contributions	1,057,742	1,087,623	-	-	1,057,742	1,087,623	-	-
General revenues:								
Property taxes	6,742,225	6,549,714	-	-	6,742,225	6,549,714	1,706,798	1,533,479
State-shared revenue	978,992	992,942	-	-	978,992	992,942	2,558,875	2,484,340
Investment and rent earnings	28,250	52,618	22,523	43,960	50,773	96,578	10,091	15,921
Miscellaneous	265,350	315,062	-	-	265,350	315,062	3,541	900
Total revenues	11,948,945	12,456,344	4,072,784	3,815,517	16,021,729	16,271,861	4,279,305	4,034,640
Expenses								
General government	2,717,933	2,439,711	-	-	2,717,933	2,439,711	-	-
Public safety	6,959,814	5,277,810	-	-	6,959,814	5,277,810	-	-
Public works	3,249,417	3,401,527	-	-	3,249,417	3,401,527	-	-
Community and economic development	177,928	161,801	-	-	177,928	161,801	3,828,147	3,748,742
Recreation and cultural	2,509,680	2,585,338	-	-	2,509,680	2,585,338	-	-
Water and sewer	-	-	5,278,425	4,512,525	5,278,425	4,512,525	-	-
Interest on long-term debt	222,670	151,793	-	-	222,670	151,793	-	-
Total expenses	15,837,442	14,017,980	5,278,425	4,512,525	21,115,867	18,530,505	3,828,147	3,748,742
Excess revenues over (under) expenses	(3,888,497)	(1,561,636)	(1,205,641)	(697,008)	(5,094,138)	(2,258,644)	451,158	285,898
Transfers	-	-	-	-	-	-	-	-
Change in net position	(3,888,497)	(1,561,636)	(1,205,641)	(697,008)	(5,094,138)	(2,258,644)	451,158	285,898
Net position (deficit), beginning of year	(19,601,328)	(9,634,392)	5,301,508	5,998,516	(14,299,820)	(3,635,876)	8,691,198	-
Prior period adjustment	-	(8,405,300)	-	-	-	(8,405,300)	-	8,405,300
Net position (deficit), end of year	\$(23,489,825)	\$(19,601,328)	\$ 4,095,867	\$ 5,301,508	\$(19,393,958)	\$(14,299,820)	\$ 9,142,356	\$ 8,691,198

Governmental Activities

Governmental activities net position decreased (\$3,888,497) from (\$19,601,328) to (\$23,489,825). This does not include the change in net position of the component units by \$451,158.

Business-Type Activities

Business-type activities decreased the City's net position by \$1,205,641 mostly relating to pension and OPEB actuarial adjustments.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year its total fund balance was \$1,199,287 or 13.7% of general fund expenditures. Total fund balance increased by \$29,167 during the fiscal year.

Community Center

The Community Center Fund has a deficit fund balance of \$295,996, which is a decrease of \$303,673 due to COVID closures.

Nonmajor Governmental Funds

Nonmajor Governmental Funds had a total fund balance of \$1,170,640, a total decrease of \$67,857 from the prior fiscal year.

Component Units

Tax Increment Finance Authority

The Tax Increment Finance Authority has a net position of \$6,444,267, which is an increase of \$391,252 from the prior fiscal year, primarily due to state grants.

Downtown Development Authority

The Downtown Development Authority has a net position of \$2,698,089, which is an increase of \$59,906 from the prior fiscal year, primarily due tax receipts.

Capital Assets and Debt Administration*Capital Assets*

The City investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounts to \$23,189,083 (net of accumulated depreciation). This investment includes a broad range of capital assets, which are detailed in the table below. The total increase in the City's capital assets for the current fiscal year was \$13,642, mainly due to current year additions in excess of depreciation. The following table is a comparison of the City's net capital assets as of June 30, 2020 compared to June 30, 2019:

	Net Capital Assets at Year End							
	2020				2019			
	Governmental Activities	Business Type Activities	Total	Component Units	Governmental Activities	Business Type Activities	Total	Component Units
Land	\$ 767,428	\$ -	\$ 767,428	\$ 807,327	\$ 767,428	\$ -	\$ 767,428	\$ 807,327
Infrastructure, net	3,226,678	-	3,226,678	2,354,908	3,361,517	-	3,361,517	2,363,856
Buildings and Improvements, net	6,071,682	3,733,469	9,805,151	8,573,335	6,287,162	3,847,143	10,134,305	8,824,935
Machinery and Equipment, net	1,088,680	247,255	1,335,935	3,851	1,164,130	479,809	1,643,939	4,148
Water and Sewer System, net	-	8,053,891	8,053,891	-	-	7,061,363	7,061,363	-
Vehicles, net	-	-	-	-	131,611	75,278	206,889	-
Capital assets, net	\$ 11,154,468	\$ 12,034,615	\$ 23,189,083	\$ 11,739,421	\$ 11,711,848	\$ 11,463,593	\$ 23,175,441	\$ 12,000,266

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

Long-Term Debt

At the end of the fiscal year, the City had total long-term bonds and notes outstanding of \$11,228,538, which included component units.

	Outstanding Debt at Year End			
	Governmental Activities	Business Type Activities	Total	Component Units
Bonds and note	\$ 4,432,925	\$ 1,965,995	\$ 6,398,920	\$ 3,689,904
Claims and judgements	227,944	-	227,944	-
Other	671,404	240,366	911,770	-
Capital assets, net	\$ 5,332,273	\$ 2,206,361	\$ 7,538,634	\$ 3,689,904

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 \$12,726,449 is lower than the current state-imposed limit of \$31,707,538.

Economic Condition and Outlook

The City of Flat Rock's budget for year ending June 30, 2020 included a slight increase in permit fees and taxable values and a Water and Sewer rate increase of \$1.50 per 1,000 gallons.

The City's 2021 budgeted revenue consists of 57.28% tax revenues, 32.86 local sources and 9.86 from other sources. The City's tax base is projected to have an increase of \$84,192.

The City's General Fund expenditures are allocated 48.70% to public safety (police, fire, building & safety). The department of public works amounts to 17.84% and the general operations, which include clerk's and treasurer's departments, total 6.3%. All other areas total 27.16%. The General Fund is projecting the fund balance to remain the same, which will project a General Fund balance of \$1,199,285 or 12.34% of the General Fund budget. This is subject to change if a transfer is made to cover the deficit of the Community Center fund.

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
Statement of Net Position
June 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 2,245,447	\$ 1,429,254	\$ 3,674,701	\$ 1,177,410
Receivables				
Taxes	26,568	-	26,568	-
Customers	161	642,985	643,146	-
Accrued interest and other	5,867	-	5,867	-
Due from other units of government	365,758	-	365,758	-
Due from component unit	22,910	-	22,910	-
Inventories	3,760	20,572	24,332	-
Prepaid items	38,531	4,836	43,367	1,500
Capital assets not being depreciated	767,428	-	767,428	807,327
Capital assets, net of accumulated depreciation	10,387,040	12,034,615	22,421,655	10,932,094
Total assets	13,863,470	14,132,262	27,995,732	12,918,331
Deferred outflows of resources				
Deferred amount relating to net pension liability	1,257,015	184,844	1,441,859	-
Deferred amount relating to total OPEB liability	1,590,816	474,740	2,065,556	-
Total deferred outflows of resources	2,847,831	659,584	3,507,415	-

See Accompanying Notes to the Financial Statements

City of Flat Rock
Statement of Net Position
June 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	\$ 388,939	\$ 281,558	\$ 670,497	\$ 18,374
Accrued and other liabilities	291,056	40,571	331,627	44,787
Due to other units of government	10,806	-	10,806	-
Due to primary units	-	-	-	22,910
Noncurrent liabilities				
Due within one year	1,007,184	472,978	1,480,162	795,000
Due in more than one year	4,325,089	1,733,383	6,058,472	2,894,904
Net pension liability	14,213,867	2,036,281	16,250,148	-
Total OPEB liability	19,889,367	6,123,445	26,012,812	-
Total liabilities	40,126,308	10,688,216	50,814,524	3,775,975
Deferred inflows of resources				
Deferred amount relating to total OPEB liability	74,818	7,763	82,581	-
Net position				
Net investment in capital assets	6,752,251	9,875,807	16,628,058	8,049,517
Restricted for				
TIFA	-	-	-	235,239
Streets	394,994	-	394,994	-
Downtown development authority	-	-	-	857,600
Historical district	203,988	-	203,988	-
Library	425,012	-	425,012	-
Other special revenue projects	7,725	-	7,725	-
Unrestricted (deficit)	(31,273,795)	(5,779,940)	(37,053,735)	-
Total net position	\$ (23,489,825)	\$ 4,095,867	\$ (19,393,958)	\$ 9,142,356

See Accompanying Notes to the Financial Statements

City of Flat Rock
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business-type Activities		
Primary government							
Governmental activities							
General government	\$ 2,717,933	\$ 50,516	\$ 2,950	\$ (2,664,467)	\$ -	\$ (2,664,467)	\$ -
Public safety	6,959,814	883,127	8,337	(6,068,350)	-	(6,068,350)	-
Public works	3,249,417	918,936	1,030,446	(1,300,035)	-	(1,300,035)	-
Community and economic development	177,928	76,039	-	(101,889)	-	(101,889)	-
Recreation and culture	2,509,680	947,768	16,009	(1,545,903)	-	(1,545,903)	-
Interest on long-term debt	<u>222,670</u>	<u>-</u>	<u>-</u>	<u>(222,670)</u>	<u>-</u>	<u>(222,670)</u>	<u>-</u>
Total governmental activities	15,837,442	2,876,386	1,057,742	(11,903,314)	-	(11,903,314)	-
Business-type activities							
Water and sewer	<u>5,278,425</u>	<u>4,050,261</u>	<u>-</u>	<u>-</u>	<u>(1,228,164)</u>	<u>(1,228,164)</u>	<u>-</u>
Total primary government	<u>\$ 21,115,867</u>	<u>\$ 6,926,647</u>	<u>\$ 1,057,742</u>	<u>(11,903,314)</u>	<u>(1,228,164)</u>	<u>(13,131,478)</u>	<u>-</u>
Component units							
Tax Increment Financing Authority	\$ 3,213,246	\$ -	\$ -				(3,213,246)
Downtown Development Authority	<u>614,901</u>	<u>-</u>	<u>-</u>				<u>(614,901)</u>
Total component units	<u>\$ 3,828,147</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(3,828,147)</u>
General revenues							
Property taxes				6,742,225	-	6,742,225	1,706,798
State shared revenue				978,992	-	978,992	2,558,875
Unrestricted investment earnings				28,250	22,523	50,773	10,091
Gain on sale of capital assets				62,435	-	62,435	-
Miscellaneous				<u>202,915</u>	<u>-</u>	<u>202,915</u>	<u>3,541</u>
Total general revenues				<u>8,014,817</u>	<u>22,523</u>	<u>8,037,340</u>	<u>4,279,305</u>
Change in net position				(3,888,497)	(1,205,641)	(5,094,138)	451,158
Net position - beginning of year				<u>(19,601,328)</u>	<u>5,301,508</u>	<u>(14,299,820)</u>	<u>8,691,198</u>
Net position - end of year				<u>\$ (23,489,825)</u>	<u>\$ 4,095,867</u>	<u>\$ (19,393,958)</u>	<u>\$ 9,142,356</u>

See Accompanying Notes to the Financial Statements

City of Flat Rock
Governmental Funds
Balance Sheet
June 30, 2020

	<u>Special Revenue Fund</u>		Nonmajor	Total
	<u>General</u>	<u>Community Center</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 1,179,863	\$ 2,058	\$ 1,063,526	\$ 2,245,447
Receivables				
Taxes	24,622	-	1,946	26,568
Customers	161	-	-	161
Accrued interest and other	5,867	-	-	5,867
Due from other units of government	237,067	-	128,691	365,758
Due from other funds	-	-	37,605	37,605
Due from component unit	22,910	-	-	22,910
Inventories	3,760	-	-	3,760
Prepaid items	31,695	1,223	5,613	38,531
	<u>31,695</u>	<u>1,223</u>	<u>5,613</u>	<u>38,531</u>
Total assets	<u>\$ 1,505,945</u>	<u>\$ 3,281</u>	<u>\$ 1,237,381</u>	<u>\$ 2,746,607</u>
Liabilities				
Accounts payable	\$ 171,646	\$ 195,400	\$ 21,893	\$ 388,939
Accrued and other liabilities	123,706	103,877	7,743	235,326
Due to other funds	500	-	37,105	37,605
Due to other units of government	10,806	-	-	10,806
	<u>10,806</u>	<u>-</u>	<u>-</u>	<u>10,806</u>
Total liabilities	<u>306,658</u>	<u>299,277</u>	<u>66,741</u>	<u>672,676</u>

See Accompanying Notes to the Financial Statements

City of Flat Rock
Governmental Funds
Balance Sheet
June 30, 2020

	<u>Special Revenue Fund</u>		Nonmajor	Total
	<u>General</u>	<u>Community Center</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Fund balances				
Non-spendable				
Inventories	3,760	-	-	3,760
Prepaid items	31,695	1,223	5,613	38,531
Restricted for				
Streets	-	-	389,438	389,438
Historical district	-	-	203,982	203,982
Library	-	-	424,961	424,961
Capital projects	-	-	138,921	138,921
Other special revenue projects	-	-	7,725	7,725
Unassigned (deficit)	<u>1,163,832</u>	<u>(297,219)</u>	<u>-</u>	<u>866,613</u>
Total fund balances (deficit)	<u>1,199,287</u>	<u>(295,996)</u>	<u>1,170,640</u>	<u>2,073,931</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,505,945</u>	<u>\$ 3,281</u>	<u>\$ 1,237,381</u>	<u>\$ 2,746,607</u>

See Accompanying Notes to the Financial Statements

City of Flat Rock
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2020

Total fund balances for governmental funds	\$ 2,073,931
Total net position for governmental activities in the statement of net position is different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	10,387,040
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	767,428
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(55,730)
Compensated absences	(563,191)
Claims and judgments	(227,944)
Deferred outflows (inflows) of resources relating to pension and OPEB liabilities	
Deferred inflows of resources resulting from total OPEB liability	(74,818)
Deferred outflows of resources from resulting from net pension liability	1,257,015
Deferred outflows of resources from resulting from total OPEB liability	1,590,816
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Bonds payable	(4,523,213)
Bond premium	(17,925)
Net pension liability	(14,213,867)
Total OPEB liability	<u>(19,889,367)</u>
Net position of governmental activities	<u>\$ (23,489,825)</u>

City of Flat Rock
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

		<u>Special Revenue Fund</u>		
	<u>General</u>	<u>Community Center</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 6,327,578	\$ -	\$ 414,647	\$ 6,742,225
Licenses and permits	103,111	-	-	103,111
Federal grants	106,588	-	2,992	109,580
State shared revenue	946,386	-	936,352	1,882,738
Other state grants	91,646	12,809	-	104,455
Local contributions	486,071	76,039	153,051	715,161
Charges for services	353,819	866,827	641	1,221,287
Fines and forfeitures	426,331	-	-	426,331
Interest income	23,507	488	4,255	28,250
Rental income	163,256	-	-	163,256
Other revenue	421,192	823	29,100	451,115
	<u>9,449,485</u>	<u>956,986</u>	<u>1,541,038</u>	<u>11,947,509</u>
Total revenues				

See Accompanying Notes to the Financial Statements

City of Flat Rock
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

		Special Revenue Fund		
	General	Community Center	Nonmajor Governmental Funds	Total Governmental Funds
Expenditures				
Current				
General government	\$ 2,277,287	\$ -	\$ -	\$ 2,277,287
Public safety	4,295,291	-	-	4,295,291
Public works	1,934,842	393	728,855	2,664,090
Community and economic development	16,385	-	80,438	96,823
Recreation and culture	101,066	1,449,227	-	1,550,293
Library	-	-	331,942	331,942
Capital outlay	67,536	76,039	58,279	201,854
Debt service				
Principal retirement	50,431	-	695,000	745,431
Interest and fiscal charges	-	-	189,296	189,296
Total expenditures	<u>8,742,838</u>	<u>1,525,659</u>	<u>2,083,810</u>	<u>12,352,307</u>
Excess (deficiency) of revenues over expenditures	<u>706,647</u>	<u>(568,673)</u>	<u>(542,772)</u>	<u>(404,798)</u>
Other financing sources (uses)				
Transfers in	-	265,000	1,133,497	1,398,497
Transfers out	(739,915)	-	(658,582)	(1,398,497)
Proceeds from sale of fixed assets	62,435	-	-	62,435
Total other financing sources (uses)	<u>(677,480)</u>	<u>265,000</u>	<u>474,915</u>	<u>62,435</u>
Net change in fund balance	29,167	(303,673)	(67,857)	(342,363)
Fund balance - beginning of year	<u>1,170,120</u>	<u>7,677</u>	<u>1,238,497</u>	<u>2,416,294</u>
Fund balance - end of year (deficit)	<u>\$ 1,199,287</u>	<u>\$ (295,996)</u>	<u>\$ 1,170,640</u>	<u>\$ 2,073,931</u>

See Accompanying Notes to the Financial Statements

City of Flat Rock
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Net change in fund balances - Total governmental funds	\$ (342,363)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(1,055,648)
Capital outlay	498,268
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Grants	(60,999)
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	(36,360)
Compensated absences	(71,668)
Claims and judgments	141,952
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(1,063,563)
Net change in the deferred outflow of resources related to the net pension liability	(557,301)
The statement of net position reports the total OPEB liability and deferred outflows of resources and deferred inflows related to the total OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in total OPEB liability	(2,726,249)
Net change in the deferred outflow of resources related to the total OPEB liability	452,813
Net change in the deferred inflow of resources related to the total OPEB liability	182,918
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Repayments of long-term debt	746,717
Amortization of premiums	2,986
Change in net position of governmental activities	<u>\$ (3,888,497)</u>

See Accompanying Notes to the Financial Statements

City of Flat Rock
Proprietary Fund
Statement of Net Position
June 30, 2020

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 1,429,254
Receivables	
Customers	642,985
Inventories	20,572
Prepaid items	<u>4,836</u>
Total current assets	2,097,647
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>12,034,615</u>
Total assets	<u>14,132,262</u>
Deferred outflows of resources	
Deferred amount relating to net pension liability	184,844
Deferred amount relating to total OPEB liability	<u>474,740</u>
Total deferred outflows of resources	<u>659,584</u>
Liabilities	
Current liabilities	
Accounts payable	281,558
Accrued and other liabilities	40,571
Current portion of noncurrent liabilities	<u>472,978</u>
Total current liabilities	<u>795,107</u>
Noncurrent liabilities	
Net pension liability	2,036,281
Total OPEB liability	6,123,445
Noncurrent liabilities due in more than one year	<u>1,733,383</u>
Total noncurrent liabilities	<u>9,893,109</u>
Total liabilities	<u>10,688,216</u>
Deferred inflows of resources	
Deferred amount relating to total OPEB liability	<u>7,763</u>
Net position	
Net investment in capital assets	9,875,807
Unrestricted (deficit)	<u>(5,779,940)</u>
Total net position	<u>\$ 4,095,867</u>

See Accompanying Notes to the Financial Statements

City of Flat Rock
Proprietary Fund
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2020

	<u>Enterprise Fund</u> Water and Sewer
Operating revenue	
Customer fees	\$ 3,946,263
Connection fees	24,080
Other revenue	<u>79,918</u>
Total operating revenue	<u>4,050,261</u>
Operating expenses	
Personnel services	1,693,619
Supplies	25,903
Contractual services	348,656
Utilities	5,326
Repairs and maintenance	264,740
Other expenses	2,292,345
Depreciation	<u>590,324</u>
Total operating expenses	<u>5,220,913</u>
Operating loss	<u>(1,170,652)</u>
Nonoperating revenue (expenses)	
Interest income	22,523
Interest expense	<u>(57,512)</u>
Total nonoperating revenue (expenses)	<u>(34,989)</u>
Change in net position	(1,205,641)
Net position - beginning of year	<u>5,301,508</u>
Net position - end of year	<u><u>\$ 4,095,867</u></u>

See Accompanying Notes to the Financial Statements

City of Flat Rock
Proprietary Fund
Statement of Cash Flows
For the Year Ended June 30, 2020

	<u>Enterprise Fund</u> Water and Sewer
Cash flows from operating activities	
Receipts from customers	\$ 4,075,044
Payments to suppliers	(2,038,428)
Payments to employees	<u>(1,759,800)</u>
Net cash provided by operating activities	<u>276,816</u>
Cash flows from capital and related financing activities	
Purchases/construction of capital assets	(1,161,346)
Principal and interest paid on long-term debt	<u>(508,588)</u>
Net cash used by capital and related financing activities	<u>(1,669,934)</u>
Cash flows from investing activities	
Interest received	<u>22,523</u>
Net change in cash and cash equivalents	(1,370,595)
Cash and cash equivalents - beginning of year	<u>2,799,849</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,429,254</u></u>

See Accompanying Notes to the Financial Statements

City of Flat Rock
Proprietary Fund
Statement of Cash Flows
For the Year Ended June 30, 2020

	<u>Enterprise Fund</u> Water and Sewer
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (1,170,652)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation expense	590,324
Noncash portion related to net pension and total OPEB liability	1,133,352
Changes in assets and liabilities	
Receivables (net)	24,783
Prepaid items	(2,721)
Deferred outflows of resources	(93,344)
Accounts payable	(124,772)
Accrued and other liabilities	(13,973)
Compensated absences	635
Deferred inflows of resources	<u>(66,816)</u>
Net cash provided by operating activities	<u>\$ 276,816</u>

City of Flat Rock
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2020

	<u>Trust and Custodial</u>
Assets	
Cash and cash equivalents	<u>\$ 157,819</u>
Liabilities	
Accounts payable	70,028
Due to other governments	<u>87,791</u>
Total liabilities	<u>\$ 157,819</u>

See Accompanying Notes to the Financial Statements

City of Flat Rock
Component Units
Statement of Net Position
June 30, 2020

	<u>Tax Increment Financing Authority</u>	<u>Downtown Development Authority</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 292,358	\$ 885,052	\$ 1,177,410
Prepaid items	1,500	-	1,500
Capital assets not being depreciated	615,529	191,798	807,327
Capital assets being depreciated, net	<u>9,283,403</u>	<u>1,648,691</u>	<u>10,932,094</u>
Total assets	<u>\$ 10,192,790</u>	<u>\$ 2,725,541</u>	<u>\$ 12,918,331</u>
Liabilities			
Accounts payable	4,000	14,374	18,374
Accrued and other liabilities	44,787	-	44,787
Due to primary unit	9,832	13,078	22,910
Long-term debt:			
Due within one year	795,000	-	795,000
Due in more than one year	<u>2,894,904</u>	<u>-</u>	<u>2,894,904</u>
Total liabilities	<u>3,748,523</u>	<u>27,452</u>	<u>3,775,975</u>
Net Position			
Net investment in capital assets	6,209,028	1,840,489	8,049,517
Restricted	<u>235,239</u>	<u>857,600</u>	<u>1,092,839</u>
Total net position	<u>\$ 6,444,267</u>	<u>\$ 2,698,089</u>	<u>\$ 9,142,356</u>

See Accompanying Notes to the Financial Statements

City of Flat Rock
Component Units
Statement of Activities
For the Year Ended June 30, 2020

	Tax Increment Financing Authority	Downtown Development Authority	Total
Revenues			
Taxes	\$ 1,109,952	\$ 596,846	\$ 1,706,798
Other state grants	2,492,686	66,189	2,558,875
Interest income	1,860	8,231	10,091
Other revenue	<u>-</u>	<u>3,541</u>	<u>3,541</u>
Total revenues	<u>3,604,498</u>	<u>674,807</u>	<u>4,279,305</u>
Expenses			
Community and economic development	320,597	374,137	694,734
Tax refunds	2,380,707	-	2,380,707
Depreciation	306,725	240,764	547,489
Debt service			
Interest and fiscal charges	<u>205,217</u>	<u>-</u>	<u>205,217</u>
Total expenses	<u>3,213,246</u>	<u>614,901</u>	<u>3,828,147</u>
Excess of revenues over expenses	391,252	59,906	451,158
Net position - beginning of year	<u>6,053,015</u>	<u>2,638,183</u>	<u>8,691,198</u>
Net position - end of year	<u>\$ 6,444,267</u>	<u>\$ 2,698,089</u>	<u>\$ 9,142,356</u>

See Accompanying Notes to the Financial Statements

City of Flat Rock, Michigan

Notes to the Financial Statements

June 30, 2020

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Flat Rock, Michigan (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.

Discretely Presented Component Units

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.

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 City Council. Funding for the Authority is provided from the increased property tax revenues from any benefited property.

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 \$0 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 caseloads, 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, 2020, the City incurred net operating costs of \$942,335. In addition, the City paid \$425,325 in principal payments and \$53,626 in interest expense. Complete financial statements for the Authority can be obtained from the administrative offices at 34001 West Jefferson, Brownstown, MI 48173.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

City of Flat Rock, Michigan
Notes to the Financial Statements
June 30, 2020

Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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 and fiduciary fund financial statements. Revenues are 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 revenues 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*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments

receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The Community Center Fund is treated as a special revenue fund and is used to account for the operations of the community center.

The City reports the following major proprietary funds:

The Water and Sewer Fund is an Enterprise Fund. 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:

The nonmajor special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The capital project fund accounts for the construction of major capital facilities and City infrastructure other than those financed by proprietary and trust funds.

The debt service funds account for the accumulation of resources for, and payment of, governmental activities principal, interest, and related costs.

The fiduciary funds account for assets held by the City in a trustee capacity. Fiduciary funds are custodial in nature (assets equal

City of Flat Rock, Michigan
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liabilities) and do not involve the measurement of results of operations.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the water and sewer fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, and Net Position or Equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificates of deposit are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds”. Activity between funds that is representative of a lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds”. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts of \$22,741. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2019 taxable valuation of the government totaled \$317,075,375, on which ad valorem taxes consisted of 16.00 mills for operating purposes. This resulted in \$4,199,960 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments. Approximately 11.88% of the City's property tax revenue is from one company located in the City of Flat Rock.

The City has considered the impact of GASB Statement No. 77, Tax Abatement Disclosures, and determined that there are no significant abatements that reduce property tax revenues.

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. For such payments in governmental funds the City follows the consumption method, and they therefore are capitalized as prepaid items in both entity-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant and equipment and infrastructure, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000

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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.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated acquisition cost of the item at the date of its donation.

Property, plant and equipment, and infrastructure 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

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. The City reports deferred outflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. The City also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce net pension and OPEB liability in the following year.

Changes in assumptions and experience differences relating to the net pension liability and the total OPEB liability are deferred and amortized over the expected remaining service lives of the plan members.

Compensated absences – It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. The City reports deferred inflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension or OPEB expense. Assumption and experience differences relating to the net pension liability and total OPEB liability are deferred and amortized over the expected remaining service lives of the plan members. In addition, the City reports deferred inflows of resources for deferred gains on bond refunding. A deferred gain results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is amortized using the shorter of the life of the refunded or refunding debt.

Pensions – The City offers pension benefits to retirees. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions

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to/deductions from MERS fiduciary net position have been determined on the same basis as they are reported to the systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The City receives actuarial-based calculations to compute the actuarially determined contribution (ADC) necessary to fund the obligations over the remaining amortization periods. In the governmental funds, pension costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost.

Other Postemployment Benefits (OPEB) – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the City of Flat Rock Retiree Medical Plan (CFRRMP) and additions to/deductions from CFRRMP have been determined on the same basis as they are reported by CFRRMP. For this purpose, CFRRMP recognizes benefit payments when due and payable in accordance with the benefit terms. The City receives actuarial-based calculations to compute the actuarially determined contribution (ADC) necessary to fund the obligations over the remaining amortization periods. The City does not pre-fund the plan and is on the pay-as-you-go method. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the government's highest level of decision-making, its City Council. A fund balance commitment may be established, modified, or rescinded by a resolution of the City Council.

Assigned – amounts intended to be used for specific purposes, as determined by City Council or by an official or body to which the City Council delegates the authority. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the City's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

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, deferred outflows, liabilities, deferred inflows 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.

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Adoption of New Accounting Standards

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components.

Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments.

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides postponement of effective dates for certain GASB Statements. This statement was effective upon issuance in May of 2020.

Upcoming Accounting and Reporting Changes

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset

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reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this

Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

The City is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). 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. All annual appropriations lapse at fiscal year end.

Prior to July 1st, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1st. Public hearings are scheduled to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to July 1st.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

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Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of Expenditures Over Appropriations

	<u>Appropriations</u>	<u>Actual</u>	<u>Budget Variance</u>
General Fund			
Public works	\$ 1,564,310	\$ 1,934,842	\$ 370,532
Transfers out	250,000	739,915	489,915

Fund Deficit

The City had an unrestricted unassigned deficit in the Community Center Fund of \$297,219 as of June 30, 2020. The City's most recently submitted deficit elimination plan with the State of Michigan has planned to eliminate the deficit by the end of fiscal year 2021. The City's deficit elimination plan will be submitted to the State of Michigan after the issuance of the June 30, 2020 audited financial statements.

Note 3 - Deposits and Investments

At year end the government's deposits and investments were reported in the financial statements in the following categories:

	<u>Cash and Cash Equivalents</u>
Governmental activities	\$ 2,245,447
Business-type activities	<u>1,429,254</u>
 Total primary government	 3,674,701
 Fiduciary funds	 157,819
 Component units	 <u>1,177,410</u>
 Total	 <u>\$ 5,009,930</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Total</u>
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 3,673,201	\$ 157,819	\$ 1,177,410	\$ 5,008,430
Petty cash and cash on hand	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
	<u>\$ 3,674,701</u>	<u>\$ 157,819</u>	<u>\$ 1,177,410</u>	<u>\$ 5,009,930</u>

City of Flat Rock, Michigan
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As of year end, the government had the following investments:

Investment	Fair Value	Rating	Rating Organization
Monroe Bank & Trust Money Market	\$ 2,119,554	Aaa-mf	Moody's
Fifth Third Government Money Market	<u>531,260</u>	Aaa-mf	Moody's
	<u>\$ 2,650,814</u>		

Credit risk – State statutes and the City's investment policy authorize the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of 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.

Concentration of credit risk – The City has no policy that would limit the amount that may be invested in any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of year end, \$386,202 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be

able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	\$ 767,428	\$ -	\$ -	\$ -	\$ 767,428
Capital assets being depreciated					
Infrastructure	23,343,604	303,666	-	-	23,647,270
Buildings, additions and improvements	11,541,623	55,125	-	-	11,596,748
Machinery and equipment	6,243,629	108,977	165,500	(34,387)	6,187,106
Vehicles	<u>1,172,012</u>	<u>30,500</u>	<u>46,453</u>	<u>34,387</u>	<u>1,156,059</u>
Total capital assets being depreciated	<u>42,300,868</u>	<u>498,268</u>	<u>211,953</u>	<u>-</u>	<u>42,587,183</u>
Less accumulated depreciation for					
Infrastructure	19,982,087	438,505	-	-	20,420,592
Buildings, additions and improvements	5,254,461	270,605	-	-	5,525,066
Machinery and equipment	5,079,499	270,611	165,500	(34,387)	5,184,610
Vehicles	<u>1,040,401</u>	<u>75,927</u>	<u>46,453</u>	<u>34,387</u>	<u>1,069,875</u>
Total accumulated depreciation	<u>31,356,448</u>	<u>1,055,648</u>	<u>211,953</u>	<u>-</u>	<u>32,200,143</u>
Net capital assets being depreciated	<u>10,944,420</u>	<u>(557,380)</u>	<u>-</u>	<u>-</u>	<u>10,387,040</u>
Governmental activities capital assets, net	<u>\$ 11,711,848</u>	<u>\$ (557,380)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,154,468</u>

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	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities					
Capital assets being depreciated					
Buildings, additions and improvements	\$ 6,516,962	\$ -	\$ -	\$ -	\$ 6,516,962
Machinery and equipment	1,108,983	51,489	-	(343,833)	816,639
Vehicles	440,855	92,257	-	-	533,112
Water and sewer system	19,439,651	1,017,600	-	343,833	20,801,084
Total capital assets being depreciated	27,506,451	1,161,346	-	-	28,667,797
Less accumulated depreciation for					
Buildings, additions and improvements	2,669,819	113,674	-	-	2,783,493
Machinery and equipment	629,174	81,643	-	-	710,817
Vehicles	365,577	26,102	-	-	391,679
Water and sewer system	12,378,288	368,905	-	-	12,747,193
Total accumulated depreciation	16,042,858	590,324	-	-	16,633,182
Net capital assets being depreciated	11,463,593	571,022	-	-	12,034,615
Business-type capital assets, net	<u>\$ 11,463,593</u>	<u>\$ 571,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,034,615</u>

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Component Units					
Capital assets not being depreciated					
Land	\$ 807,327	\$ -	\$ -	\$ -	\$ 807,327
Capital assets being depreciated					
Infrastructure	5,654,373	286,644	-	-	5,941,017
Buildings, additions and improvements	12,579,988	-	-	-	12,579,988
Machinery and equipment	5,930	-	-	-	5,930
Total capital assets being depreciated	18,240,291	286,644	-	-	18,526,935
Less accumulated depreciation for					
Infrastructure	3,290,517	295,592	-	-	3,586,109
Buildings, additions and improvements	3,755,053	251,600	-	-	4,006,653
Machinery and equipment	1,782	297	-	-	2,079
Total accumulated depreciation	7,047,352	547,489	-	-	7,594,841
Net capital assets being depreciated	11,192,939	(260,845)	-	-	10,932,094
Component unit capital assets, net	<u>\$ 12,000,266</u>	<u>\$ (260,845)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,739,421</u>

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

Governmental Activities

General government	\$ 61,957
Public safety	198,735
Public works	79,077
Recreation and culture	478,688
Other functions	237,191

Total governmental activities 1,055,648

Business-type Activities

Water and Sewer	<u>590,324</u>
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Total primary government \$ 1,645,972

Component Units

\$ 547,489

City of Flat Rock, Michigan
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June 30, 2020

Note 5 - Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Funds	General Fund	\$ 500
Nonmajor Funds	Nonmajor Funds	37,105
		<u>\$ 37,605</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	Community Center Fund	\$ 265,000
General Fund	Nonmajor Funds	474,915
Nonmajor funds	Nonmajor Funds	658,582
		<u>\$ 1,398,497</u>

Transfers are used to move unrestricted General Fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. Transfers from Nonmajor Funds to other Nonmajor funds were reimbursements made in accordance with budgetary authorizations.

City of Flat Rock, Michigan
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Note 6 - Long-Term Debt

The City issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment purchase agreements are also general obligations of the City. Claims and judgements are payments resulting from prior Michigan tax tribunal settlements. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the General Fund and the Water and Sewer Fund.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Bonds payable									
General obligation bonds									
Building Authority Bond, Series 2006	\$ 3,415,000	8/1/20	4.00% - 4.60%	\$345,000 - \$395,000	\$ 775,000	\$ -	\$ 380,000	\$ 395,000	\$ 395,000
Capital Improvement Bonds - 2010 Limited Tax General Obligation	2,500,000	8/1/24	3.75% - 5.00%	\$170,000 - \$250,000	1,310,000	-	190,000	1,120,000	200,000
Capital Improvement Bonds - 2015 Limited Tax General Obligation	2,500,000	10/1/34	2.13% - 4.00%	\$125,000 - \$250,000	3,025,000	-	125,000	2,900,000	150,000
Total bonds payable					5,110,000	-	695,000	4,415,000	745,000
Premium on bond issues					20,911	-	2,986	17,925	-
Claims and judgments									
Auto Alliance, Inc. - Refundable 2009 Personal Property Tax	559,630	8/31/20	N/A	\$55,963	111,926	-	55,963	55,963	55,963
Auto Alliance, Inc. - Refundable 2009 - 2011 Real Property Tax	859,887	10/31/21	N/A	\$85,989	257,970	-	85,989	171,981	85,989
Total claims and judgements					369,896	-	141,952	227,944	141,952
Direct Borrowings									
Ambulance, 2015	164,011	10/1/19	3.20%	\$31,837 - \$33,933	33,930	-	33,930	-	-
Ambulance, 2018	132,665	9/14/23	N/A	\$21,133 - \$27,750	124,714	-	16,501	108,213	25,182
Capital lease - copier	5,852	5/29/20	4.84%	\$1,286	1,286	-	1,286	-	-
Total direct borrowings					159,930	-	51,717	108,213	25,182
Other									
Compensated absences	N/A	N/A	N/A	N/A	491,523	71,668	-	563,191	95,050
Total governmental activities					\$ 6,152,260	\$ 71,668	\$ 891,655	\$ 5,332,273	\$ 1,007,184

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Notes to the Financial Statements
June 30, 2020

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities									
Bonds payable									
General obligation bonds									
South Huron Valley Utility Authority - Sewer System Plant Acquisition Bonds	\$ 3,271,516	10/1/21	2.25%	\$193,599 - \$198,163	\$ 391,762	\$ -	\$ 193,599	\$ 198,163	\$ 198,163
South Huron Valley Utility Authority - 2004 Sewer System Plant Expansion	2,352,760	6/30/26	2.13%	\$126,314 - \$142,900	940,338	-	126,314	814,024	128,866
South Huron Valley Utility Authority - 2010 Sewer System Improvements	409,360	5/1/30	4.00%	\$19,189 - \$34,538	276,318	-	19,189	257,129	21,747
South Huron Valley Utility Authority - 2011 Sewer System Improvements	557,073	10/1/31	2.50%	\$26,928 - \$35,439	367,835	-	26,928	340,907	26,928
South Huron Valley Utility Authority - 2016 Sewer System Improvements	592,954	11/1/26	2.75%	\$59,295 - \$59,297	415,067	-	59,295	355,772	59,295
Total bonds payable					2,391,320	-	425,325	1,965,995	434,999
Equipment purchase agreement - 2017 Vector Truck	269,596	11/13/22	3.16%	\$23,556 - \$143,445	216,369	-	23,556	192,813	24,300
Total direct borrowings					216,369	-	23,556	192,813	24,300
Other									
Compensated absences	N/A	N/A	N/A	N/A	46,918	635	-	47,553	13,679
Total business-type activities					\$ 2,654,607	\$ 635	\$ 448,881	\$ 2,206,361	\$ 472,978

City of Flat Rock, Michigan
Notes to the Financial Statements
June 30, 2020

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component units									
Bonds payable									
General obligation bonds									
Tax Increment Finance Authority - Limited Tax Development Bonds Series 2006A	\$ 4,270,000	10/1/24	6.95%	\$310,000 - \$405,000	\$ 1,775,000	\$ -	\$ 310,000	\$ 1,465,000	\$ 330,000
Tax Increment Finance Authority - Limited Tax Development Bonds Series 2006B	5,675,000	10/1/24	4.625% - 4.80%	\$345,000 - \$380,000	1,815,000	-	345,000	1,470,000	355,000
Tax Increment Finance Authority - 2015 Limited Tax Development Bonds	1,750,000	10/1/26	2.00% - 3.00%	\$110,000 - \$245,000	<u>815,000</u>	<u>-</u>	<u>110,000</u>	<u>705,000</u>	<u>110,000</u>
Total bonds payable					<u>4,405,000</u>	<u>-</u>	<u>765,000</u>	<u>3,640,000</u>	<u>795,000</u>
Premium on bond issues					<u>53,023</u>	<u>-</u>	<u>3,119</u>	<u>49,904</u>	<u>-</u>
Total component units activities					<u>\$ 4,458,023</u>	<u>\$ -</u>	<u>\$ 768,119</u>	<u>\$ 3,689,904</u>	<u>\$ 795,000</u>

City of Flat Rock, Michigan
Notes to the Financial Statements
June 30, 2020

Annual debt service requirements to maturity for the bonds and notes payable, and installment purchase agreement are as follows:

Year Ending June 30,	Governmental Activities			
	Bonds Payable		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2021	\$ 745,000	\$ 157,603	\$ 25,182	\$ 5,299
2022	360,000	135,780	26,536	3,945
2023	375,000	121,061	27,768	2,713
2024	385,000	105,061	28,727	1,399
2025	425,000	88,061	-	-
2026 - 2030	950,000	311,805	-	-
2031 - 2035	1,175,000	111,840	-	-
	<u>\$ 4,415,000</u>	<u>\$ 1,031,211</u>	<u>\$ 108,213</u>	<u>\$ 13,356</u>

Year Ending June 30,	Business-type Activities			
	Bonds Payable		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2021	\$ 434,999	\$ 44,608	24,300	\$ 6,093
2022	238,951	37,583	25,068	5,325
2023	243,623	32,781	143,445	4,533
2024	248,296	27,836	-	-
2025	254,244	22,746	-	-
2026 - 2030	510,442	49,512	-	-
2031 - 2035	35,440	863	-	-
	<u>\$ 1,965,995</u>	<u>\$ 215,929</u>	<u>\$ 192,813</u>	<u>\$ 15,951</u>

Year Ending June 30,	Component Units Bonds Payable	
	Principal	Interest
2021	\$ 795,000	\$ 171,212
2022	825,000	127,348
2023	870,000	81,075
2024	905,000	32,344
2025	120,000	5,550
2026 - 2030	125,000	1,875
	<u>\$ 3,640,000</u>	<u>\$ 419,404</u>

Deferred Amount of Debt Refunding

The City issued bonds in 2015 to advance refund and retire previously issued term bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This amount is reported in the accompanying statement of net position as a deferred inflow of resources and is being charged to activities through the fiscal year. The remaining principal on this debt is \$730,000 and matures on October 1, 2025.

Deferred amount on refunding activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Less deferred amounts on defeasance	<u>\$ 2,195</u>	<u>\$ -</u>	<u>\$ 2,195</u>	<u>\$ -</u>

Note 7 - Risk Management

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

City of Flat Rock, Michigan
Notes to the Financial Statements
June 30, 2020

Note 8 - Employee Retirement and Benefit Systems

Defined Benefit Pension Plan

Plan description – The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The plan was established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS 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 MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Benefits provided – Benefits provided include plans with multipliers ranging from 1.3% to 2.5%. Vesting periods are 10 years. Normal retirement age is 60 with early retirement at 50 with 25 years of service for police personnel and department heads employed prior to September 2011. Final average compensation is calculated based on 3 to 5 years. Member contributions range from 3% to 5%.

Employees covered by benefit terms – At the December 31, 2019 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries	
currently receiving benefits	64
Inactive employees entitled to but not	
yet receiving benefits	37
Active employees	<u>55</u>
	<u>156</u>

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded

accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions range from 5.77% to 59.25% based on annual payroll for open divisions. Divisions that are closed to new employees have an annual employer contribution amount of 5.77% to 59.25%.

Net pension liability – The employer's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: 1) Inflation 2.5%; 2) Salary increases 3.0% in the long-term; 3) Investment rate of return of 7.35%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3-4%.

Mortality rates used were based on a 50% male and 50% female blend of the following tables: the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disable plan members is a 50% male and 50% female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-

City of Flat Rock, Michigan
Notes to the Financial Statements
June 30, 2020

term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate Of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global equity	60.00%	8.65%	5.19%	2.50%	3.70%
Global fixed income	20.00%	3.76%	0.75%	2.50%	0.30%
Private investments	20.00%	9.06%	1.81%	2.50%	1.25%
	<u>100%</u>		<u>7.75%</u>		<u>5.25%</u>

Discount rate – The discount rate used to measure the total pension liability is 7.6%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability during the measurement year were as follows:

Total Pension Liability

Service cost	\$ 278,368
Interest on the total pension liability	1,978,610
Experience differences	598,074
Changes in actuarial assumptions	920,696
Other charges	104,138
Benefit payments and refunds	<u>(1,965,611)</u>
Net change in total pension liability	1,914,275

Total pension liability - beginning	<u>26,877,960</u>
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Total pension liability - ending (a)	<u><u>\$ 28,792,235</u></u>
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Plan Fiduciary Net Position

Employer contributions	\$ 966,193
Employee contributions	176,323
Pension plan net investment gain	1,563,189
Benefit payments and refunds	(1,965,611)
Pension plan administrative expense	<u>(26,899)</u>

Net change in plan fiduciary net position	713,195
Plan fiduciary net position - beginning	<u>11,828,892</u>

Plan fiduciary net position - ending (b)	<u>12,542,087</u>
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Net pension liability (a-b)	<u><u>\$ 16,250,148</u></u>
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Plan fiduciary net position as a percentage of total pension liability	43.56%
Covered payroll	\$ 3,421,870
Net pension liability as a percentage of covered payroll	474.89%

City of Flat Rock, Michigan
Notes to the Financial Statements
June 30, 2020

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 8%, as well as what the employer's net pension liability would be using a discount rate that is 1% point lower (6.6%) or 1% higher (8.6%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	<u>\$ 19,237,202</u>	<u>\$ 16,250,148</u>	<u>\$ 13,713,361</u>

Pension expense and deferred outflows of resources related to pensions – For the year ended June 30, 2020, the employer recognized pension expense of \$1,978,200. The employer reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Total to Amortize</u>
Differences in experience	\$ 814,806	\$ 814,806
Net difference between projected and actual earning on plan investments	24,396	24,396
Contributions subsequent to the measurement date*	<u>602,657</u>	<u>-</u>
Total	<u>\$ 1,441,859</u>	<u>\$ 839,202</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2021.

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ 340,219
2022	331,214
2023	307,069
2024	<u>(139,300)</u>
	<u>\$ 839,202</u>

Note 9 - Deferred Compensation Plan

The City Council offers all government employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans are held in trust by Nationwide Retirement Solutions, John Hancock and Prudential Securities.

Note 10 - Other Postemployment Benefits

Plan description – The City of Flat Rock Retiree Medical Plan (the Plan) is a single employer defined benefit plan that is administered by the City and provides postemployment health, dental and vision benefits to all eligible full-time retired employees and their beneficiaries hired prior to September 2011. 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. The City obtains health care coverage through private insurers.

Benefit provided – 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. The City Council has the authority to establish and amend benefit terms.

City of Flat Rock, Michigan
Notes to the Financial Statements
June 30, 2020

Contributions – The City Council has the authority to establish and amend the contribution requirements of the City and the plan members. The City is on the pay-as-you-go method and does not pre-fund the plan. For the year ended June 30, 2020, the City had benefit payments of \$787,340. Plan members are not required to contribute to the Plan.

Employees covered by benefit terms – At June 30, 2020, the plan membership consisted of the following:

Inactive plan members receiving or entitled to future benefits	-
Retirees and beneficiaries	50
Active plan members	<u>15</u>
	<u><u>65</u></u>

The OPEB plan is closed to new members.

Total OPEB liability – The total OPEB liability was measured as of June 30, 2020.

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: Implicit in expected payroll increases.
- Salary increases: 0%.
- Investment rate of return: N/A; plan is not pre-funded.
- 20-year Aa Municipal bond rate: 2.66%
- Mortality: Police and Fire: Public Safety 2010 Employee and Healthy Retiree, headcount weighted Others: Public General 2010 Employee and Healthy Retiree, headcount weighted MP-2018 mortality improvement
- Medical Inflation Rates:
 - Pre-65: 8.25% graded down ultimately to 4.5%
 - Post-65: 6.5% graded down ultimately to 4.5%

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2018 – June 30, 2019.

Discount rate – The discount rate used to measure the total OPEB liability was 3.0%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates.

Total OPEB Liability	
Service cost	\$ 158,212
Interest on the total OPEB liability	661,658
Experience differences	2,730,381
Changes in actuarial assumptions	959,173
Benefit payments and refunds	<u>(787,340)</u>
Net change in total OPEB liability	3,722,084
Total OPEB liability - beginning	<u>22,290,728</u>
Total OPEB liability - ending	<u>\$ 26,012,812</u>
Covered payroll	<u>\$ 1,170,034</u>
Total OPEB liability as a percentage of covered payroll	2,223.25%

City of Flat Rock, Michigan
Notes to the Financial Statements
June 30, 2020

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.0%) or 1% higher (4.0%) than the current discount rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 30,368,312	\$ 26,012,812	\$ 22,405,239

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if were calculated using healthcare cost trend rates that are 1% lower (7.25%/5.50%) or 1% higher (9.25%/7.50%) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$ 22,626,515	\$ 26,012,812	\$ 30,569,647

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended June 30, 2020 the employer recognized OPEB expense of \$3,641,475. The employer reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>	<u>Total to Amortize</u>
Differences in experience	\$ 1,365,190	\$ (82,581)	\$ 1,282,609	\$ 1,282,609
Differences in assumptions	700,366	-	700,366	700,366
Total	<u>\$ 2,065,556</u>	<u>\$ (82,581)</u>	<u>\$ 1,982,975</u>	<u>\$ 1,982,975</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2020	<u>\$ 1,982,975</u>

Note 11 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Note 12 - COVID-19 Pandemic

As result of the global coronavirus pandemic of 2020, many organizations' financial picture has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the global picture continues to change daily. While management is hopeful that the impact is temporary in nature, a description of known and anticipated circumstances expected to have a significant impact on the City as of the date of management's review is as follows:

Investments – The City currently has no immediate plans to liquidate investments and remains focused on long term appreciation.

Revenues and Liquidity – The City does not foresee significant liquidity issues at this time, however, the effect the pandemic may have on revenues is unknown. As of August 2020 month-end, State of Michigan sales tax collections are down 0.6% year-over-year. The State has indicated that revenue sharing is likely to be flat over the next fiscal year.

City of Flat Rock, Michigan
Notes to the Financial Statements
June 30, 2020

Accounts Receivable – The City has not experienced any material delays in collection of accounts receivable. However, if the pandemic leads to a protracted recession and such delays occur, the City has sufficient liquidity to effectively mitigate any cash flow issues that could arise.

Additional Expenditures – The City expects to experience increased expenditures during 2021 as a result of covering shifts of symptomatic employees who are unable to report for work, purchasing personal protective equipment and implementing additional safety measures during the pandemic.

Grants – The City expects to receive grant revenues from the CARES Act through the State of Michigan in the amount of approximately \$402,215 in Fiscal Year 2021. Potential grant funds resulting from future Federal aid legislation is also unknown.

City of Flat Rock
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes				
Property taxes	\$ 6,251,500	\$ 6,286,300	\$ 6,295,272	\$ 8,972
Penalties and interest	31,100	31,100	32,306	1,206
Licenses and permits	133,800	102,300	103,111	811
Federal grants	4,500	114,200	106,588	(7,612)
State shared revenue	976,300	976,300	946,386	(29,914)
State grants	29,000	87,600	91,646	4,046
Local contributions	491,950	491,950	486,071	(5,879)
Charges for services	425,300	446,300	353,819	(92,481)
Fines and forfeitures	542,200	464,200	426,331	(37,869)
Interest income	60,000	25,000	23,507	(1,493)
Rental income	167,100	167,100	163,256	(3,844)
Other revenue	329,600	344,500	421,192	76,692
Sale of fixed assets	87,700	61,000	62,435	1,435
	<u>9,530,050</u>	<u>9,597,850</u>	<u>9,511,920</u>	<u>(85,930)</u>
Total revenues				
Expenditures				
General government				
Legislative	12,512	12,512	17,621	5,109
Manager	32,162	4,662	2,827	(1,835)
Judicial	511,900	537,900	499,306	(38,594)
Clerk	360,208	352,008	345,383	(6,625)
Treasurer	350,603	329,803	321,244	(8,559)
Assessor	82,261	94,161	92,502	(1,659)
Elections	46,408	59,408	63,375	3,967
Buildings and safety	387,280	369,880	332,993	(36,887)
Attorney	102,000	102,000	106,200	4,200
General operations	452,650	511,350	495,836	(15,514)
	<u>2,337,984</u>	<u>2,373,684</u>	<u>2,277,287</u>	<u>(96,397)</u>
Total general government				

City of Flat Rock
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public safety				
Police department	\$ 3,141,965	\$ 3,071,015	\$ 2,978,015	\$ (93,000)
Fire department	1,255,068	1,376,118	1,315,606	(60,512)
Building inspection department	-	-	1,670	1,670
Total public safety	<u>4,397,033</u>	<u>4,447,133</u>	<u>4,295,291</u>	<u>(151,842)</u>
Public works				
Department of public works	<u>1,619,510</u>	<u>1,564,310</u>	<u>1,934,842</u>	<u>370,532</u>
Community and economic development				
Planning	6,780	6,780	8,608	1,828
Zoning	<u>10,915</u>	<u>10,915</u>	<u>7,777</u>	<u>(3,138)</u>
Total community and economic development	<u>17,695</u>	<u>17,695</u>	<u>16,385</u>	<u>(1,310)</u>
Recreation and culture				
Parks and recreation	<u>553,935</u>	<u>522,935</u>	<u>101,066</u>	<u>(421,869)</u>
Capital outlay	<u>287,100</u>	<u>355,300</u>	<u>67,536</u>	<u>(287,764)</u>
Debt service				
Principal retirement	<u>66,793</u>	<u>66,793</u>	<u>50,431</u>	<u>(16,362)</u>
Transfers out	<u>250,000</u>	<u>250,000</u>	<u>739,915</u>	<u>489,915</u>
Total expenditures and transfers out	<u>9,530,050</u>	<u>9,597,850</u>	<u>9,482,753</u>	<u>(115,097)</u>
Excess of revenues over expenditures	-	-	29,167	29,167
Fund balance - beginning of year	<u>1,170,120</u>	<u>1,170,120</u>	<u>1,170,120</u>	-
Fund balance - end of year	<u>\$ 1,170,120</u>	<u>\$ 1,170,120</u>	<u>\$ 1,199,287</u>	<u>\$ 29,167</u>

City of Flat Rock
Required Supplementary Information
Budgetary Comparison Schedule
Community Center Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Charges for services	\$ 1,515,250	\$ 1,267,550	\$ 866,827	\$ (400,723)
Other state grants	19,000	19,000	12,809	(6,191)
Local contributions	-	76,000	76,039	39
Interest income	500	500	488	(12)
Other revenue	1,700	1,700	823	(877)
	<u>1,536,450</u>	<u>1,364,750</u>	<u>956,986</u>	<u>(407,764)</u>
Expenditures				
Current				
Recreation and culture	<u>1,784,012</u>	<u>1,568,312</u>	<u>1,449,227</u>	<u>(119,085)</u>
Other financing sources				
Transfers in	<u>250,000</u>	<u>250,000</u>	<u>265,000</u>	<u>15,000</u>
	<u>2,438</u>	<u>(29,562)</u>	<u>(303,673)</u>	<u>(274,111)</u>
Excess (deficiency) of revenues over expenditures				
Fund balance - beginning of year	<u>7,677</u>	<u>7,677</u>	<u>7,677</u>	<u>-</u>
Fund balance - end of year (deficit)	<u>\$ 10,115</u>	<u>\$ (21,885)</u>	<u>\$ (295,996)</u>	<u>\$ (274,111)</u>

City of Flat Rock
Required Supplementary Information
Other Post Employment Benefits
Schedule of Employer Contributions
June 30, 2020

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ 1,991,481	\$ 578,941	\$ 1,412,540	\$ 1,462,805	39.58%
2019	2,572,657	633,922	1,938,735	1,338,814	47.35%
2020	2,776,112	787,340	1,988,772	1,170,034	67.29%

Notes to Schedule of Contributions

Valuation date: June 30, 2020

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar of payroll
Remaining amortization period	30 years
Healthcare cost trend rates	Pre-65: 8.25% grade down to an ultimate 4.5%
	Post-65: 6.5% grade down to an ultimate 4.5%
Salary increases	0.00%
Retirement age	50 to 60
Mortality	Police and Fire: Public Safety 2010 Employee and Healthy Retiree, headcount weighted Others: Public General 2010 Employee and Healthy Retiree, headcount weighted with MP-2018 improvement scale

City of Flat Rock
Required Supplementary Information
Other Post Employment Benefits
Schedule of Changes in Total OPEB Liability and Related Ratios
June 30, 2020

Fiscal year ended June 30,	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 158,212	\$ 162,827	\$ 192,131
Interest	661,658	662,938	561,166
Differences between expected and actual experience	2,730,381	(153,167)	(625,617)
Changes in assumptions	959,173	-	3,900,463
Benefit payments	<u>(787,340)</u>	<u>(633,922)</u>	<u>(578,941)</u>
Net change in total OPEB liability	3,722,084	38,676	3,449,202
Total OPEB liability - beginning	<u>22,290,728</u>	<u>22,252,052</u>	<u>18,802,850</u>
Total OPEB liability - ending (a)	<u>\$ 26,012,812</u>	<u>\$ 22,290,728</u>	<u>\$ 22,252,052</u>
Covered payroll	\$ 1,170,034	\$ 1,338,814	\$ 1,462,805
Total OPEB liability as a percentage of covered payroll	2,223.25%	1,664.96%	1,521.19%

GASB Statement No. 75 was implemented for the fiscal year ended June 30, 2018 and does not require retroactive implementation.
Data will be added as information is available until 10 years of such data is available.

City of Flat Rock
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employer Contributions
June 30, 2020

Actuarial Valuation Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
6/30/2010	\$ 571,075	\$ 571,075	\$ -	\$ 3,608,759	15.82%
6/30/2011	559,361	559,361	-	3,141,984	17.80%
6/30/2012	578,096	592,096	(14,000)	3,028,837	19.55%
6/30/2013	560,292	584,292	(24,000)	3,041,091	19.21%
6/30/2014	582,166	606,166	(24,000)	3,082,131	19.67%
6/30/2015	632,534	650,534	(18,000)	3,211,517	20.26%
6/30/2016	734,717	734,717	-	2,979,142	24.66%
6/30/2017	794,184	794,184	-	3,210,773	24.73%
6/30/2018	1,011,342	1,011,342	-	3,350,656	30.18%
6/30/2019	1,054,932	911,101	143,831	3,659,575	24.90%
6/30/2020	1,009,865	1,009,865	-	3,554,040	28.41%

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 6 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry-age
Amortization method	Level-dollar closed
Remaining amortization period	8-22 years
Asset valuation method	5-year smoothed value of assets
Inflation	2.5%
Salary increases	3.00%
Investment rate of return	7.35%
Retirement age	60
Mortality	RP-2014 Health Annuitant Mortality Tables - 50% male and 50% female blend RP-2014 Employee Mortality Tables - 50% male and 50% female blend RP-2014 Juvenile Mortality Tables - 50% male and 50% female blend RP-2014 Disabled Retiree Mortality Tables - 50% male and 50% female blend

City of Flat Rock
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2020

Fiscal year ended June 30,	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 278,368	\$ 293,936	\$ 297,216	\$ 300,883	\$ 305,961	\$ 349,449
Interest on the total pension liability	1,978,610	2,005,635	1,941,237	1,877,792	1,770,704	1,763,834
Experience differences	598,074	570,735	323,533	251,255	(377,225)	-
Changes in actuarial assumptions	920,696	-	-	-	1,064,893	-
Other charges	104,138	-	-	(3,362)	54,909	-
Benefit payments and refunds	<u>(1,965,611)</u>	<u>(1,831,643)</u>	<u>(1,679,080)</u>	<u>(1,584,281)</u>	<u>(1,371,920)</u>	<u>(1,303,169)</u>
Net change in total pension liability	1,914,275	1,038,663	882,906	842,287	1,447,322	810,114
Total pension liability - beginning	<u>26,877,960</u>	<u>25,839,297</u>	<u>24,956,391</u>	<u>24,114,104</u>	<u>22,666,782</u>	<u>21,856,668</u>
Total pension liability - ending (a)	<u>\$ 28,792,235</u>	<u>\$ 26,877,960</u>	<u>\$ 25,839,297</u>	<u>\$ 24,956,391</u>	<u>\$ 24,114,104</u>	<u>\$ 22,666,782</u>
Plan Fiduciary Net Position						
Employer contributions	\$ 966,193	\$ 1,328,499	\$ 1,011,342	\$ 794,184	\$ 681,482	\$ 650,534
Employee contributions	176,323	343,004	170,853	161,653	206,917	153,807
Pension plan net investment income (loss)	1,563,189	(491,252)	1,494,359	1,211,087	(170,469)	714,400
Benefit payments and refunds	(1,965,611)	(1,831,643)	(1,679,080)	(1,584,281)	(1,371,920)	(1,303,169)
Pension plan administrative expense	<u>(26,899)</u>	<u>(24,525)</u>	<u>(23,693)</u>	<u>(23,942)</u>	<u>(25,093)</u>	<u>(26,132)</u>
Net change in plan fiduciary net position	713,195	(675,917)	973,781	558,701	(679,083)	189,440
Plan fiduciary net position - beginning	<u>11,828,892</u>	<u>12,504,809</u>	<u>11,531,028</u>	<u>10,972,327</u>	<u>11,651,410</u>	<u>11,461,970</u>
Plan fiduciary net position - ending (b)	<u>12,542,087</u>	<u>11,828,892</u>	<u>12,504,809</u>	<u>11,531,028</u>	<u>10,972,327</u>	<u>11,651,410</u>
Net pension liability (a-b)	<u>\$ 16,250,148</u>	<u>\$ 15,049,068</u>	<u>\$ 13,334,488</u>	<u>\$ 13,425,363</u>	<u>\$ 13,141,777</u>	<u>\$ 11,015,372</u>
Plan fiduciary net position as a percentage of total pension liability	43.56%	44.01%	48.39%	46.20%	45.50%	51.40%
Covered payroll	\$ 3,421,870	\$ 3,659,575	\$ 3,350,656	\$ 3,210,773	\$ 2,979,142	\$ 3,211,517
Net pension liability as a percentage of covered payroll	474.89%	411.22%	397.97%	418.13%	441.13%	343.00%

*GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015 and does not require retroactive implementation.

Data will be added as information is available until 10 years of such data is available.

City of Flat Rock
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds					Capital Projects Fund	Debt Service Funds			Nonmajor Governmental Funds
	Major Street Fund	Local Street Fund	Historical District Fund	Library Fund	Other Funds	2015 Construction	2010 Road Improvement	Building Authority Ballfield	2015 Construction	
Assets										
Cash and cash equivalents	\$ 248,095	\$ 26,021	\$ 208,206	\$ 434,558	\$ 7,725	\$ 138,921	\$ -	\$ -	\$ -	\$ 1,063,526
Receivables										
Taxes	-	-	334	1,612	-	-	-	-	-	1,946
Due from other units of government	92,764	35,927	-	-	-	-	-	-	-	128,691
Due from other funds	-	37,105	-	-	-	-	-	-	500	37,605
Prepaid items	2,778	2,778	6	51	-	-	-	-	-	5,613
Total assets	<u>\$ 343,637</u>	<u>\$ 101,831</u>	<u>\$ 208,546</u>	<u>\$ 436,221</u>	<u>\$ 7,725</u>	<u>\$ 138,921</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 1,237,381</u>
Liabilities										
Accounts payable	\$ 8,594	\$ 2,339	\$ 4,558	\$ 5,902	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ 21,893
Accrued and other liabilities	1,037	1,399	-	5,307	-	-	-	-	-	7,743
Due to other funds	37,105	-	-	-	-	-	-	-	-	37,105
Total liabilities	<u>46,736</u>	<u>3,738</u>	<u>4,558</u>	<u>11,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>66,741</u>
Fund balances										
Non-spendable										
Prepaid items	2,778	2,778	6	51	-	-	-	-	-	5,613
Restricted for										
Major street	294,123	-	-	-	-	-	-	-	-	294,123
Local street	-	95,315	-	-	-	-	-	-	-	95,315
Historical district	-	-	203,982	-	-	-	-	-	-	203,982
Library	-	-	-	424,961	-	-	-	-	-	424,961
Capital projects	-	-	-	-	-	138,921	-	-	-	138,921
Other special revenue projects	-	-	-	-	7,725	-	-	-	-	7,725
Total fund balances	<u>296,901</u>	<u>98,093</u>	<u>203,988</u>	<u>425,012</u>	<u>7,725</u>	<u>138,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,170,640</u>
Total liabilities, and fund balances	<u>\$ 343,637</u>	<u>\$ 101,831</u>	<u>\$ 208,546</u>	<u>\$ 436,221</u>	<u>\$ 7,725</u>	<u>\$ 138,921</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 1,237,381</u>

City of Flat Rock
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	Special Revenue Funds					Capital Projects Fund	Debt Service Funds			Total Nonmajor Governmental Funds
	Major Street Fund	Local Street Fund	Historical District Fund	Library Fund	Other Funds	2015 Construction	2010 Road Improvement	Building Authority Ballfield	2015 Construction	
Revenues										
Taxes	\$ -	\$ -	\$ 83,015	\$ 331,632	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 414,647
Federal grants	-	-	-	-	2,992	-	-	-	-	2,992
State shared revenue	664,652	257,414	-	14,286	-	-	-	-	-	936,352
Local contributions	153,051	-	-	-	-	-	-	-	-	153,051
Charges for services	-	-	-	-	641	-	-	-	-	641
Interest income	861	211	803	1,745	27	608	-	-	-	4,255
Other revenue	-	-	271	28,829	-	-	-	-	-	29,100
Total revenues	818,564	257,625	84,089	376,492	3,660	608	-	-	-	1,541,038
Expenditures										
Current										
Public works	213,397	515,458	-	-	-	-	-	-	-	728,855
Community and economic development	-	-	77,702	-	2,736	-	-	-	-	80,438
Library	-	-	-	331,942	-	-	-	-	-	331,942
Capital outlay	-	-	-	3,450	-	54,829	-	-	-	58,279
Debt service										
Principal retirement	-	-	-	-	-	-	190,000	380,000	125,000	695,000
Interest and fiscal charges	-	-	-	-	-	-	59,293	27,315	102,688	189,296
Total expenditures	213,397	515,458	77,702	335,392	2,736	54,829	249,293	407,315	227,688	2,083,810
Excess (deficiency) of revenues over expenditures	605,167	(257,833)	6,387	41,100	924	(54,221)	(249,293)	(407,315)	(227,688)	(542,772)
Other financing sources (uses)										
Transfers in	-	249,701	-	-	-	-	249,293	407,315	227,188	1,133,497
Transfers out	(567,907)	(90,675)	-	-	-	-	-	-	-	(658,582)
Total other financing sources (uses)	(567,907)	159,026	-	-	-	-	249,293	407,315	227,188	474,915
Net change in fund balance	37,260	(98,807)	6,387	41,100	924	(54,221)	-	-	(500)	(67,857)
Fund balance - beginning of year	259,641	196,900	197,601	383,912	6,801	193,142	-	-	500	1,238,497
Fund balance - end of year	\$ 296,901	\$ 98,093	\$ 203,988	\$ 425,012	\$ 7,725	\$ 138,921	\$ -	\$ -	\$ -	\$ 1,170,640

City of Flat Rock
Other Supplementary Information
Schedule of Indebtedness
June 30, 2020

Description	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
Governmental Activities					
Bonds and notes payable					
Building Authority Bond, Series 2006	8/1/2020	\$ 395,000	\$ 9,085	\$ -	\$ 404,085
Date of issue September 2006					
amount of issue \$3,415,000					
Interest due August 1 and February 1					
Capital Improvement Bonds	8/1/2020	\$ 200,000	\$ 27,300	\$ 23,000	\$ 250,300
2010 Limited Tax General Obligation	8/1/2021	210,000	23,000	17,750	250,750
Date of issue September 2010	8/1/2022	225,000	17,750	12,125	254,875
amount of issue \$2,500,000	8/1/2023	235,000	12,125	6,250	253,375
Interest due August 1 and February 1	8/1/2024	250,000	6,250	-	256,250
		<u>\$ 1,120,000</u>	<u>\$ 86,425</u>	<u>\$ 59,125</u>	<u>\$ 1,265,550</u>

City of Flat Rock
Other Supplementary Information
Schedule of Indebtedness
June 30, 2020

Description	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
Capital Improvement Bonds	10/1/2020	\$ 150,000	\$ 49,906	\$ 48,312	\$ 248,218
2015 Limited Tax General Obligation	10/1/2021	150,000	48,312	46,718	245,030
Date of issue May 2015	10/1/2022	150,000	46,718	44,468	241,186
amount of issue \$3,500,000	10/1/2023	150,000	44,468	42,218	236,686
Interest due October 1 and April 1	10/1/2024	175,000	42,218	39,593	256,811
	10/1/2025	175,000	39,593	36,968	251,561
	10/1/2026	175,000	36,968	33,468	245,436
	10/1/2027	200,000	33,468	29,468	262,936
	10/1/2028	200,000	29,468	25,468	254,936
	10/1/2029	200,000	25,468	21,468	246,936
	10/1/2030	225,000	21,468	17,531	263,999
	10/1/2031	225,000	17,531	13,593	256,124
	10/1/2032	225,000	13,593	9,375	247,968
	10/1/2033	250,000	9,375	4,687	264,062
	10/1/2034	250,000	4,687	-	254,687
		<u>\$ 2,900,000</u>	<u>\$ 463,241</u>	<u>\$ 413,335</u>	<u>\$ 3,776,576</u>
Total bonds and notes payable		<u>\$ 4,415,000</u>	<u>\$ 558,751</u>	<u>\$ 472,460</u>	<u>\$ 5,446,211</u>
Installment purchases payable					
Installment Purchase - ambulance	9/14/2020	\$ 25,182	\$ 5,299	\$ -	\$ 30,481
Date of issue September 2018	9/14/2021	26,536	3,945	-	30,481
amount of issue \$132,665	9/14/2022	27,768	2,713	-	30,481
Interest due September 24	9/14/2023	28,727	1,399	-	30,126
		<u>\$ 108,213</u>	<u>\$ 13,356</u>	<u>\$ -</u>	<u>\$ 121,569</u>
Total governmental activities		<u>\$ 4,523,213</u>	<u>\$ 572,107</u>	<u>\$ 472,460</u>	<u>\$ 5,567,780</u>

City of Flat Rock
Other Supplementary Information
Schedule of Indebtedness
June 30, 2020

Description	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
Business-type Activities					
Bonds and notes payable					
South Huron Valley Utility Authority Sewer System Plant Acquisition Bonds Date of issue September 1998 amount of issue \$3,271,516; Flat Rock Share of \$26,615,000 Interest due October 1 and April 1	10/1/2020	\$ 198,163	\$ 2,229	\$ -	\$ 200,392
South Huron Valley Utility Authority 2004 Sewer System Plant Expansion Date of issue April 2004 amount of issue \$2,352,760; Flat Rock Share of \$9,220,000 Interest due October 1 and April 1	4/1/2021 4/1/2022 4/1/2023 4/1/2024 4/1/2025 4/1/2026	\$ 128,866 131,418 133,970 136,521 140,349 142,900	\$ 8,649 7,280 5,883 4,460 3,010 1,517	\$ 8,649 7,280 5,883 4,460 3,010 1,517	\$ 146,164 145,978 145,736 145,441 146,369 145,934
		\$ 814,024	\$ 30,799	\$ 30,799	\$ 875,622
South Huron Valley Utility Authority 2010 Sewer System Improvements Date of issue May 2010 amount of issue \$409,360; Flat Rock Share of \$1,600,000 Interest due November 1 and May 1	5/1/2021 5/1/2022 5/1/2023 5/1/2024 5/1/2025 5/1/2026 5/1/2027 5/1/2028 5/1/2029 5/1/2030	\$ 21,747 20,468 21,747 23,027 24,306 24,306 25,585 29,423 31,981 34,539	\$ 7,598 7,021 6,479 5,903 5,293 4,648 3,874 3,058 2,120 1,101	\$ 7,598 7,021 6,479 5,903 5,293 4,648 3,874 3,058 2,120 1,101	\$ 36,943 34,510 34,705 34,833 34,892 33,602 33,333 35,539 36,221 36,741
		\$ 257,129	\$ 47,095	\$ 47,095	\$ 351,319

City of Flat Rock
Other Supplementary Information
Schedule of Indebtedness
June 30, 2020

Description	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
South Huron Valley Utility Authority	4/1/2021	\$ 26,928	\$ 4,250	\$ 4,250	\$ 35,428
2011 Sewer System Improvements	4/1/2022	27,770	3,913	3,913	35,596
Date of issue April 2011	4/1/2023	28,611	3,566	3,566	35,743
amount of issue \$537,073;	4/1/2024	29,453	3,208	3,208	35,869
Flat Rock Share of \$3,310,000	4/1/2025	30,294	2,840	2,840	35,974
Interest due October 1 and April 1	4/1/2026	31,136	2,461	2,461	36,058
	4/1/2027	31,977	2,072	2,072	36,121
	4/1/2028	32,819	1,672	1,672	36,163
	4/1/2029	32,819	1,262	1,262	35,343
	4/1/2030	33,660	852	852	35,364
	4/1/2031	35,440	433	433	36,306
		<u>\$ 340,907</u>	<u>\$ 26,529</u>	<u>\$ 26,529</u>	<u>\$ 393,965</u>
South Huron Valley Utility Authority	5/1/2021	\$ 59,295	\$ 693	\$ 693	\$ 60,681
2016 Sewer System Improvements	5/1/2022	59,295	578	578	60,451
Date of issue November 2016	5/1/2023	59,295	462	462	60,219
amount of issue \$592,954;	5/1/2024	59,295	347	347	59,989
Flat Rock Share of \$1,880,000	5/1/2025	59,295	231	231	59,757
Interest due November 1 and May 1	5/1/2026	59,297	116	116	59,529
		<u>\$ 355,772</u>	<u>\$ 2,427</u>	<u>\$ 2,427</u>	<u>\$ 360,626</u>
Vactor Truck 2017	11/13/2020	\$ 24,300	\$ 6,093	\$ -	\$ 30,393
Date of issue November 2017	11/13/2021	25,068	5,325	-	30,393
amount of issue \$269,596;	11/13/2022	143,445	4,533	-	147,978
Interest due November 13		<u>\$ 192,813</u>	<u>\$ 15,951</u>	<u>\$ -</u>	<u>\$ 208,764</u>
Total business-type activities		<u>\$ 2,158,808</u>	<u>\$ 125,030</u>	<u>\$ 106,850</u>	<u>\$ 2,390,688</u>

City of Flat Rock
Other Supplementary Information
Schedule of Indebtedness
June 30, 2020

Description	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
Component Units					
Bonds and notes payable					
Tax Increment Finance Authority					
2015 Limited Tax Development Bonds	10/1/2020	\$ 110,000	\$ 10,575	\$ 8,925	\$ 129,500
Date of issue May 2015	10/1/2021	110,000	8,925	7,275	126,200
amount of issue \$1,155,000	10/1/2022	120,000	7,275	5,475	132,750
Interest due October 1 and April 1	10/1/2023	120,000	5,475	3,675	129,150
	10/1/2024	120,000	3,675	1,875	125,550
	10/1/2025	125,000	1,875	-	126,875
		<u>\$ 705,000</u>	<u>\$ 37,800</u>	<u>\$ 27,225</u>	<u>\$ 770,025</u>
Tax Increment Finance Authority	10/1/2020	\$ 330,000	\$ 50,909	\$ 39,441	\$ 420,350
Limited Tax Development Bonds Series 2006A	10/1/2021	355,000	39,441	27,105	421,546
Date of issue August 2006	10/1/2022	375,000	27,105	14,074	416,179
amount of issue \$4,270,000	10/1/2023	405,000	14,074	-	419,074
Interest due October 1 and April 1		<u>\$ 1,465,000</u>	<u>\$ 131,529</u>	<u>\$ 80,620</u>	<u>\$ 1,677,149</u>
Tax Increment Finance Authority	10/1/2020	\$ 355,000	\$ 34,786	\$ 26,576	\$ 416,362
Limited Tax Development Bonds Series 2006B	10/1/2021	360,000	26,576	18,026	404,602
Date of issue August 2006	10/1/2022	375,000	18,026	9,120	402,146
amount of issue \$5,675,000	10/1/2023	380,000	9,120	-	389,120
Interest due October 1 and April 1		<u>\$ 1,470,000</u>	<u>\$ 88,508</u>	<u>\$ 53,722</u>	<u>\$ 1,612,230</u>
Total component units		<u>\$ 3,640,000</u>	<u>\$ 257,837</u>	<u>\$ 161,567</u>	<u>\$ 4,059,404</u>

City of Flat Rock
Other Supplementary Information
Tax Levies in Millage (Unaudited)
Last Twenty-Five Years
For the Years Ended June 30,

Fiscal Year	General Fund	Municipal Building Fund	Sewer Debt	Library Fund	Historical District	Police & Fire	Road and Street	Total
1995	13.14	-	-	-	-	-	-	13.14
1996	13.14	-	2.86	-	-	-	-	16.00
1997	13.15	-	2.86	-	-	-	-	16.01
1998	13.15	-	2.85	1.00	-	-	-	17.00
1999	13.15	-	2.85	1.00	-	-	-	17.00
2000	13.15	-	2.85	1.00	-	-	-	17.00
2001	13.15	-	-	1.00	-	-	-	14.15
2002	16.25	-	-	1.00	-	-	-	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
2013	16.00	-	-	1.00	0.25	1.75	-	19.00
2014	16.00	-	-	1.00	0.25	1.75	-	19.00
2015	16.00	-	-	1.50	0.25	1.75	-	19.50
2016	16.00	-	-	1.50	0.25	1.75	-	19.50
2017	16.00	-	-	1.50	0.25	1.75	-	19.50
2018	16.00	-	-	1.50	0.25	1.75	-	19.50
2019	16.00	-	-	1.50	0.25	1.75	1.00	20.50
2020	16.00	-	-	1.00	0.25	1.75	1.00	20.00

City of Flat Rock
Other Supplementary Information
Water and Sewer Rates (Unaudited)
Last Twenty-Five Years
For the Years Ended June 30,

Fiscal Year	Residential Rate	Non-Residential Rate	Commercial Rate	Industrial Rate
1995	\$ 4.00	\$ 4.00	\$ -	\$ -
1996	4.00	4.00	-	-
1997	4.00	4.50	-	-
1998	4.00	4.50	-	-
1999	4.00	4.50	-	-
2000	3.60	4.25	-	-
2001	4.00	4.50	-	-
2002	4.00	4.50	-	-
2003	4.00	4.50	-	-
2004	4.00	4.50	-	-
2005	4.50	5.00	-	-
2006	4.50	5.00	-	-
2007	4.50	5.00	-	-
2008	5.00	-	6.50	6.75
2009	5.00	-	6.50	6.75
2010	5.00	-	6.50	6.75
2011	6.00	-	7.50	7.75
2012	6.00	-	7.50	7.75
2013	7.00	-	8.50	8.75
2014	7.00	-	8.50	8.75
2015	7.50	-	9.00	9.25
2016	7.50	-	9.00	9.25
2017	7.50	-	9.00	9.25
2018	8.00	-	9.50	9.75
2019	8.25	-	9.75	10.00
2020	9.00	-	10.50	11.00



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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

Independent Auditors' Report

Management and the Board of Trustees
City of Flat Rock, Michigan

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Flat Rock, Michigan as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Flat Rock, Michigan's basic financial statements, and have issued our report thereon dated December 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Flat Rock, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Flat Rock, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Flat Rock, Michigan's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

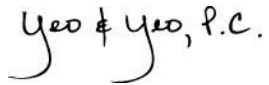
As part of obtaining reasonable assurance about whether the City of Flat Rock, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 one instance of noncompliance or other matter that is required to be reported under Government Auditing Standards, described in the accompanying schedule of findings and responses as items 2020-001.

City of Flat Rock's Response to Findings and Corrective Action Plan

City of Flat Rock, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. City of Flat Rock, Michigan's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Ann Arbor, MI
December 3, 2020

City of Flat Rock
Schedule of Findings and Responses
June 30, 2020

2020-001 – Material Noncompliance – Unassigned Deficit Fund Balance

Specific requirement: Governments are required to maintain positive unassigned fund balance.

Condition: As of June 30, 2020, the City has an unrestricted unassigned deficit fund balance in the Community Center Fund of \$297,219. The City will file a deficit elimination plan with the State of Michigan at conclusion of the audit.

Cause: The deficit is a result of operating losses that were intensified by the COVID-19 pandemic shutdowns.

Effect: The Community Center Fund has its fund balance in a deficit and the City is required to submit a deficit elimination plan.

Recommendation: We recommend that the City develop a deficit elimination plan and submit it to the State of Michigan as soon as possible. Further, we recommend the City review the fee for service structure for Community Center use to determine if the rates are sufficient to support the funds into the future.

Views of responsible officials: Management agrees a deficit elimination plan must be developed and submitted to the State of Michigan.

Corrective action plan: See attached.

City of Flat Rock

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Flat Rock, Michigan 48134-1399



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Fax (734) 783-0304

Website: www.flatrockmi.org

December 3, 2020

Yeo & Yeo, CPAs
1450 Eisenhower Place
Ann Arbor, Michigan 48108

RE: Audit June 30, 2020

Please note the following corrective action plan relating to the material noncompliance in the City's audit as of June 30, 2020.

2020-001 – Material Noncompliance – Deficit Fund Balance

Corrective Action Plan: Management agrees a deficit elimination plan must be in place and has formulated a specific deficit elimination plan. Management believes a transfer of funds from the General Fund to the Community Center Fund will be sufficient to eliminate the deficit in the next year. It will continue to submit to the State of Michigan the required deficit elimination plans.

Thank you for your attention to this matter.

Very Truly Yours,

A handwritten signature in cursive script that reads "Joanne Beard".

Joanne Beard, Treasurer
City of Flat Rock, Michigan

MAYOR, Mark Hammond
TREASURER/ Joanne Beard
CITY CLERK, Shane Harrison
ATTORNEY, Matthew A. Zick
ASSESSOR, Eric Dunlap, MMAO - WCA, LLC

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