

CITY OF FLAT ROCK, MICHIGAN

ANNUAL REPORT

June 30, 2006

CITY OF FLAT ROCK, MICHIGAN

ANNUAL REPORT

TABLE OF CONTENTS

June 30, 2006

	<u>Page</u>
Independent Auditor’s Report	1
Management Discussion and Analysis	2-8
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Funds.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balance	13
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Proprietary Fund:	
Statement of Net Assets	15
Statement of Revenues, Expenses, and Changes in Fund Net Assets	16
Statement of Cash Flows.....	17
Fiduciary Funds:	
Statement of Fiduciary Net Assets	18
Notes to Financial Statements	19-35
Required Supplemental Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund.....	36-45
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Tax Increment Finance Authority	46
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Downtown Development Authority	47

CITY OF FLAT ROCK, MICHIGAN
ANNUAL REPORT
TABLE OF CONTENTS
June 30, 2006

	<u>Page</u>
Supplementary Information:	
Non-major Governmental Funds:	
Combining Balance Sheet – Non-major Governmental Funds	48
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Non-major Governmental Funds	49
Combining Balance Sheet – Non-major Governmental Funds – Special Revenue Funds	50
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Non-major Governmental Funds – Special Revenue Funds	51
Combining Balance Sheet – Non-major Governmental Funds – Debt Service Funds	52
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Non-major Governmental Funds – Debt Service Funds	53
Combining Balance Sheet – Non-major Governmental Funds – Capital Project Funds	54
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Non-major Governmental Funds – Capital Project Funds	55
Other Supplementary Information:	
Repayment Schedules of Long-Term Debt	56-64
Tax Levies in Millage – Last Twenty Years	65
Water and Sewer Rates – Last Twenty Years	66

Jocks & Associates, PC

CERTIFIED PUBLIC ACCOUNTANTS

3630 West Road
Trenton, MI 48183

Phone 734/675-0266

Fax 734/675-3359

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Flat Rock, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Flat Rock's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flat Rock, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 36 through 47, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



December 5, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Flat Rock's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's net assets decreased by \$480,998 (or 2.1%). The governmental net assets decreased by \$949,352 (or 5.9%) and the business-type net assets increased by \$468,354 (or 6.4%).
- Of the \$22,908,413 reported in net assets, \$23,224,434 is the investment in capital assets net of related debt, \$762,628 is reserved for debt service and capital projects and (\$1,078,649) may be used to meet the ongoing obligations to citizens and creditors.
- At the end of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$4,224,659 a decrease of \$2,094,534 from the previous year.
- At the end of the current fiscal year the fund balance for the General Fund decreased \$184,938 to a final balance of \$2,238,850.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

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

Both statements report two activities:

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds:

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

Fiduciary Funds:

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

NOTES TO BASIC FINANCIAL STATEMENTS

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

ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION

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

NON-MAJOR GOVERNMENTAL FUNDS

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

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded its liabilities at the end of the fiscal year by \$22,908,413. However, 101.4% of the City's net assets represent its investment in capital assets (e.g., land, roads, storm sewers, water and sewer systems, building, and equipment) less any related debt used to acquire or construct these assets that is still outstanding. The City uses these capital assets to provide essential services to citizens; therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF FLAT ROCK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE (continued)

CITY OF FLAT ROCK'S NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 2,426,443	\$ 729,600	\$ 3,156,043
Capital assets, net of accumulated depreciation	<u>30,734,635</u>	<u>11,232,907</u>	<u>41,967,542</u>
TOTAL ASSETS	<u>\$33,161,078</u>	<u>\$11,962,507</u>	<u>\$45,123,585</u>
Long-term liabilities outstanding	\$14,614,601	\$ 3,504,610	\$18,119,211
Other liabilities	<u>3,372,372</u>	<u>723,589</u>	<u>4,095,961</u>
Total Liabilities	<u>17,986,973</u>	<u>4,228,199</u>	<u>22,215,172</u>
Net Assets:			
Invested in capital, net of related debt	16,008,677	7,215,757	23,224,434
Restricted	762,628	-	762,628
Unrestricted (deficit)	<u>(1,597,200)</u>	<u>518,551</u>	<u>(1,078,649)</u>
Total Net Assets	<u>15,174,105</u>	<u>7,734,308</u>	<u>22,908,413</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$33,161,078</u>	<u>\$11,962,507</u>	<u>\$45,123,585</u>

CITY OF FLAT ROCK'S CHANGE IN NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 2,519,792	\$3,178,961	\$ 5,698,753
Operating grants	1,446,589	-	1,446,589
General Revenues:			
Taxes and special assessments	9,982,103	-	9,982,103
Investment earnings	<u>430,949</u>	<u>13,315</u>	<u>444,264</u>
Total Revenues	<u>14,379,433</u>	<u>3,192,276</u>	<u>17,571,709</u>
Expenses:			
General government	1,485,019	-	1,485,019
Police	3,430,501	-	3,430,501
Fire	961,020	-	961,020
Building and safety	374,786	-	374,786
Public works	1,793,380	-	1,793,380
Recreation and culture	775,411	-	775,411
Library	456,977	-	456,977
Community enrichment and development	1,472,297	-	1,472,297
Road maintenance and repair	1,473,483	-	1,473,483
Tax refund	1,925,923	-	1,925,923
Interest on long-term debt	1,114,909	-	1,114,909
Miscellaneous	65,079	-	65,079
Water and sewer	-	<u>2,723,922</u>	<u>2,723,922</u>
Total Expenses	<u>15,328,785</u>	<u>2,723,922</u>	<u>18,052,707</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE (continued)

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Changes in Net Assets	(949,352)	468,354	(480,998)
Net Assets, July 1, 2005	<u>16,123,457</u>	<u>7,265,954</u>	<u>23,389,411</u>
Net Assets, June 30, 2006	<u>\$15,174,105</u>	<u>\$7,734,308</u>	<u>\$22,908,413</u>

Governmental Activities:

Governmental activities decreased the City's net assets by \$949,352, thereby accounting for 198% of the total decrease in the net assets of the City.

Business-Type Activities:

Business-type activities increased the City's net assets by \$468,354. Key factors of this decrease are as follows:

- Operating revenues increased by 25.5% and operating expenses increased by 3.0% during the year.

As the City completed the year, its governmental funds reported combined fund balances of \$4,224,659.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance was \$2,192,872 and reserved fund balance was \$45,978 which is the amount of the general fund's advance to the Tax Increment Finance Authority for the construction of the new recreation center. Total fund balance decreased by \$184,938 during the fiscal year.

Tax Increment Finance Authority

The Tax Increment Finance Authority has fund balance of \$425,393.

Downtown Development Authority

The Downtown Development Authority has fund balance of \$422,698.

Other Governmental Funds

Other Governmental Funds had the following fund balances:

Special Revenue Funds	\$ 1,223,181
Debt Service Funds	226,288
Capital Projects Funds	536,340

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE (continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The City investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounts to \$41,625,498 (net of accumulated depreciation). This investment includes a broad range of capital assets, which are detailed in the table below. The total increase in the City's net investment in capital assets for the current fiscal year was \$16,448. The following table is a comparison of the City's net capital assets as of June 30, 2006 compared to June 30, 2005:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Capital assets not depreciated:						
Land	\$ 1,213	\$ 1,213	\$ -	\$ -	\$ 1,213	\$ 1,213
Capital assets being depreciated:						
Infrastructure	8,029	8,097	-	-	8,029	8,097
Buildings	18,828	19,189	3,039	2,972	21,867	22,161
Machinery and equipment	1,956	1,734	67	62	2,023	1,796
Water sewer and mains	-	-	8,245	8,095	8,245	8,095
Vehicles	<u>212</u>	<u>246</u>	<u>20</u>	<u>17</u>	<u>232</u>	<u>263</u>
Net capital assets	<u>\$30,238</u>	<u>\$30,479</u>	<u>\$11,371</u>	<u>\$11,146</u>	<u>\$41,609</u>	<u>\$41,625</u>

This year's major capital events included the following:

- Construction/restoration of the historical district was completed during the fiscal year.
- Completion of new recreational community center.
- Completion of the Greenway Grant Fund, which will provide citizens with smooth bike trails throughout the city.
- Various projects to repair and maintain roads and sidewalks.
- Two new police cruisers were purchased for the City of Flat Rock Police Department at combined cost of \$43,000.
- A new senior citizens transportation van was purchased for \$87,000 using Block Grants

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Long-Term Debt:

At the end of the fiscal year, the City had total long-term bonds and notes outstanding of \$18,666,441.

OUTSTANDING DEBT AT YEAR END

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
General obligation bonds (backed by the City)	\$14,690,000	\$3,940,483	\$18,630,483
Equipment Loans	<u>35,958</u>	<u>-</u>	<u>35,958</u>
	<u>\$14,725,958</u>	<u>\$3,940,483</u>	<u>\$18,666,441</u>

State statutes limit the amount of general obligation debt the City can issue to 10% of its total state equalized assessed value of property. The City’s total general obligation debt (\$18,666,441) is significantly lower than the current state-imposed limit of \$42,963,360.

ECONOMIC CONDITION AND OUTLOOK

The City of Flat Rock’s budget for 2007 is not recommending any change to the millage rate. The water and sewer rates have been increased by \$.50 per thousand gallons and are set at \$4.50 residential and \$5.00 for commercial per thousand gallons.

The City’s revenue consists of 68% tax revenues, 21% local sources and 7% from state revenue and 4% other sources. The City’s tax base had an increase of \$578,000 due to new construction and additional personal property reported. Local revenues are projected to increase by \$374,000 for the fiscal year ended June 30, 2007. State revenue sharing should remain consistent with last year, barring any additional changes in the distribution formula used by the State. The general fund has budgeted a transfer from the water and sewer fund in the amount of \$400,000.

The City’s general fund expenditures are allocated 48% to public safety, police, fire, and building and safety. The department of public services amounts to 28% and the clerk and treasurer departments total 16% and other departments total 8%. In addition, it is recommended that there should be an increase in expenditures over the previous year’s budget of approximately \$1,000,000. Some of the main contributors to the increases in expenditures were increases in personnel wages, health insurance costs and retirement contributions.

The general fund is projecting fund balance reduction of \$331,000.

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

BASIC FINANCIAL STATEMENTS

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 2,367,189	\$ 137,423	\$ 2,504,612
Accounts receivable	512,206	34,342	546,548
Internal balances	(498,930)	498,930	-
Current portion of note receivable	-	38,333	38,333
Inventories	5,918	20,572	26,490
Prepaid expenses	40,060	-	40,060
Total Current Assets	<u>2,426,443</u>	<u>729,600</u>	<u>3,156,043</u>
Noncurrent Assets			
Bond issuance cost and discounts, net of accumulated amortization	255,453	9,924	265,377
Capital assets, net of accumulated depreciation	30,479,182	11,146,316	41,625,498
Note receivable (net of current portion)	-	76,667	76,667
Total Noncurrent Assets	<u>30,734,635</u>	<u>11,232,907</u>	<u>41,967,542</u>
TOTAL ASSETS	<u>\$ 33,161,078</u>	<u>\$ 11,962,507</u>	<u>\$ 45,123,585</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 614,818	\$ 99,328	\$ 714,146
Accrued expenses	1,758,473	133,366	1,891,839
Current portion of accumulated compensated absences	128,123	9,359	137,482
Current portion of long-term obligations	870,958	481,536	1,352,494
Total Current Liabilities	<u>3,372,372</u>	<u>723,589</u>	<u>4,095,961</u>
Noncurrent Liabilities			
Accumulated compensated absences	759,601	45,663	805,264
Noncurrent portion of long-term obligations	13,855,000	3,458,947	17,313,947
Total Noncurrent Liabilities	<u>14,614,601</u>	<u>3,504,610</u>	<u>18,119,211</u>
TOTAL LIABILITIES	<u>17,986,973</u>	<u>4,228,199</u>	<u>22,215,172</u>
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	16,008,677	7,215,757	23,224,434
Restricted for			
Debt service	226,288	-	226,288
Capital projects	536,340	-	536,340
Unrestricted	(1,597,200)	518,551	(1,078,649)
Total Net Assets	<u>15,174,105</u>	<u>7,734,308</u>	<u>22,908,413</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,161,078</u>	<u>\$ 11,962,507</u>	<u>\$ 45,123,585</u>

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

Statement of Activities
For the Year Ended June 30, 2006

CITY OF FLAT ROCK, MICHIGAN

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government						
Governmental Activities:						
General government	\$ 1,485,019	\$ 136,927	\$ 855,788	\$ (492,304)	\$ -	\$ (492,304)
Police	3,430,501	565,675	5,971	(2,858,855)	-	(2,858,855)
Fire	961,020	252,139	-	(708,881)	-	(708,881)
Building and safety	374,786	240,953	-	(133,833)	-	(133,833)
Public works	1,793,380	229,643	-	(1,563,737)	-	(1,563,737)
Recreation and culture	775,411	744,753	-	(30,658)	-	(30,658)
Library	456,977	121,324	-	(335,653)	-	(335,653)
Community enrichment and development	1,472,297	228,378	129,524	(1,114,395)	-	(1,114,395)
Road maintenance and repair	1,473,483	-	455,306	(1,018,177)	-	(1,018,177)
Tax refund	1,925,923	-	-	(1,925,923)	-	(1,925,923)
Interest on long-term debt	1,114,909	-	-	(1,114,909)	-	(1,114,909)
Miscellaneous	65,079	-	-	(65,079)	-	(65,079)
Total Governmental Activities	<u>15,328,785</u>	<u>2,519,792</u>	<u>1,446,589</u>	<u>(11,362,404)</u>	<u>-</u>	<u>(11,362,404)</u>
Business-type Activities:						
Water and sewer	<u>2,723,922</u>	<u>3,178,961</u>	<u>-</u>	<u>-</u>	<u>455,039</u>	<u>455,039</u>
Total Primary Government	<u>\$ 18,052,707</u>	<u>\$ 5,698,753</u>	<u>\$ 1,446,589</u>	<u>(11,362,404)</u>	<u>455,039</u>	<u>(10,907,365)</u>
General Revenues:						
Taxes:						
Property taxes, levied for general purposes				9,424,363	-	9,424,363
Property taxes, levied for special services				548,857	-	548,857
Special assessments for debt service				8,883	-	8,883
Investment earnings				430,949	13,315	444,264
Total General Revenues				<u>10,413,052</u>	<u>13,315</u>	<u>10,426,367</u>
CHANGES IN NET ASSETS				(949,352)	468,354	(480,998)
NET ASSETS, BEGINNING				<u>16,123,457</u>	<u>7,265,954</u>	<u>23,389,411</u>
NET ASSETS, ENDING				<u>\$ 15,174,105</u>	<u>\$ 7,734,308</u>	<u>\$ 22,908,413</u>

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

Balance Sheet
 Governmental Funds
 June 30, 2006

CITY OF FLAT ROCK, MICHIGAN

	<u>General</u>	<u>Tax Increment Finance Authority</u>	<u>Downtown Development Authority</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 193,732	\$ 616,358	\$ 627,762	\$ 929,337	\$ 2,367,189
Receivables:					
Taxes	376,037	-	-	-	376,037
Accrued interest and other	19,307	-	-	29,625	48,932
Due from other funds	94,222	1,400,000	-	451,074	1,945,296
Note receivable, other funds	4,299,630	-	-	-	4,299,630
Due from other governmental units	-	-	-	87,237	87,237
Inventory	5,918	-	-	-	5,918
Prepaid expenses	40,060	-	-	-	40,060
TOTAL ASSETS	<u>\$ 5,028,906</u>	<u>\$ 2,016,358</u>	<u>\$ 627,762</u>	<u>\$ 1,497,273</u>	<u>\$ 9,170,299</u>
 <u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 200,921	\$ -	\$ 205,064	\$ 208,833	\$ 614,818
Accrued expenses	167,508	1,590,965	-	-	1,758,473
Compensated absences, current	128,123	-	-	-	128,123
Due to other funds	2,293,504	-	-	150,722	2,444,226
TOTAL LIABILITIES	<u>2,790,056</u>	<u>1,590,965</u>	<u>205,064</u>	<u>359,555</u>	<u>4,945,640</u>
 <u>FUND BALANCE</u>					
Reserved for:					
Inventory	5,918	-	-	-	5,918
Prepaid expenditures	40,060	-	-	-	40,060
Undesignated, reported in:					
General fund	2,192,872	-	-	-	2,192,872
Special revenue funds	-	425,393	422,698	375,090	1,223,181
Debt service	-	-	-	226,288	226,288
Capital projects	-	-	-	536,340	536,340
TOTAL FUND BALANCES	<u>2,238,850</u>	<u>425,393</u>	<u>422,698</u>	<u>1,137,718</u>	<u>4,224,659</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,028,906</u>	<u>\$ 2,016,358</u>	<u>\$ 627,762</u>	<u>\$ 1,497,273</u>	<u>\$ 9,170,299</u>

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

Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2006

Total Fund Balances for Governmental Funds	\$ 4,224,659
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term note receivable from other funds must be eliminated from the assets of the governmental funds.	(4,299,630)
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	30,479,182
Compensated absences are not due and payable in the current period and are not reported in the funds.	(759,601)
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Other related amounts include unamortized bond cost of \$255,453.	(14,725,958)
Unamortized bond issue costs not recorded in the funds	<u>255,453</u>
Net Assets of Governmental Activities	<u><u>\$ 15,174,105</u></u>

-

Statement of Revenues, Expenditures
and Changes in Fund Balances Governmental Funds
For the Year Ended June 30, 2006

CITY OF FLAT ROCK, MICHIGAN

	General	Tax Increment Finance Authority	Downtown Development Authority	Other Governmental Funds	Total
REVENUES					
Property taxes	\$ 6,957,389	\$ 5,009,162	\$ 536,701	\$ 548,857	\$ 13,052,109
General Government	136,927	-	-	-	136,927
Police Department	552,656	-	-	-	552,656
Fire Department	252,139	-	-	-	252,139
Building and Safety	240,953	-	-	-	240,953
Public Works	229,643	-	-	-	229,643
Recreation and culture	111,424	-	-	-	111,424
Community enrichment and development	90,188	-	-	-	90,188
Special assessments	-	-	-	8,883	8,883
Internal governmental revenue:					
State grants	855,788	-	-	455,306	1,311,094
Federal shared revenue	-	-	-	129,524	129,524
Rental income	-	-	-	577,350	577,350
Other	-	114,680	-	797,153	911,833
Interest	313,448	49,834	22,777	44,890	430,949
Total Revenues	<u>9,740,555</u>	<u>5,173,676</u>	<u>559,478</u>	<u>2,561,963</u>	<u>18,035,672</u>
EXPENDITURES					
General government	1,454,148	-	-	-	1,454,148
Police	3,377,273	-	-	-	3,377,273
Fire	923,997	-	-	-	923,997
Building and safety	364,455	-	-	-	364,455
Public works	1,775,268	-	-	-	1,775,268
Recreation and culture	911,977	-	-	-	911,977
Library	-	-	-	518,043	518,043
Community enrichment and development	50,599	-	485,953	2,146,564	2,683,116
Road maintenance and repair	-	86,210	-	932,726	1,018,936
Tax refund	-	4,159,812	845,000	-	5,004,812
Debt Service:					
Principal	-	-	-	918,193	918,193
Interest	-	-	-	1,114,909	1,114,909
Miscellaneous	-	-	-	65,079	65,079
Total Expenditures	<u>8,857,717</u>	<u>4,246,022</u>	<u>1,330,953</u>	<u>5,695,514</u>	<u>20,130,206</u>
Excess Revenues (Expenditures)	<u>882,838</u>	<u>927,654</u>	<u>(771,475)</u>	<u>(3,133,551)</u>	<u>(2,094,534)</u>
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	-	-	-
Loan Proceeds	-	-	-	-	-
Operating transfers in	-	-	-	2,423,700	2,423,700
Operating transfers out	(1,067,776)	(1,153,385)	-	(202,539)	(2,423,700)
Total Other Financing Sources (Uses)	<u>(1,067,776)</u>	<u>(1,153,385)</u>	<u>-</u>	<u>2,221,161</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(184,938)	(225,731)	(771,475)	(912,390)	(2,094,534)
FUND BALANCE, JULY 1, 2005	<u>2,423,788</u>	<u>651,124</u>	<u>1,194,173</u>	<u>2,050,108</u>	<u>6,319,193</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 2,238,850</u>	<u>\$ 425,393</u>	<u>\$ 422,698</u>	<u>\$ 1,137,718</u>	<u>\$ 4,224,659</u>

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

CITY OF FLAT ROCK, MICHIGAN

Reconciliation of Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balance - total governmental funds \$ (2,094,534)

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

Governmental funds report capital outlays and construction in progress as expenditures. However in the statement of activities, the cost of these assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays and construction in progress exceeded depreciation in the current period. 246,682

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which payments exceeded proceeds. 953,977

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

Amortization of current year bond issuance costs and discounts	(16,551)	
Change in long-term compensated absences	<u>(38,926)</u>	<u>(55,477)</u>
Change in Net Assets of Governmental Activities		<u><u>\$ (949,352)</u></u>

	<u>Business-Type Activities- Enterprise Fund Water and Sewer</u>
<u>ASSETS</u>	
Current Assets	
Cash and cash equivalents	\$ 137,423
Accounts receivable, customers	34,342
Current portion of accounts receivable	38,333
Due from other funds	498,930
Inventories	<u>20,572</u>
Total Current Assets	<u>729,600</u>
Noncurrent Assets	
Bond issuance cost, net of accumulated amortization	9,924
Capital assets, net of accumulated depreciation	11,146,316
Note receivable (net of current portion)	<u>76,667</u>
Total Noncurrent Assets	<u>11,232,907</u>
TOTAL ASSETS	<u>\$ 11,962,507</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts payable	\$ 99,328
Accrued expenses and other liabilities	133,366
Current portion of accumulated compensated absences	9,359
Current portion of long-term obligations	<u>481,536</u>
Total Current Liabilities	<u>723,589</u>
Noncurrent Liabilities	
Accumulated compensated absences	45,663
General obligation bonds payable	3,940,483
Less current portion shown in current liabilities	<u>481,536</u>
Total Noncurrent Liabilities	<u>3,504,610</u>
<u>NET ASSETS</u>	
Investment in capital assets, net of related debt	7,215,757
Unrestricted	<u>518,551</u>
Total Net Assets	<u>7,734,308</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,962,507</u>

Statement of Revenues, Expenses, and Changes
in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2006

CITY OF FLAT ROCK, MICHIGAN

	<u>Business-Type Activities- Enterprise Fund Water and Sewer</u>
<u>OPERATING REVENUES</u>	
Customer billings	\$ 2,731,840
Capital charges	115,228
Service connections	225,579
Service charges	55,915
Other revenue	50,399
Total Operating Revenues	<u>3,178,961</u>
<u>OPERATING EXPENSES</u>	
Cost of water purchases	742,050
Cost of sewage disposal	729,158
System maintenance and repairs	422,919
General and administrative	228,496
Depreciation	409,562
Amortization	8,263
Total Operating Expenses	<u>2,540,448</u>
OPERATING INCOME	<u>638,513</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	13,315
Interest expense	<u>(183,474)</u>
Total Net Non-Operating Expenses	<u>(170,159)</u>
CHANGE IN NET ASSETS	468,354
TOTAL NET ASSETS, BEGINNING	<u>7,265,954</u>
TOTAL NET ASSETS, ENDING	<u>\$ 7,734,308</u>

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

	Business-Type Activities- Enterprise Fund Water and Sewer
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash received from customers	\$ 3,129,010
Other operating revenues	50,399
Cash payments for goods and services	(2,112,285)
Cash to employees	(289,467)
Net Cash Provided By Operating Activities	<u>777,657</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Due to other funds	(119,930)
Collection of note receivable	38,334
Principal paid on revenue and general obligations	(416,789)
Interest paid on revenue and general obligations	(183,474)
Net Cash Used By Capital and Related Financing Activities	<u>(681,859)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchase of fixed assets	(185,114)
Interest on investments	13,315
Net Cash Provided By Investing Activities	<u>(171,799)</u>
NET DECREASE IN CASH	(76,001)
<u>CASH BALANCE</u> July 1, 2005	<u>213,424</u>
<u>CASH BALANCE</u> June 30, 2006	<u>\$ 137,423</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET</u>	
<u>CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating income	\$ 638,513
Depreciation	409,562
Amortization	8,263
Change in assets and liabilities:	
Decrease in accounts receivable	(448)
Decrease in accounts payable	(92,039)
Decrease in accrued expenses and other liabilities	(185,967)
Decrease in due to other funds	(227)
Net Cash Provided By Operating Activities	<u>\$ 777,657</u>

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

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2006

CITY OF FLAT ROCK, MICHIGAN

	<u>Tax Collection</u>	<u>Trust and Agency</u>	<u>Crime Prevention</u>	<u>Deferred Compensation</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 105,190	\$ 484,673	\$ 1,117	\$ -	\$ 590,980
Due from other governments	-	-	-	-	-
	<u>105,190</u>	<u>484,673</u>	<u>1,117</u>	<u>-</u>	<u>590,980</u>
Investments, at fair value:					
Variable annuity funds	-	-	-	1,756,870	1,756,870
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,756,870</u>	<u>1,756,870</u>
TOTAL ASSETS	<u>\$ 105,190</u>	<u>\$ 484,673</u>	<u>\$ 1,117</u>	<u>\$ 1,756,870</u>	<u>\$ 2,347,850</u>
<u>LIABILITIES</u>					
Accounts payable		\$ 70,982	\$ -	\$ -	\$ 70,982
Due to other governments	105,190	-	-	-	105,190
Payments received in advance	-	413,691	1,117	-	414,808
Deferred compensation benefits	-	-	-	1,756,870	1,756,870
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,756,870</u>	<u>1,756,870</u>
TOTAL LIABILITIES	<u>\$ 105,190</u>	<u>\$ 484,673</u>	<u>\$ 1,117</u>	<u>\$ 1,756,870</u>	<u>\$ 2,347,850</u>

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

NOTE -1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Flat Rock, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Flat Rock.

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

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

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

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

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

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

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

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

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

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

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

NOTE -1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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

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

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

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

FUND TYPES AND MAJOR FUNDS

The City reports the following major governmental funds:

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

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

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

In addition the City reports on the following fund types:

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

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

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

PROPRIETARY FUND:

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

FIDUCIARY FUNDS:

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

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

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

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

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

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

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

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

NOTE -2- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

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

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

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

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year ended June 30, 2006, the City incurred expenditures in certain non major budgetary funds, which were in excess of amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	Actual Over <u>Budget</u>
Recreation Center Operating Fund	\$ 999,664	\$ 1,117,158	\$(117,494)
Major Street Fund	\$ 286,385	\$ 324,803	\$(38,418)
Local Street Fund	\$ 738,220	\$ 804,662	\$(66,442)

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

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

NOTE -3- CASH AND CASH EQUIVALENTS:

As of June 30, 2006, the carrying value of cash and cash equivalent (consisting of checking accounts, savings accounts, and certificate of deposits) was \$3,094,708 and the bank balance was \$3,505,290. Of the bank balance, \$108,335 was covered by federal depository insurance and \$3,396,955 was uninsured and uncollateralized.

NOTE -4- CAPITAL ASSETS:

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

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ <u>1,213,229</u>	\$ _____ -	_____ -	\$ <u>1,213,229</u>
Capital Assets Being Depreciated				
Infrastructure	20,120,708	833,453	-	20,954,161
Buildings	21,288,366	801,576	-	22,089,942
Machinery and Equipment	3,942,851	35,737	-	3,978,588
Vehicles	<u>620,306</u>	<u>131,627</u>	_____ -	<u>751,933</u>
Subtotal	<u>45,972,231</u>	<u>1,802,393</u>	_____ -	<u>47,774,624</u>
Less Accumulated Depreciation for				
Infrastructure	(12,091,655)	(765,394)	-	(12,857,049)
Buildings	(2,459,899)	(441,035)	-	(2,900,934)
Machinery and Equipment	(1,987,049)	(257,661)	-	(2,244,710)
Vehicles	<u>(408,571)</u>	<u>(97,407)</u>	_____ -	<u>(505,978)</u>
Subtotal	<u>(16,947,174)</u>	<u>(1,561,497)</u>	_____ -	<u>(18,508,671)</u>
Net Capital Assets Being Depreciated	<u>29,025,057</u>	<u>240,896</u>	_____ -	<u>29,265,953</u>
Governmental Activities Capital Total				
Capital Assets – Net of Depreciation	<u>\$30,238,286</u>	<u>\$ 240,896</u>	\$ _____ -	<u>\$30,479,182</u>
Business – Type Activities				
Capital Assets Being Depreciated				
Water and Sewer Mains	\$15,857,657	\$178,400	\$ -	\$16,036,057
Buildings	4,164,202	-	-	4,164,202
Equipment and Meters	310,523	6,714	-	317,237
Vehicles	<u>265,685</u>	_____ -	_____ -	<u>265,685</u>
Subtotal	<u>20,598,067</u>	<u>185,114</u>	_____ -	<u>20,783,181</u>
Less Accumulated Depreciation for				
Water and Sewer Mains	(7,612,715)	(327,597)	-	(7,940,312)
Buildings	(1,125,447)	(66,618)	-	(1,192,065)
Equipment and Meters	(243,235)	(12,156)	-	(255,391)
Vehicles	<u>(245,906)</u>	<u>(3,191)</u>	_____ -	<u>(249,097)</u>
Subtotal	<u>(9,227,303)</u>	<u>(409,562)</u>	_____ -	<u>(9,636,865)</u>
Business Type Activities Capital Total				
Capital Assets – Net of Depreciation	<u>\$11,370,764</u>	<u>\$(224,448)</u>	\$ _____ -	<u>\$11,146,316</u>

NOTE -4- CAPITAL ASSETS: (continued)

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

Governmental Activities	
Road Maintenance and Repair	\$ 765,394
Recreational Culture	415,903
Public Works	95,621
Police	93,746
Library	85,195
Fire	73,746
General Government	25,320
Building and Safety	<u>6,572</u>
Total Governmental Activities	<u>\$1,561,497</u>
Business – Type Activities	
Water and Sewer Mains	\$ 327,597
Buildings	66,618
Equipment and meters	12,156
Vehicles	<u>3,191</u>
Total Business – Type Activities	<u>\$ 409,562</u>

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

“Total fund balances” of the City’s governmental funds \$4,224,659 on the Governmental Funds Balance Sheet differs from “net assets” of governmental activities by \$10,949,446 as reported in the statement of net assets. The difference primarily results from the long-term economic focus of the statement of net assets versus the current resources focus of the governmental fund balance sheets. The following is a description of each difference found on the reconciliation of governmental funds balance sheet and statement of net assets:

1. The inter-fund note receivable in the general fund of \$4,299,630 is a loan to the Tax Increment Finance Authority which was used to finance the construction of a new recreational facility. This loan was included in the revenues of the Recreational Facility Construction Fund and subsequently used to construct the new building. Such loans must be eliminated from the governmental funds in order properly reflect to net assets of the City. The corresponding debt has also been eliminated.
2. When capital assets (land, buildings and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However the statement of net assets includes those assets among the assets of the City as a whole.

Cost of capital assets	\$ 48,987,853
Accumulated depreciation	<u>(18,508,671)</u>
	<u>\$ 30,479,182</u>

3. Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. The balance of long-term liabilities as of June 30, 2006 is \$14,725,958 and is recognized as a liability on the statement of net assets but not on the governmental funds balance sheet. In addition, unamortized bond cost of \$255,453 is recognized as a non-current asset on the statement of net assets but not on the governmental funds balance sheet.
4. The City provides employees with sick and vacation leave, which can be accumulated and redeemed for compensation at retirement. This leave is referred to as accumulated compensated absences. Leave not used within at the end of the fiscal year is not payable from current resources and is not recognized on the governmental funds balance sheet. The amount of \$759,601 is recognized as a long-term liability on the statement of net assets. The amount payable by fund is as follows:

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

Police	\$455,022
Public works	112,485
Fire	70,651
General government	51,924
Building and safety	24,483
Recreation	36,008
Library	<u>9,028</u>
	<u>\$759,601</u>

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

The "net change in fund balances" for governmental funds of \$(2,094,534) on the Statement of Revenues, Expenditures and Changes in Fund Balance differs from the "change in net assets" for governmental activities by 1,145,182 as reported in the Statement of Activities. The difference arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The following is a description of each difference found on the reconciliation of statement of revenues, expenditures and changes in fund balance to the statement of activities:

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

Construction costs	\$1,548,967
Capital outlays as expenditures in fiscal year 2005-2006	259,212
Depreciation	<u>(1,561,497)</u>
	<u>\$ 246,682</u>

2. Principal on long-term debt was decreased by \$953,977. The debt was originally issued to purchase and construct capital assets. Bond issuance cost and discounts in the amount of \$293,142 are amortized over the term of the related debt. The outstanding liability is reported as reduction on net assets. Decreasing the liability increases net assets.
3. Amortization of current year bond issuance cost and discounts and the change in the long-term expense for accumulated compensation absences reported in the statement of activities and not the statement of revenues, expenditures and changes in fund balance is as follows:

<u>Amortization expense</u>	<u>\$16,551</u>
<u>Compensation absences</u>	
Fire	\$ 6,259
General government	7,316
Public works	(22,158)
Police	33,017
Recreation	13,289
Building and safety	3,759
Library	<u>(2,554)</u>
	<u>\$38,928</u>

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

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

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

NOTE -7- PENSION PLAN: (continued)

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

Actuarial valuations of each participating municipality in the MERS are prepared annually to determine the actuarial condition of the Retirement System and the employer contribution rates required to fund MERS on an actual reserve basis. The calculated employer contribution rates derived from the actuarial valuation as of December 31, 2005, are based on the present provisions of the Municipal Retirement Act of 1984, as amended by 1996 Public Act 220, as embodied in the MERS Plan Document (as revised). A comprehensive annual financial report of MERS may be obtained from the office of the City of Flat Rock, Michigan.

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

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

Upon the effective date for each respective bargaining group, all full time employees of the City are eligible to participate in the plan. As of December 31, 2005, the latest valuation date, the City had 78 employees of which 78 were covered employees. In addition, 2 inactive vested members and 37 retirees were also covered. As of December 31, 2005, the assets of MERS allocated to The City of Flat Rock amounted to about \$9,558,555 at market value and \$9,817,249 at actuarial value.

Funding Policy:

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

If a member leaves the employ of the municipality, or dies, without a retirement allowance or other benefit payable on his/her account, the member's accumulated contributions plus interest (at a rate determined by MERS, currently 2.9%) are refunded with spousal consent, to the member, if living, or to the member's surviving spouse, if any, or to a named beneficiary (after spousal consent, if applicable)

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

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

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

Total covered payroll for the year ended December 31, 2005, was \$4,054,819 and the annual estimated contribution for the fiscal year beginning July 1, 2005, is \$573,552. During the fiscal year's ended June 30, 2006, 2005, and 2003, employer contributions totaling \$529,000, \$484,000, and \$399,000, respectively, were made.

Results of Actuarial Valuation:

The actuarial valuation of the liabilities and contribution rates resulting from the participation of the City of Flat Rock in MERS as of December 31, 2005, is based on the pension benefit provision of MERS, as governed by Act No. 220 of the Public Acts of 1996, as amended and the MERS plan document as revised, the characteristics of active and inactive MERS members, the assets attributable to MERS members of the City of Flat Rock and the actuarial assumptions and funding method, which include an investment yield rate of 8% and the entry age normal actuarial cost method.

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

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

Retirees and beneficiaries currently receiving benefits	\$ 8,852,650
Terminated employees not yet receiving benefits	164,771
Non-vested terminated employees (pending refunds of accumulated Member contributions)	29,239
Current employees ---	
Accumulated employee contributions including allocated investment income	1,880,365
Employer financed	<u>5,679,634</u>
Total Actuarial Accrued Liability	16,606,659
Net Assets Available for Benefits, at Actuarial Value (market value is \$9,558,555)	<u>9,817,249</u>
Unfunded Actuarial Accrued Liability	<u>\$ 6,789,410</u>

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

The actuarial accrued liability represents the difference between the present value of all future benefits and the present value of future normal costs. The unfunded actuarial accrued liability (i.e. the actuarial accrued liability less assets accumulated as of the valuation date), is then amortized as noted above. The components of the employer contribution rate (i.e. the normal cost and amortization payment) and the estimated dollar contributions for the fiscal year beginning July 1, 2007, are as follows:

Computed Employer Contributions to the Retirement System
For the Fiscal Year Beginning July 1, 2007

Employer Contributions
As Percentages of Payroll and Dollars

<u>Valuations Division</u>	<u>Normal Cost</u>	<u>Unfunded Accrued Liability</u>	<u>Totals</u>
<u>Cost of Percentage of Payroll</u>			
General – Cleric	6.07%	.14%	4.24%
Police – POAM	5.42	3.14	8.21
General – DPW Union	5.32	7.41	11.84
Dept. Heads	9.24	34.36	26.77
Adm. Employees	6.96	.10	7.06
COAM	5.52	12.42	17.94
<u>Estimated Monthly Contributions*</u>			
General – Clerical	\$ 1,567	\$ 36	\$ 1,603
Police – POAM	5,035	2,917	7,952
General – DPW Union	3,887	5,414	9,301
Dept. Heads	3,604	13,402	17,006
Adm. Employees	3,731	54	3,785
COAM	<u>3,153</u>	<u>7,095</u>	<u>10,248</u>
Total Municipality	<u>\$20,977</u>	<u>\$28,918</u>	<u>\$49,895</u>
<u>Estimated Annual Contributions*</u>			
Total Municipality	\$251,724	\$347,016	\$598,740

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

During the 1980's, the Retirement Board had implemented a program of contribution credits which give recognition of accelerated funding levels. The accelerated funding credit allows, in certain situations, for contributions to temporarily be reduced from the regular contribution shown above. For the fiscal year beginning July 1, 2006, no accelerated funding credits were available to the City of Flat Rock.

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

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

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

<u>Valuation Date December 31,</u>	<u>Accrued Liabilities</u>	<u>Valuation Assets</u>	<u>Funded Percent</u>	<u>Unfunded Actuarial Liability</u>	<u>UAL as Percent of Annual Payroll</u>
1990	3,106,936	3,871,598	125	(764,662)	0
1991	3,477,348	4,374,022	126	(896,674)	0
1992	4,124,955	4,831,241	117	(706,286)	0
1993	6,387,389	5,166,850	81	1,220,539	70
1994	7,164,146	5,291,598	74	1,872,548	98
1995	7,985,825	5,481,237	69	2,504,588	127
1996	9,468,660	5,723,546	60	3,745,114	181
1997	9,846,172	6,074,279	62	3,771,893	166
1998	10,463,586	6,654,032	64	3,809,554	150
1999	11,208,496	7,471,471	67	3,737,025	139
2000	12,517,271	8,088,957	65	4,428,314	157
2001	13,286,141	8,542,736	64	4,743,405	155
2002	14,063,800	8,558,105	61	5,505,695	166
2003	14,559,592	8,923,963	61	5,635,629	158
2004	15,927,160	9,377,358	59	6,549,802	162
2005	16,606,659	9,817,249	59	6,789,410	166

Notes: Actuarial assumptions were revised for the 1993, 1997, 2000 and 2004 actuarial valuations.
The funding method was changed to entry age normal for the 1993 valuation.

NOTE -7- PENSION PLAN: (continued)

The following is a comparative schedule of termination liability and present value of accrued benefits as of December 31, 2005::

<u>Type of Member</u>	<u>Termination Liability</u>	<u>Present Value of Accrued Benefits</u>
Active Members		
General Clerical	\$ 259,426	\$ 228,412
Police POAM	361,729	425,825
General Union	642,007	678,112
Dept. Heads	1,441,574	1,299,493
Administrative Employee	80,484	125,549
COAM	<u>914,823</u>	<u>1,473,042</u>
Totals	3,700,043	4,230,433
Vested Former Members	164,771	164,771
Pending Refunds	29,239	29,239
Retired Members and Beneficiaries	<u>8,852,650</u>	<u>8,852,650</u>
Total Present Value of Benefits	12,746,703	13,277,093
Total Valuation Assets	<u>9,817,249</u>	<u>9,817,249</u>
Excess Value of Benefits Over Valuation Assets	\$ <u>2,929,454</u>	\$ <u>3,459,844</u>

Note -The termination liability represents the present value of benefits payable in the event that all active members terminate employment on December 31, 2005, based upon valuation interest and mortality assumptions. The present value of accrued benefits includes vested and non-vested benefits accrued as of December 31, 2005.

NOTE -8- LONG-TERM DEBT:

The following is a summary of the outstanding debt of the City of Flat Rock as of June 30, 2006:

	<u>TYPE OF DEBT</u>	<u>NO. OF ISSUES</u>	<u>INTEREST RATE</u>	<u>MATURING THROUGH</u>	<u>PRINCIPAL OUTSTANDING</u>
--	---------------------	----------------------	----------------------	-------------------------	------------------------------

GOVERNMENTAL ACTIVITIES:General and Taxable Obligation Bonds Payable:

2000 Special Assessment, Series B Limited Tax Bonds	General Obligation	1	6.75% to 7.75%	2010	\$ 80,000
1993 Michigan Transportation Fund Bonds	General Obligation	1	3.00% to 5.4%	2008	70,000
2000 Special Assessment, Series A Limited Tax Bonds	General Obligation	1	4.80% to 5.70%	2010	235,000
1997 Michigan Transportation Fund Bonds	General Obligation	1	4.00% to 5.20%	2013	455,000
Installment Purchase Agreement Series 1997	General Obligation	1	4.90% to 7.07%	2013	880,000

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

2004 Building Authority & Building Authority Refunding Bonds	General Obligation	1	2.00% to 4.40%	2017	\$ 1,530,000
Building Authority Bond Series 2000	General Obligation	1	5.92%	2020	4,185,000
2004 Taxable Adjustable Rate Tax Increment Financing Bonds	General Obligation	1	1.50%	2024	5,505,000
2005 Tax Increment Finance Authority Limited Tax Development Bonds	Taxable Obligation	1	5.375% to 5.875%	2025	<u>1,750,000</u>

Total General and Taxable Obligation Bonds Payable 14,690,000

Other Long-Term Obligations:

Equipment	Lease Purchase Agreement	1	12.25%	2007	969
Equipment	Lease Purchase Agreement	1	6.55%	2007	6,240
Equipment	Lease Purchase Agreement	1	5.58%	2007	22,962
Equipment	Lease Purchase Agreement	1	5.58%	2007	<u>5,787</u>

Total Other Long-Term Obligations 35,958

TOTAL GOVERNMENTAL ACTIVITIES 14,725,958

BUSINESS TYPE ACTIVITIES:

Wayne County Sewage Disposal System	General Obligation	2	3.60% to 6.75%	2010	419,751
Wayne County Sewage Disposal Refunding Bonds	General Obligation	1	3.15% to 5.9%	2007	370,133
South Huron Valley Utility Authority Substitution Fund Bonds; 1991 Series	General Obligation	1	2.00%	2011	598,518
South Huron Valley Utility Authority 1998 Sewer System Plant Acquisition Bonds	General Obligation	1	2.25%	2020	<u>2,552,081</u>

TOTAL BUSINESS TYPE ACTIVITIES 3,940,483

TOTAL LONG-TERM DEBT OUTSTANDING \$18,666,441

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

The following is a summary of debt transactions of the City for the year ended June 30, 2006:

	<u>ENTERPRISE FUND</u>	<u>GENERAL & TAXABLE OBLIGATIONS</u>	<u>TOTAL</u>
Balance at July 1, 2005	\$4,357,272	\$15,507,530	\$19,864,802
Debt retired	<u>(416,789)</u>	<u>(781,572)</u>	<u>(1,198,361)</u>
Balance at June 30, 2006	<u>\$3,940,483</u>	<u>\$14,725,958</u>	<u>\$18,666,441</u>

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

Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/07	\$ 1,352,494	\$ 897,420	\$ 2,249,914
6/30/08	1,299,231	831,375	2,130,606
6/30/09	1,366,510	774,829	2,141,339
6/30/10	1,396,813	708,981	2,105,794
6/30/11	1,152,729	643,699	1,796,428
6/30/12	1,072,254	590,354	1,662,608
6/30/13	1,115,942	540,853	1,656,795
6/30/14	924,015	494,934	1,418,949
6/30/15	962,702	448,522	1,411,224
6/30/16	1,002,005	399,541	1,401,546
6/30/17	1,045,692	347,657	1,393,349
6/30/18	1,089,995	292,852	1,382,847
6/30/19	974,297	239,215	1,213,512
6/30/20	1,023,599	186,424	1,210,023
6/30/21	1,068,163	130,995	1,199,158
6/30/22	490,000	87,952	577,952
6/30/23	520,000	57,577	577,577
6/30/24	540,000	25,789	565,789
6/30/25	130,000	12,044	142,044
6/30/26	<u>140,000</u>	<u>4,113</u>	<u>144,113</u>
	<u>\$18,666,441</u>	<u>\$7,715,126</u>	<u>\$26,381,567</u>

Interest is payable on all bond obligations semi-annually. Principal installments are made annually. Total interest expense for the City for the year ended June 30, 2006, approximated \$1,115,000.

NOTE -9- INTERFUND RECEIVABLES AND PAYABLES:

The following are the interfund receivables and payables of the City as of June 30, 2006:

<u>GOVERNMENTAL FUNDS</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
<u>GENERAL FUND -</u>		
Tax Increment Finance Authority Fund	\$ -	\$1,400,000
Special Revenue Funds	94,222	35,574
Debt Service Fund	-	359,000
Enterprise Fund	-	<u>498,930</u>
TOTAL GENERAL FUND	<u>94,222</u>	<u>2,293,504</u>
<u>TAX INCREMENT FINANCE AUTHORITY FUND -</u>		
General Fund	<u>1,400,000</u>	-
TOTAL TAX INCREMENT FINANCE AUTHORITY FUND	<u>1,400,000</u>	-

NOTE -9- INTERFUND RECEIVABLES AND PAYABLES: (continued)

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
<u>OTHER GOVERNMENTAL FUNDS:</u>		
<u>Special Revenue Funds</u>		
Recreation Center Operating Fund:		
General Fund	\$ 19,742	\$ -
Major Street Fund		
General Fund	-	6,985
Local Street Fund	6,500	-
Local Street Fund		
General Fund	15,832	-
Major Street Fund	-	6,500
Library Fund		
Building Authority Capital Projects	50,000	-
Block Grant Fund:		
General Fund	<u>-</u>	<u>87,237</u>
Total Special Revenue Funds	<u>92,074</u>	<u>100,722</u>
<u>Capital Project Funds</u>		
Building Authority		
General Fund	305,000	-
Library Operating Fund	-	50,000
Greenway Grant Fund		
General Fund	<u>54,000</u>	<u>-</u>
Total Capital Project Funds	<u>359,000</u>	<u>50,000</u>
 TOTAL OTHER GOVERNMENTAL FUNDS	 <u>444,574</u>	 <u>144,222</u>
 TOTAL GOVERNMENTAL FUNDS	 <u>1,945,296</u>	 <u>2,444,226</u>
<u>ENTERPRISE FUND -</u>		
General Fund	<u>498,930</u>	<u>-</u>
TOTAL ENTERPRISE FUND	<u>498,930</u>	<u>-</u>
 TOTAL INTERFUND RECEIVABLES AND PAYABLES	 <u>\$2,444,226</u>	 <u>\$2,444,226</u>

NOTE -10- INTERFUND OPERATING TRANSFERS:

The following are interfund operating transfers of the City at June 30, 2006

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
<u>GENERAL FUND -</u>		
Special Revenue Funds:		
Local Street Fund	\$ -	\$ 602,650
Recreation Center Operating Fund	-	178,000
Library Fund	-	45,000
Other Funds	-	10,538
Debt Service Funds:		
Aspen Drive Fund	-	121,013
Capital Projects Funds:		
Greenway Grant	<u>-</u>	<u>110,575</u>
TOTAL GENERAL FUND	<u>-</u>	<u>1,067,776</u>
<u>TAX INCREMENT FINANCE AUTHORITY FUND -</u>		
TIFA Debt Service Fund	<u>-</u>	<u>1,153,385</u>

NOTE -10- INTERFUND OPERATING TRANSFERS: (continued)

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
<u>OTHER GOVERNEMENTAL FUNDS -</u>		
Special Revenue Funds:		
Recreation Center Operating Fund:		
General Fund	178,000	-
Major Street Fund:		
Local Street Fund	-	73,785
Local Street Fund:		
General Fund	602,650	-
Major Street Fund	73,785	-
Transportation Bond General Obligation Fund	-	24,375
Aspen Drive Debt Service Fund	-	99,193
Library Fund:		
General Fund	45,000	-
Other Funds		
General Fund	<u>10,538</u>	<u>-</u>
Total Special Revenue Funds	<u>909,973</u>	<u>197,353</u>
Debt Service Funds:		
Aspen Drive Debt Service Fund:		
General Fund	121,013	-
Local Street Fund	99,193	-
Transportation Bond General Obligation Fund:		
Local Street Fund	24,375	-
TIFA Debt Service Fund		
Tax Increment Finance Authority Fund	1,153,385	-
Special Assessment Sidewalks Fund:		
Sidewalk Replacement Construction Fund	<u>-</u>	<u>5,186</u>
Total Debt Service Funds	<u>1,397,966</u>	<u>5,186</u>
Capital Project Funds:		
Greenway Grant Fund:		
General Fund	110,575	-
Sidewalk Replacement Fund:		
Special Assessment Debt Service Fund	<u>5,186</u>	<u>-</u>
Total Capital Project Funds	<u>115,761</u>	<u>-</u>
 TOTAL OTHER GOVERNMENTAL FUNDS	 <u>2,423,700</u>	 <u>202,539</u>
 TOTAL INTERFUND OPERATING TRANSFERS	 <u>\$ 2,423,700</u>	 <u>\$2,423,700</u>

NOTE -11- RISK MANAGEMENT:

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

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

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

NOTE -12- DEFERRED COMPENSATION PLAN:

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

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

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

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

NOTE -13- POST RETIREMENT BENEFITS:

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

The total cost to the City for health care benefits for the year ended June 30, 2006, was \$925,000 for approximately 81 active employees and 37 retirees.

NOTE -14- ADVANCE REFUND OF SEWAGE DISPOSAL BONDS:

On May 24, 1994, the City issued \$2,295,441 of Wayne County Sewage Disposal (Flat Rock System) Refunding Bonds with variable interest rates (3.15% to 5.19%) to advance refund \$2,175,000 of outstanding Wayne County Sewage Disposal (Flat Rock System) Bonds dated July 1, 1970, with variable interest rates (6% to 8%). The net proceeds of \$2,242,444 (after payment of \$52,997 in underwriting fees and issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1970 Series Bonds. As a result, the 1970 Series Bonds are considered to be nullified and the liability for those bonds has been removed from the Enterprise-Water and Sewer Fund. At June 30, 2006, the balance of the defeased 1970 Series Bonds was \$400,000.

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

NOTE -15- MICHIGAN TAX TRIBUNAL:

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

NOTE -16- JOINT VENTURES:

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

South Huron Valley Utility Authority - The City is a member of the South Huron Valley Utility Authority, which provides sanitary sewage disposal services. Each of the eight member communities appoints one member to the Board. The Authority receives its operating revenue through charges to the communities. The City's share of the debt of the joint venture is being financed by the City through debt service charges. During the year ended June 30, 2006, the City paid operating costs of \$729,000. In addition, the City paid \$254,000 in principal payments and \$73,000 in interest expense. Complete financial statements for the Authority can be obtained from the administrative offices at 34001 West Jefferson, Brownstown, MI 48173

NOTE -16- JOINT VENTURES: (continued)

Naming Rights Agreement – The City of Flat Rock, in conjunction with Auto Alliance International, Inc., (AAI), Ford Motor Company and Mazda Motor Corporation has agreed to the sale of naming rights for a new community center. The City has built a new recreational community center in which AAI has agreed, under general terms and conditions, to purchase the right to name the (“New Community Center”) for \$6,100,000.

NOTE -17-NOTE RECEIVABLE

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

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending	6/30/07	\$ 190,667	\$ 300,974	\$ 491,641
	6/30/08	204,014	287,627	491,641
	6/30/09	218,294	273,347	491,641
	6/30/10	233,575	258,066	491,641
	6/30/11	249,925	241,716	491,641
	6/30/12	267,420	224,221	491,641
	6/30/13	286,140	205,501	491,641
	6/30/14	306,169	185,472	491,641
	6/30/15	327,601	164,040	491,641
	6/30/16	350,533	141,108	491,641
	6/30/17	375,071	116,570	491,641
	6/30/18	401,325	90,316	491,641
	6/30/19	429,418	62,223	491,641
	6/30/20	<u>459,478</u>	<u>32,163</u>	<u>491,641</u>
		<u>\$4,299,630</u>	<u>\$2,583,344</u>	<u>\$6,882,974</u>

This balance has been included in the undesignated fund balance in the general fund on the Governmental Funds Balance Sheet since the note was repaid as described in Note 18.

NOTE -18-SUBSEQUENT EVENTS

On August 3, 2006 the City of Flat Rock Tax Increment Finance Authority issued Limited Tax Development Bonds Series 2006A (taxable) in the amount of \$4,270,000 and Limited Tax Development Refunding Bonds, Series 2006B in the amount of \$5,675,000. The proceeds of these bonds were used to repay the Note Payable to the City of Flat Rock’s general fund in the amount of \$4,299,630 as described in Note 17 and to refund the City of Flat Rock Tax Increment Finance Authority 2004 Taxable Adjustable Rate Tax Increment Financing Bonds in the amount of \$5,505,000.

On September 6, 2006 the City of Flat Rock Building Authority issued 2006 Building Authority Refunding Bonds (General Obligation Limited Tax) in the amount of \$3,415,000. The proceeds of these bonds were used to repay \$3,145,000 of the Building Authority Bond Series 2000, which were scheduled to mature from 2012 to 2021. These bonds are payable beginning February 1, 2007 plus interest at 3.90% to 4.60% until complete maturity on February 1, 2020.

REQUIRED SUPPLEMENTAL INFORMATION

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2006

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>REVENUES:</u>				
Property taxes	\$ 6,917,436	\$ 6,917,436	\$ 6,957,389	\$ 39,953
Elections	-	-	2,546	2,546
General Government	68,100	68,100	134,381	66,281
Police Department	417,810	417,810	552,656	134,846
Fire Department	147,050	147,050	252,139	105,089
Building and Safety:				
Building permits	250,000	250,000	100,754	(149,246)
Electrical permits	90,000	90,000	41,949	(48,051)
Plumbing permits	75,000	75,000	32,160	(42,840)
Mechanical permits	90,000	90,000	32,204	(57,796)
Other revenues	21,900	21,900	33,886	11,986
Public Works	207,500	207,500	229,643	22,143
Recreation and culture	80,600	80,600	111,424	30,824
Community enrichment and development	83,950	83,950	90,188	6,238
State Shared Revenues	846,661	846,661	855,788	9,127
Interest	313,448	313,448	313,448	-
TOTAL REVENUES	9,609,455	9,609,455	9,740,555	131,100
<u>EXPENDITURES:</u>				
<u>GENERAL GOVERNMENT:</u>				
Legislative:				
Elected officials wages	10,000	10,000	10,000	-
Judicial:				
Legal fees	40,000	40,000	75,022	(35,022)
District court	396,000	396,000	379,263	16,737
Total Judicial	436,000	436,000	454,285	(18,285)
Elections:				
Supervisory	4,000	4,000	4,000	-
Clerical	5,000	5,000	16,932	(11,932)
Overtime	2,000	2,000	1,656	344
Payroll tax	880	880	1,449	(569)
Fees and per diem	9,500	9,500	3,922	5,578
Office supplies	1,000	1,000	687	313
Operating supplies	4,500	4,500	3,834	666
Meal allowance	350	350	244	106
Advertising	1,500	1,500	3,251	(1,751)
Insurance and bond	1,300	1,300	890	410
Equipment maintenance	3,000	3,000	-	3,000
Capital outlay	-	-	-	-
Total Elections	33,030	33,030	36,865	(3,835)

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2006

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
City Clerk and Treasurer:				
Supervisory	\$ 92,244	\$ 92,244	\$ 92,799	\$ (555)
Mechanic	100	100	464	(364)
Janitor	29,272	29,272	64,770	(35,498)
Clerical	191,427	191,427	187,369	4,058
Overtime	10,100	10,100	5,089	5,011
Overtime custodian	5,500	5,500	2,193	3,307
Overtime park maintenance	6,000	6,000	930	5,070
Payroll taxes	30,586	30,586	31,525	(939)
Hospitalization	79,016	79,016	77,708	1,308
Employee life insurance	1,890	1,890	1,890	-
Longevity pay	1,150	1,150	1,150	-
Retirement contribution	44,058	44,058	45,907	(1,849)
Sick and vacation pay	-	-	989	(989)
Office supplies	15,250	15,250	7,767	7,483
Bank charges	-	-	5,901	(5,901)
Gasoline and oil, etc.	1,500	1,500	1,679	(179)
Operating supplies	1,000	1,000	1,425	(425)
Medical expense	250	250	388	(138)
Computer expense	20,000	20,000	16,580	3,420
Clothing	1,000	1,000	745	255
Custodian supplies	2,500	2,500	4,213	(1,713)
Pond sprinklers	7,500	7,500	6,916	584
Audit fee	13,000	13,000	12,150	850
Tax roll preparation	8,500	8,500	11,383	(2,883)
Membership and dues	15,000	15,000	14,117	883
Telephone	14,000	14,000	15,841	(1,841)
Meal allowance	1,000	1,000	160	840
Public relations	3,000	3,000	6,320	(3,320)
Reimburse employee's Blue Cross	46,532	46,532	43,580	2,952
Advertising	1,000	1,000	1,400	(400)
Reading building	8,500	8,500	8,274	226
Education and training	2,500	2,500	475	2,025
Insurance and bonds	32,920	32,920	31,112	1,808
Utilities	40,000	40,000	40,151	(151)
Building maintenance	60,000	60,000	49,386	10,614
Equipment maintenance	10,000	10,000	6,302	3,698
Equipment lease	4,000	4,000	9,411	(5,411)
Civil defense	1,500	1,500	206	1,294
Miscellaneous	5,000	5,000	3,021	1,979
Tax refunds	1,500	1,500	30,565	(29,065)
Interest	1,000	1,000	1,979	(979)
Total City Clerk and Treasurer	<u>809,295</u>	<u>809,295</u>	<u>844,230</u>	<u>(34,935)</u>

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2006

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
City Assessor:				
Assessor salary	\$ 10,000	\$ 10,000	\$ 10,000	-
Clerical	16,312	16,312	13,567	2,745
Overtime	500	500	408	92
Payroll taxes	1,345	1,345	1,070	275
Fees and per diem	100	100	1,200	(1,100)
Office supplies	100	100	44	56
Computer expense	1,600	1,600	1,650	(50)
Meal allowance			-	-
Tax roll preparation	10,000	10,000	13,298	(3,298)
Membership and dues	100	100	145	(45)
Meal allowance	100	100	-	100
Advertising	200	200	-	200
Education and training	100	100	-	100
Insurance and bond	748	748	870	(122)
Miscellaneous	100	100	29	71
Total City Assessor	41,305	41,305	42,281	(976)
City Attorney:				
Retainer	22,000	22,000	22,000	-
Labor	20,000	20,000	22,841	(2,841)
Other matters	5,000	5,000	-	5,000
Total City Attorney	47,000	47,000	44,841	2,159
Economic Development				
Supervisory	-	-	14,748	(14,748)
Payroll taxes	-	-	1,182	(1,182)
Employee life insurance	-	-	36	(36)
Retirement contribution	-	-	3,905	(3,905)
Office supplies	-	-	32	(32)
Operating supplies	-	-	310	(310)
Telephone	-	-	329	(329)
Reimburse employee's Blue Cross	-	-	700	(700)
Education and training	-	-	294	(294)
Miscellaneous	-	-	75	(75)
Total Economic Development	-	-	21,611	(21,611)
City Engineer:				
Consulting fees	5,000	5,000	35	4,965
TOTAL GENERAL GOVERNMENT	1,381,630	1,381,630	1,454,148	(72,518)
<u>POLICE DEPARTMENT:</u>				
Supervisory	77,429	77,429	77,727	(298)
Lieutenants	317,033	317,033	339,791	(22,758)
Sergeants	313,217	313,217	358,974	(45,757)
Patrolmen	815,948	815,948	779,963	35,985
Dispatch	70,477	70,477	68,532	1,945
Ordinance officer	21,143	21,143	22,995	(1,852)
Administrative assistant	35,317	35,317	35,453	(136)

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

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
POLICE DEPARTMENT (continued):				
Downriver mutual aid	\$ 2,000	\$ 2,000	\$ 1,282	\$ 718
Mechanic wages	30,000	30,000	35,573	(5,573)
Custodian wages	30,000	30,000	26,713	3,287
Temporary wages	27,473	27,473	25,390	2,083
Shift differential	14,000	14,000	16,537	(2,537)
Overtime	100,000	100,000	112,863	(12,863)
Payroll taxes	164,842	164,842	160,680	4,162
Holiday pay premium	45,000	45,000	54,908	(9,908)
Hospitalization	442,571	442,571	431,280	11,291
Employee life insurance	8,064	8,064	7,590	474
Longevity pay	13,000	13,000	12,750	250
Retirement contribution	183,560	183,560	246,228	(62,668)
Sick and vacation pay	-	-	11,588	(11,588)
Office supplies	5,000	5,000	3,245	1,755
Postage	1,000	1,000	792	208
Dog expenses	7,500	7,500	7,575	(75)
Canine expenses	2,000	2,000	2,247	(247)
Gas and oil	30,000	30,000	41,575	(11,575)
Operating supplies	6,500	6,500	5,424	1,076
Photographic supplies	4,000	4,000	1,685	2,315
Medical expenses	7,500	7,500	8,053	(553)
Jail expenses	40,000	40,000	38,019	1,981
Prisoner medical	1,500	1,500	558	942
Computer expense	30,000	30,000	10,761	19,239
Clothing	40,000	40,000	38,821	1,179
Custodial supplies	4,500	4,500	7,438	(2,938)
Auxiliary police	-	-	299	(299)
Membership dues	1,000	1,000	1,321	(321)
Legal fees	5,000	5,000	2,170	2,830
Telephone	17,000	17,000	20,722	(3,722)
Meal allowance	2,000	2,000	1,653	347
Gun allowance	7,500	7,500	7,500	-
Gun range	6,000	6,000	5,738	262
Public relations	3,000	3,000	2,239	761
Reimburse employee's Blue Cross	102,985	102,985	91,502	11,483
Advertising	2,000	2,000	380	1,620
Education and training	17,000	17,000	9,796	7,204
Insurance and bonds	68,843	68,843	56,446	12,397
Insurance claims deductible	1,000	1,000	-	1,000
Utilities	25,000	25,000	34,797	(9,797)
Building maintenance	12,000	12,000	5,832	6,168
Equipment maintenance	15,000	15,000	20,603	(5,603)
Equipment lease	30,000	30,000	25,821	4,179
Auto maintenance	35,000	35,000	33,926	1,074
Equipment rental	7,500	7,500	4,391	3,109
Mutual aid	4,500	4,500	4,083	417
Miscellaneous	3,000	3,000	3,068	(68)
Interest	1,000	1,000	190	810
Capital outlay	60,000	60,000	51,786	8,214
TOTAL POLICE DEPARTMENT	3,316,902	3,316,902	3,377,273	(60,371)

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

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>FIRE DEPARTMENT</u>				
Chief salary	\$ 55,122	\$ 55,122	\$ 55,334	\$ (212)
Assistant Chief salary	3,537	3,537	3,465	72
Mechanic	6,000	6,000	3,840	2,160
Custodian	10,000	10,000	8,518	1,482
Clerical	8,000	8,000	-	8,000
Overtime	30,000	30,000	64,765	(34,765)
Deputy chief	2,809	2,809	2,058	751
Full time employees	249,517	249,517	246,098	3,419
Part time employees	80,000	80,000	146,249	(66,249)
Payroll taxes	36,922	36,922	43,793	(6,871)
Holiday pay premium	6,500	6,500	13,133	(6,633)
Hospitalization	59,739	59,739	51,152	8,587
Employee life	1,764	1,764	1,596	168
Longevity pay	700	700	700	-
Retirement contribution	23,446	23,446	32,293	(8,847)
Sick and vacation pay	-	-	(1,679)	1,679
Office supplies	3,500	3,500	5,000	(1,500)
Operating supplies	12,000	12,000	15,014	(3,014)
Gas and oil	3,000	3,000	7,031	(4,031)
Operating supplies	4,000	4,000	5,538	(1,538)
Medical expenses	6,000	6,000	3,160	2,840
Clothing	8,000	8,000	4,155	3,845
Custodial supplies	1,000	1,000	848	152
Ambulance billing service	10,000	10,000	21,603	(11,603)
Membership and dues	2,000	2,000	2,292	(292)
Legal fees	2,000	2,000	-	2,000
Telephone	6,500	6,500	7,023	(523)
Meal allowance	600	600	318	282
Public relation	2,000	2,000	1,164	836
Reimbursement blue cross	15,823	15,823	23,285	(7,462)
Advertising	500	500	874	(374)
Education and training	20,000	20,000	14,024	5,976
Educational services	6,000	6,000	3,212	2,788
Insurance and bond	26,568	26,568	31,652	(5,084)
Utilities	16,500	16,500	23,923	(7,423)
Building maintenance	25,000	25,000	17,832	7,168
Equipment maintenance	25,000	25,000	20,166	4,834
Equipment lease	6,883	6,883	944	5,939
Mutual aid	2,000	2,000	1,559	441
Capital outlay	-	-	42,065	(42,065)
TOTAL FIRE DEPARTMENT	<u>778,930</u>	<u>778,930</u>	<u>923,997</u>	<u>(145,067)</u>

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>BUILDING AND SAFETY:</u>				
Supervisory	\$ 53,778	\$ 53,778	\$ 54,004	\$ (226)
Ordinance officer	14,095	14,095	11,206	2,889
Mechanic	500	500	-	500
Clerical	52,269	52,269	55,075	(2,806)
Inspector	42,575	42,575	42,492	83
Dangerous building inspector	3,000	3,000	-	3,000
Overtime	6,000	6,000	1,065	4,935
Payroll taxes	14,023	14,023	13,276	747
Hospitalization	45,606	45,606	41,741	3,865
Employee life insurance	1,008	1,008	1,202	(194)
Retirement contribution	17,805	17,805	19,489	(1,684)
Sick and vacation pay	-	-	2,485	(2,485)
Fee per diem	200	200	200	-
Office supplies	4,000	4,000	2,484	1,516
Gas and oil	1,000	1,000	1,435	(435)
Operating supplies	3,000	3,000	1,509	1,491
Computer expense	2,000	2,000	2,208	(208)
Clothing	300	300	74	226
Membership and dues	600	600	643	(43)
Consultant fees	2,000	2,000	809	1,191
Inspections:				
Mechanical	45,000	45,000	26,006	18,994
Electrical	50,000	50,000	35,003	14,997
Plumbing	30,000	30,000	21,393	8,607
Telephone	8,000	8,000	6,833	1,167
Auto expense	3,000	3,000	607	2,393
Meal allowance	450	450	140	310
Reimburse employee's Blue Cross	6,045	6,045	9,120	(3,075)
Advertising	600	600	1,028	(428)
Education and training	2,500	2,500	30	2,470
Insurance and bond	13,453	13,453	6,698	6,755
Utilities	3,000	3,000	4,350	(1,350)
Miscellaneous	2,000	2,000	1,850	150
TOTAL BUILDING AND SAFETY	427,807	427,807	364,455	63,352
<u>PUBLIC WORKS:</u>				
Supervisory	85,575	85,575	86,228	(653)
Labor	264,522	264,522	309,713	(45,191)
Mechanic	47,444	47,444	54,954	(7,510)
Temporary	20,000	20,000	26,315	(6,315)
Overtime	20,000	20,000	10,221	9,779
Overtime department heads	4,000	4,000	4,271	(271)
Payroll taxes	40,734	40,734	42,593	(1,859)
Hospitalization	300,141	300,141	285,163	14,978
Employee life insurance	4,347	4,347	4,864	(517)
Longevity pay	5,332	5,332	5,785	(453)
Retirement contribution	83,304	83,304	104,730	(21,426)
Sick and vacation pay	5,000	5,000	(4,856)	9,856
Office supplies	2,000	2,000	1,062	938

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2006

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>PUBLIC WORKS (continued):</u>				
Gas and oil	\$ 22,500	\$ 22,500	\$ 28,310	\$ (5,810)
Operating supplies	15,000	15,000	19,048	(4,048)
Medical expenses	2,000	2,000	1,074	926
Clothing	13,000	13,000	13,249	(249)
Custodial supplies	1,500	1,500	692	808
Membership and dues	600	600	225	375
Consulting fees	1,000	1,000	3,216	(2,216)
Garbage pick up	282,000	282,000	290,356	(8,356)
Hazardous waste pickup	7,500	7,500	1,284	6,216
Street lighting	207,000	207,000	186,797	20,203
Telephone	9,500	9,500	9,885	(385)
Meal allowance	500	500	545	(45)
Reimburse employee's Blue Cross	49,311	49,311	25,464	23,847
Advertising	1,000	1,000	130	870
Education and training	2,000	2,000	4,122	(2,122)
Safety training	1,000	1,000	-	1,000
Insurance and bond	49,713	49,713	26,264	23,449
Utilities	17,000	17,000	23,424	(6,424)
Building maintenance	16,000	16,000	10,367	5,633
Cemetery maintenance	1,500	1,500	1,531	(31)
Equipment maintenance	50,000	50,000	51,137	(1,137)
Equipment lease	43,925	43,925	56,071	(12,146)
Park maintenance	15,000	15,000	10,513	4,487
Miscellaneous	1,000	1,000	9,023	(8,023)
Capital outlay			62,521	(62,521)
Interest	5,000	5,000	8,977	(3,977)
TOTAL PUBLIC WORKS	1,696,948	1,696,948	1,775,268	(78,320)
<u>RECREATION AND CULTURE:</u>				
<u>Recreation:</u>				
Supervisory	55,122	55,122	54,274	848
Mechanic	2,500	2,500	2,599	(99)
Clerical	10,104	10,104	-	10,104
Temporary	53,000	53,000	41,884	11,116
Bus transportation	16,000	16,000	1,764	14,236
Programmers	50,178	50,178	25,396	24,782
Consulting fees	-	-	-	-
Park improvements			-	-
Overtime	7,000	7,000	623	6,377
Payroll taxes	15,997	15,997	13,325	2,672
Hospitalization	15,556	15,556	13,120	2,436
Employee life insurance	756	756	504	252
Longevity pay	-	-	200	(200)
Retirement contribution	8,895	8,895	16,777	(7,882)
Sick and vacation pay	-	-	(1,941)	1,941
Office supplies	5,000	5,000	4,811	189
Postage	3,000	3,000	1,319	1,681
Gas and oil	2,500	2,500	2,925	(425)

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2006

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
Recreation: (continued)				
Operating supplies	\$ 9,000	\$ 9,000	\$ 3,737	\$ 5,263
Computer expense	5,000	5,000	3,211	1,789
Membership and dues	1,000	1,000	590	410
Consulting fees	1,000	1,000	-	1,000
Athletic equipment	-	-	99	(99)
Telephone	9,500	9,500	4,887	4,613
Travel expense	15,000	15,000	26,816	(11,816)
Adult softball	10,000	10,000	8,124	1,876
Youth baseball	3,000	3,000	3,670	(670)
Safety town	500	500	642	(142)
Youth programs	15,000	15,000	16,681	(1,681)
Adult programs	10,000	10,000	7,348	2,652
Concession stand	1,500	1,500	-	1,500
MRPA programs	15,000	15,000	15,820	(820)
Meal allowance	400	400	20	380
Public relations	400	400	-	400
Reimburse employee's Blue Cross	6,045	6,045	6,411	(366)
Advertising	4,000	4,000	3,372	628
Education and training	1,000	1,000	117	883
Insurance and bond	12,937	12,937	8,943	3,994
Insurance claims deductible	-	-	500	(500)
Equipment maintenance	6,000	6,000	1,738	4,262
Equipment lease	4,000	4,000	-	4,000
Miscellaneous	4,000	4,000	2,516	1,484
Arts Council	10,000	10,000	8,773	1,227
Total Recreation	<u>389,890</u>	<u>389,890</u>	<u>301,595</u>	<u>88,295</u>
Senior Citizens:				
Custodian	-	-	5,979	(5,979)
Payroll taxes	-	-	455	(455)
Operating supplies	-	-	40	(40)
Custodial supplies	-	-	-	-
Meal allowance	-	-	-	-
Telephone	-	-	981	(981)
Meals on Wheels	-	-	3,249	(3,249)
Advertising	-	-	-	-
Insurance and bond	-	-	1,365	(1,365)
Utilities	-	-	6,733	(6,733)
Building maintenance	-	-	396	(396)
Miscellaneous	-	-	28	(28)
Total Senior Citizens	<u>-</u>	<u>-</u>	<u>19,226</u>	<u>(19,226)</u>
Youth Center:				
Custodian	-	-	1,727	(1,727)
Payroll taxes	-	-	132	(132)
Custodial supplies	-	-	-	-
Telephone	-	-	733	(733)
Meal allowance	-	-	-	-
Insurance and bond	-	-	1,238	(1,238)

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

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>Youth Center:</u> (continued)				
Utilities	\$ -	\$ -	\$ 1,702	\$ (1,702)
Building maintenance	-	-	626	(626)
Miscellaneous	-	-	-	-
Total Youth Center	-	-	6,158	(6,158)
<u>Ball field, Fountain & Ice Rink:</u>				
Ball field maintenance	40,000	40,000	55,981	(15,981)
Ice rink maintenance	30,000	30,000	31,173	(1,173)
Payroll taxes	5,600	5,600	6,630	(1,030)
Ball field material and supplies	10,000	10,000	24,545	(14,545)
Ice rink material and supplies	7,500	7,500	9,895	(2,395)
Meal allowance	100	100	160	(60)
Insurance and bonds	2,324	2,324	2,279	45
Ball field utilities	11,000	11,000	9,322	1,678
Ice rink utilities	25,000	25,000	22,683	2,317
Building rent	431,860	431,860	422,330	9,530
Total Ball field, Fountain & Ice Rink	563,384	563,384	584,998	(21,614)
TOTAL RECREATION AND CULTURE	953,274	953,274	911,977	41,297
<u>COMMUNITY ENRICHMENT AND DEVELOPMENT</u>				
<u>Planning Commission:</u>				
Clerical	2,000	2,000	1,487	513
Overtime	750	750	-	750
Payroll taxes	220	220	113	107
Fees and per diem	1,200	1,200	930	270
Special meetings	1,000	1,000	-	1,000
Office supplies	350	350	215	135
Consultant fees	7,500	7,500	25,127	(17,627)
Master plan	10,000	10,000	1,100	8,900
Special planning work	5,000	5,000	1,624	3,376
Advertising	750	750	-	750
Revision of ordinances	20,000	20,000	461	19,539
Education and training	500	500	323	177
Insurance and bond	765	765	870	(105)
Total Planning Commission	50,035	50,035	32,250	17,785
<u>Zoning Board of Appeals:</u>				
Clerical	1,500	1,500	2,088	(588)
Overtime	850	850	-	850
Payroll taxes	188	188	160	28
Fees and per diem	750	750	900	(150)
Office supplies	200	200	91	109
Consultant	500	500	257	243
Advertising	1,000	1,000	2,960	(1,960)
Education and training	100	100	681	(581)
Insurance and bond	1,200	1,200	870	330
Total Zoning Board of Appeals	6,288	6,288	8,007	(1,719)

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2006

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>Beautification:</u>				
Clerical	\$ 500	\$ 500	\$ 199	\$ 301
Payroll taxes	40	40	15	25
Fees and per diem	1,260	1,260	1,125	135
Office supplies	100	100	34	66
Seeding and planting	-	-	335	(335)
Public relations	5,000	5,000	3,345	1,655
Insurance and bond	771	771	807	(36)
Maintenance fee	2,500	2,500	2,431	69
Miscellaneous	500	500	252	248
Total Beautification	<u>10,671</u>	<u>10,671</u>	<u>8,543</u>	<u>2,128</u>
<u>Cable Commission:</u>				
Clerical	100	100	-	100
Payroll taxes	10	10	-	10
Fees and per diem	800	800	1,155	(355)
Public relations	500	500	28	472
Advertising	500	500	-	500
Insurance and bond	850	850	310	540
Equipment maintenance	500	500	260	240
Miscellaneous	500	500	46	454
Total Cable Commission	<u>3,760</u>	<u>3,760</u>	<u>1,799</u>	<u>1,961</u>
TOTAL COMMUNITY ENRICHMENT AND DEVELOPMENT				
	<u>70,754</u>	<u>70,754</u>	<u>50,599</u>	<u>20,155</u>
TOTAL EXPENDITURES				
	<u>8,626,245</u>	<u>8,626,245</u>	<u>8,857,717</u>	<u>(231,472)</u>
EXCESS REVENUES				
	<u>983,210</u>	<u>983,210</u>	<u>882,838</u>	<u>(100,372)</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
<u>Interfund Transfers</u>				
Special Revenue Funds	(545,000)	(545,000)	(836,188)	(291,188)
Debt Service Funds	(138,818)	(138,818)	(121,013)	17,805
Capital Project Funds	-	-	(110,575)	(110,575)
Total Interfund Transfers	<u>(683,818)</u>	<u>(683,818)</u>	<u>(1,067,776)</u>	<u>(383,958)</u>
EXCESS REVENUES AND OTHER SOURCES (USES) OVER EXPENDITURES				
	299,392	299,392	(184,938)	(484,330)
Fund Balance, July 1, 2005	<u>2,423,788</u>	<u>2,423,788</u>	<u>2,423,788</u>	<u>-</u>
Fund Balance, June 30, 2006	<u>\$ 2,723,180</u>	<u>\$ 2,723,180</u>	<u>\$ 2,238,850</u>	<u>\$ (484,330)</u>

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, Downtown Development Authority
For the Year Ended June 30, 2006

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
REVENUES				
Taxes captured	\$ 472,000	\$ 502,000	\$ 536,701	\$ 34,701
Interest	6,000	3,000	22,777	19,777
Total Revenues	<u>478,000</u>	<u>505,000</u>	<u>559,478</u>	<u>54,478</u>
EXPENDITURES				
Construction	801,432	801,432	471,640	329,792
Legal and audit	9,684	9,684	11,494	(1,810)
Maintenance	20,000	20,000	-	20,000
Utilities	7,500	7,500	2,819	4,681
Tax refund	845,000	845,000	845,000	-
Total Expenditures	<u>1,683,616</u>	<u>1,683,616</u>	<u>1,330,953</u>	<u>352,663</u>
EXCESS REVENUES	(1,205,616)	(1,178,616)	(771,475)	407,141
Fund Balance, July 1, 2005	<u>1,194,173</u>	<u>1,194,173</u>	<u>1,194,173</u>	<u>-</u>
Fund Balance, June 30, 2006	<u>\$ (11,443)</u>	<u>\$ 15,557</u>	<u>\$ 422,698</u>	<u>\$ 407,141</u>

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, Tax Increment Finance Authority
For the Year Ended June 30, 2006

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
REVENUES				
Taxes captured	\$ 5,707,815	\$ 5,500,423	\$ 5,009,162	\$ (491,261)
Other	21,500	86,500	114,680	28,180
Interest	15,000	15,000	49,834	34,834
Total Revenues	<u>5,744,315</u>	<u>5,601,923</u>	<u>5,173,676</u>	<u>(428,247)</u>
EXPENDITURES				
Secretary	1,200	1,200	850	350
Bank charges	1,000	1,000	374	626
Bond expenses			9,222	(9,222)
Audit	2,000	2,000	2,000	-
Consultant			6,810	(6,810)
Street lighting	10,000	10,000	9,300	700
Maintenace Gateway	10,000	10,000	7,035	2,965
Legal	7,500	7,500	46,932	(39,432)
Advertising	1,000	1,000	35	965
Insurance and bond	6,600	6,600	747	5,853
Miscellaneous	200	200	2,905	(2,705)
Tax refund	4,851,643	4,675,359	4,159,812	515,547
Total Expenditures	<u>4,891,143</u>	<u>4,714,859</u>	<u>4,246,022</u>	<u>468,837</u>
EXCESS REVENUES	<u>853,172</u>	<u>887,064</u>	<u>927,654</u>	<u>40,590</u>
OTHER FINANCING USES				
Interfund Transfers:				
Debt Service Funds	(913,401)	(913,401)	(1,153,385)	(239,984)
Total Interfund Transfers	<u>(913,401)</u>	<u>(913,401)</u>	<u>(1,153,385)</u>	<u>(239,984)</u>
EXCESS REVENUES AND OTHER USES OVER EXPENDITURES	(60,229)	(26,337)	(225,731)	(199,394)
Fund Balance, July 1, 2005	<u>651,124</u>	<u>651,124</u>	<u>651,124</u>	<u>-</u>
Fund Balance, June 30, 2006	<u>\$ 590,895</u>	<u>\$ 624,787</u>	<u>\$ 425,393</u>	<u>\$ (199,394)</u>

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

SUPPLEMENTARY INFORMATION

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 421,910	\$ 225,754	\$ 281,673	\$ 929,337
Accounts receivable	29,091	534	-	29,625
Due from other funds	92,074	-	359,000	451,074
Due from other governmental units	87,237	-	-	87,237
TOTAL ASSETS	<u>\$ 630,312</u>	<u>\$ 226,288</u>	<u>\$ 640,673</u>	<u>\$ 1,497,273</u>
 <u>LIABILITIES</u>				
Accounts payable	\$ 154,500	\$ -	\$ 54,333	\$ 208,833
Due to other funds	100,722	-	50,000	150,722
Total Liabilities	<u>255,222</u>	<u>-</u>	<u>104,333</u>	<u>359,555</u>
 <u>FUND BALANCE</u>				
Reserved for debt service	-	226,288	-	226,288
Reserved for capital projects	-	-	536,340	536,340
Unreserved	375,090	-	-	375,090
Total Fund Balances	<u>375,090</u>	<u>226,288</u>	<u>536,340</u>	<u>1,137,718</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 630,312</u>	<u>\$ 226,288</u>	<u>\$ 640,673</u>	<u>\$ 1,497,273</u>

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

Combining Statements of Revenues, Expenditures,
and Changes in Fund Balance
Non-major Governmental Funds
Year Ended June 30, 2006

CITY OF FLAT ROCK, MICHIGAN

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
<u>REVENUES</u>				
Property taxes	\$ 548,857	\$ -	\$ -	\$ 548,857
Federal shared revenue	129,524	-	-	129,524
State-shared revenue	455,306	-	-	455,306
Rental income	-	577,350	-	577,350
Special assessments	-	8,883	-	8,883
Other	797,153	-	-	797,153
Interest	19,574	9,199	16,117	44,890
Total Revenues	<u>1,950,414</u>	<u>595,432</u>	<u>16,117</u>	<u>2,561,963</u>
<u>EXPENDITURES</u>				
Road maintenance and repair	932,726	-	-	932,726
Community enrichment and development	1,314,498	-	832,066	2,146,564
Library	518,043	-	-	518,043
Debt Service:				
Principal	-	918,193	-	918,193
Interest	-	1,114,909	-	1,114,909
Miscellaneous	-	65,079	-	65,079
Total Expenditures	<u>2,765,267</u>	<u>2,098,181</u>	<u>832,066</u>	<u>5,695,514</u>
Excess Expenditures	<u>(814,853)</u>	<u>(1,502,749)</u>	<u>(815,949)</u>	<u>(3,133,551)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in	909,973	1,397,966	115,761	2,423,700
Operating transfers out	(197,353)	(5,186)	-	(202,539)
Total Other Financing Sources	<u>712,620</u>	<u>1,392,780</u>	<u>115,761</u>	<u>2,221,161</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(102,233)	(109,969)	(700,188)	(912,390)
FUND BALANCE, JULY 1, 2005	<u>477,323</u>	<u>336,257</u>	<u>1,236,528</u>	<u>2,050,108</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 375,090</u>	<u>\$ 226,288</u>	<u>\$ 536,340</u>	<u>\$ 1,137,718</u>

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

	Recreation Center Operating Fund	Block Grant Fund	Major Street Fund	Local Street Fund	Historical District Fund	Concession Stand Fund	Police Forfeit Fund	Library Fund	Other Funds	Total
ASSETS										
Cash and cash equivalents	\$ 28,195	\$ -	\$ 88,101	\$ 2,688	\$ 113,814	\$ 16,451	\$ 5,248	\$ 138,473	\$ 28,940	\$ 421,910
Accounts receivable	-	-	-	-	5,609	-	-	23,482	-	29,091
Due from other funds	19,742	-	6,500	15,832	-	-	-	50,000	-	92,074
Due from other governmental units	-	87,237	-	-	-	-	-	-	-	87,237
TOTAL ASSETS	\$ 47,937	\$ 87,237	\$ 94,601	\$ 18,520	\$ 119,423	\$ 16,451	\$ 5,248	\$ 211,955	\$ 28,940	\$ 630,312
LIABILITIES										
Accounts payable	\$ 46,733	\$ -	\$ 87,296	\$ 4,258	\$ 1,375	\$ -	\$ -	\$ 14,838	\$ -	\$ 154,500
Due to other funds	-	87,237	6,985	6,500	-	-	-	-	-	100,722
TOTAL LIABILITIES	46,733	87,237	94,281	10,758	1,375	-	-	14,838	-	255,222
FUND BALANCE	1,204	-	320	7,762	118,048	16,451	5,248	197,117	28,940	375,090
TOTAL LIABILITIES AND FUND BALANCE	\$ 47,937	\$ 87,237	\$ 94,601	\$ 18,520	\$ 119,423	\$ 16,451	\$ 5,248	\$ 211,955	\$ 28,940	\$ 630,312

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

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-major Governmental Funds
Special Revenue Funds
For the Year Ended June 30, 2006

CITY OF FLAT ROCK, MICHIGAN

	Recreation Center Operating Fund	Block Grant Fund	Major Street Fund	Local Street Fund	Historical District Fund	Concession Stand Fund	Police Forfeit Fund	Library Fund	Other Funds	Total
REVENUES										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 109,803	\$ -	\$ -	\$ 439,054	\$ -	\$ 548,857
Federal shared revenue	-	129,524	-	-	-	-	-	-	-	129,524
State shared revenue	-	-	321,140	134,166	-	-	-	-	-	455,306
Other	627,276	-	-	-	23,510	6,053	750	121,324	18,240	797,153
Interest	1,796	-	3,663	968	3,802	117	196	7,825	1,207	19,574
Total Revenues	<u>629,072</u>	<u>129,524</u>	<u>324,803</u>	<u>135,134</u>	<u>137,115</u>	<u>6,170</u>	<u>946</u>	<u>568,203</u>	<u>19,447</u>	<u>1,950,414</u>
EXPENDITURES										
Road maintenance and repair	-	-	251,632	681,094	-	-	-	-	-	932,726
Community enrichment and development	1,117,158	129,524	-	-	51,927	4,091	218	-	11,580	1,314,498
Library	-	-	-	-	-	-	-	518,043	-	518,043
Total Expenditures	<u>1,117,158</u>	<u>129,524</u>	<u>251,632</u>	<u>681,094</u>	<u>51,927</u>	<u>4,091</u>	<u>218</u>	<u>518,043</u>	<u>11,580</u>	<u>2,765,267</u>
Excess Revenues (Expenditures)	<u>(488,086)</u>	<u>-</u>	<u>73,171</u>	<u>(545,960)</u>	<u>85,188</u>	<u>2,079</u>	<u>728</u>	<u>50,160</u>	<u>7,867</u>	<u>(814,853)</u>
OTHER FINANCING SOURCES (USES)										
Operating transfers in	178,000	-	-	676,435	-	-	-	45,000	10,538	909,973
Operating transfers out	-	-	(73,785)	(123,568)	-	-	-	-	-	(197,353)
Total Other Financing Sources (Uses)	<u>178,000</u>	<u>-</u>	<u>(73,785)</u>	<u>552,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,000</u>	<u>10,538</u>	<u>712,620</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(310,086)</u>	<u>-</u>	<u>(614)</u>	<u>6,907</u>	<u>85,188</u>	<u>2,079</u>	<u>728</u>	<u>95,160</u>	<u>18,405</u>	<u>(102,233)</u>
FUND BALANCE, July 1, 2005	<u>311,290</u>	<u>-</u>	<u>934</u>	<u>855</u>	<u>32,860</u>	<u>14,372</u>	<u>4,520</u>	<u>101,957</u>	<u>10,535</u>	<u>477,323</u>
FUND BALANCE, June 30, 2006	<u>\$ 1,204</u>	<u>\$ -</u>	<u>\$ 320</u>	<u>\$ 7,762</u>	<u>\$ 118,048</u>	<u>\$ 16,451</u>	<u>\$ 5,248</u>	<u>\$ 197,117</u>	<u>\$ 28,940</u>	<u>\$ 375,090</u>

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

Combining Balance Sheet
 Non-major Governmental Funds
 Debt Service Funds
 June 30, 2006

CITY OF FLAT ROCK, MICHIGAN

	Aspen Drive Debt Service Fund	Building Authority Debt Service Fund	Transport- ation Bond General Obligation	Building Authority Ballfield Debt Service Fund	Huron Woods Series A Reitment Fund	Huron Woods Series B Reitment Fund	Speical Assessment Sidwalk Fund	TIFA Debt Service Fund	Total
<u>ASSETS</u>									
Cash and cash equivalents	\$ 4,045	\$ 1,423	\$ 127	\$ 9,775	\$ 139,509	\$ 52,162	\$ 13,019	\$ 5,694	\$ 225,754
Accounts receivable	-	-	-	-	-	-	534	-	534
TOTAL ASSETS	\$ 4,045	\$ 1,423	\$ 127	\$ 9,775	\$ 139,509	\$ 52,162	\$ 13,553	\$ 5,694	\$ 226,288
<u>FUND BALANCE</u>	\$ 4,045	\$ 1,423	\$ 127	\$ 9,775	\$ 139,509	\$ 52,162	\$ 13,553	\$ 5,694	\$ 226,288
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,045	\$ 1,423	\$ 127	\$ 9,775	\$ 139,509	\$ 52,162	\$ 13,553	\$ 5,694	\$ 226,288

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

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-major Governmental Funds
Debt Service Funds
For the Year Ended June 30, 2006

CITY OF FLAT ROCK, MICHIGAN

	Aspen Drive Debt Service Fund	Building Authority Debt Service Fund	Transport- ation Bond General Obligation	Building Authority Ballfield Debt Service Fund	Huron Woods Series A Retirement Fund	Huron Woods Series B Retirement Fund	Speical Assessment Sidwalk Fund	TIFA Debt Service Fund	Total
REVENUES									
Rental income	\$ -	\$ 155,020	\$ -	\$ 422,330	\$ -	\$ -	\$ -	\$ -	\$ 577,350
Special assessment	-	-	-	-	-	-	8,883	-	8,883
Interest and other	141	66	7	512	5,399	2,214	456	404	9,199
Total Revenues	141	155,086	7	422,842	5,399	2,214	9,339	404	595,432
EXPENDITURES									
Debt Service									
Principal	145,000	100,000	20,000	180,000	50,000	15,000	-	408,193	918,193
Interest	73,287	55,020	4,225	251,860	14,410	6,706	-	709,401	1,114,909
Miscellaneous	300	-	150	2,133	154	137	-	62,205	65,079
Total Expenditures	218,587	155,020	24,375	433,993	64,564	21,843	-	1,179,799	2,098,181
Excess Revenues (Expenditures)	(218,446)	66	(24,368)	(11,151)	(59,165)	(19,629)	9,339	(1,179,395)	(1,502,749)
OTHER FINANCING SOURCES (USES)									
Operating transfers in	220,206	-	24,375	-	-	-	-	1,153,385	1,397,966
Operating transfers out	-	-	-	-	-	-	(5,186)	-	(5,186)
Total Other Financing Sources (Uses)	220,206	-	24,375	-	-	-	(5,186)	1,153,385	1,392,780
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,760	66	7	(11,151)	(59,165)	(19,629)	4,153	(26,010)	(109,969)
FUND BALANCE, July 1, 2005	2,285	1,357	120	20,926	198,674	71,791	9,400	31,704	336,257
FUND BALANCE, June 30, 2006	\$ 4,045	\$ 1,423	\$ 127	\$ 9,775	\$ 139,509	\$ 52,162	\$ 13,553	\$ 5,694	\$ 226,288

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

	<u>Playscape Fund</u>	<u>Building Authority</u>	<u>Greenway Grant Fund</u>	<u>Sidewalk Fund</u>	<u>Recreation Fund</u>	<u>Total</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 4,805	\$ 13,884	\$ 333	\$ 1,235	\$ 261,416	\$ 281,673
Due from other funds		305,000	54,000	-	-	359,000
TOTAL ASSETS	<u>\$ 4,805</u>	<u>\$ 318,884</u>	<u>\$ 54,333</u>	<u>\$ 1,235</u>	<u>\$ 261,416</u>	<u>\$ 640,673</u>
<u>LIABILITIES</u>						
Accounts payable	\$ -	\$ -	\$ 54,333	\$ -	\$ -	\$ 54,333
Due to other funds	-	50,000	-	-	-	50,000
TOTAL LIABILITIES	-	50,000	54,333	-	-	104,333
<u>FUND BALANCE</u>	<u>4,805</u>	<u>268,884</u>	<u>-</u>	<u>1,235</u>	<u>261,416</u>	<u>536,340</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,805</u>	<u>\$ 318,884</u>	<u>\$ 54,333</u>	<u>\$ 1,235</u>	<u>\$ 261,416</u>	<u>\$ 640,673</u>

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

	<u>Playscape Fund</u>	<u>Building Authority</u>	<u>Greenway Grant Fund</u>	<u>Sidewalk Fund</u>	<u>Recreation Fund</u>	<u>Total</u>
<u>REVENUES</u>						
Interest	\$ 216	\$ 1,896	\$ 179	\$ 32	\$ 13,794	\$ 16,117
Total Revenues	<u>216</u>	<u>1,896</u>	<u>179</u>	<u>32</u>	<u>13,794</u>	<u>16,117</u>
<u>EXPENDITURES</u>						
Community enrichment and development	<u>1,925</u>	<u>-</u>	<u>80,279</u>	<u>3,403</u>	<u>746,459</u>	<u>832,066</u>
Total Expenditures	<u>1,925</u>	<u>-</u>	<u>80,279</u>	<u>3,403</u>	<u>746,459</u>	<u>832,066</u>
Excess Revenues (Expenditures)	<u>(1,709)</u>	<u>1,896</u>	<u>(80,100)</u>	<u>(3,371)</u>	<u>(732,665)</u>	<u>(815,949)</u>
<u>OTHER FINANCING SOURCES</u>						
Operating transfers in	<u>-</u>	<u>-</u>	<u>110,575</u>	<u>5,186</u>	<u>-</u>	<u>115,761</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>110,575</u>	<u>5,186</u>	<u>-</u>	<u>115,761</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(1,709)</u>	<u>1,896</u>	<u>30,475</u>	<u>1,815</u>	<u>(732,665)</u>	<u>(700,188)</u>
<u>FUND BALANCE, July 1, 2005</u>	<u>6,514</u>	<u>266,988</u>	<u>(30,475)</u>	<u>(580)</u>	<u>994,081</u>	<u>1,236,528</u>
<u>FUND BALANCE, June 30, 2006</u>	<u>\$ 4,805</u>	<u>\$ 268,884</u>	<u>\$ -</u>	<u>\$ 1,235</u>	<u>\$ 261,416</u>	<u>\$ 536,340</u>

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

OTHER SUPPLEMENTARY INFORMATION

GENERAL OBLIGATION BONDS PAYABLE

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
06-07	\$3,070	\$2,310	\$ 5,380	\$20,000	\$25,380
07-08	2,310	1,545	3,855	20,000	23,855
08-09	1,545	775	2,320	20,000	22,320
09-10	<u>775</u>	<u>-</u>	<u>775</u>	<u>20,000</u>	<u>20,775</u>
	<u>\$7,700</u>	<u>\$4,630</u>	<u>\$12,330</u>	<u>\$80,000</u>	<u>\$92,330</u>

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
06-07	\$1,858	\$1,337	\$3,195	\$20,000	\$23,195
07-08	1,338	675	2,013	25,000	27,013
08-09	<u>675</u>	<u>-</u>	<u>675</u>	<u>25,000</u>	<u>25,675</u>
	<u>\$3,871</u>	<u>\$2,012</u>	<u>\$5,883</u>	<u>\$70,000</u>	<u>\$75,883</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

General Obligation Bonds
June 30, 2006

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
06-07	\$ 6,530	\$ 5,044	\$11,574	\$ 55,000	\$ 66,574
07-08	5,044	3,532	8,576	55,000	63,576
08-09	3,534	1,852	5,386	60,000	65,386
09-10	<u>1,852</u>	<u>-</u>	<u>1,852</u>	<u>65,000</u>	<u>66,852</u>
	<u>\$16,960</u>	<u>\$10,428</u>	<u>\$27,388</u>	<u>\$235,000</u>	<u>\$262,388</u>

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
06-07	\$11,490	\$10,143	\$21,633	\$ 55,000	\$ 76,633
07-08	10,143	8,643	18,786	60,000	78,786
08-09	8,643	7,127	15,770	60,000	75,770
09-10	7,127	5,503	12,630	65,000	77,630
10-11	5,503	3,735	9,238	70,000	79,238
11-12	3,735	1,950	5,685	70,000	75,685
12-13	<u>1,950</u>	<u>-</u>	<u>1,950</u>	<u>75,000</u>	<u>76,950</u>
	<u>\$48,591</u>	<u>\$37,101</u>	<u>\$85,692</u>	<u>\$455,000</u>	<u>\$540,692</u>

See accountant's report

CITY OF FLAT ROCK, MICHIGAN

General Obligation Bonds
June 30, 2006

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

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE SEPT</u>	<u>INTEREST DUE MARCH</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
06-07	\$20,677	\$17,453	\$ 38,130	\$105,000	\$ 143,130
07-08	17,742	14,435	32,177	110,000	142,177
08-09	14,674	11,154	25,828	115,000	140,828
09-10	11,339	7,611	18,950	125,000	143,950
10-11	7,737	3,937	11,674	135,000	146,674
11-12	4,002	-	4,002	140,000	144,002
12-13	-----	-----	0	150,000	150,000
	<u>\$76,171</u>	<u>\$54,590</u>	<u>\$130,761</u>	<u>\$880,000</u>	<u>\$1,010,761</u>

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE SEPT</u>	<u>INTEREST DUE MARCH</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
06-07	\$ 27,010	\$ 25,829	\$ 52,839	\$ 105,000	\$ 157,839
07-08	25,829	24,516	50,345	105,000	155,345
08-09	24,516	23,021	47,537	115,000	162,537
09-10	23,021	21,354	44,375	115,000	159,375
10-11	21,354	19,571	40,925	115,000	155,925
11-12	19,571	17,446	37,017	125,000	162,017
12-13	17,446	15,074	32,520	130,000	162,520
13-14	15,074	12,571	27,645	130,000	157,645
14-15	12,571	9,736	22,307	140,000	162,307
15-16	9,736	6,691	16,427	145,000	161,427
16-17	6,691	3,410	10,101	150,000	160,101
17-18	<u>3,410</u>	-----	<u>3,410</u>	<u>155,000</u>	<u>158,410</u>
	<u>\$206,229</u>	<u>\$179,219</u>	<u>\$385,448</u>	<u>\$1,530,000</u>	<u>\$1,915,448</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

General Obligation
June 30, 2006

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG 1</u>	<u>INTEREST DUE FEB 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
06-07	\$ 122,330	\$114,730	\$ 237,060	\$ 190,000	\$ 427,060
07-08	114,730	109,758	224,488	195,000	419,488
08-09	109,757	104,428	214,185	205,000	419,185
09-10	104,427	98,578	203,005	220,000	423,005
10-11	98,577	92,388	190,965	230,000	420,965
11-12	92,387	85,650	178,037	245,000	423,037
12-13	85,650	78,510	164,160	255,000	419,160
13-14	78,510	70,815	149,325	270,000	419,325
14-15	70,815	62,550	133,365	285,000	418,365
15-16	62,550	53,700	116,250	300,000	416,250
16-17	53,700	44,100	97,800	320,000	417,800
17-18	44,100	34,050	78,150	335,000	413,150
18-19	34,050	23,400	57,450	355,000	412,450
19-20	23,400	12,000	35,400	380,000	415,400
20-21	<u>12,000</u>	<u>-</u>	<u>12,000</u>	<u>400,000</u>	<u>412,000</u>
	<u>\$1,106,983</u>	<u>\$984,657</u>	<u>\$2,091,640</u>	<u>\$4,185,000</u>	<u>\$6,276,640</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

General Obligation
June 30, 2006

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

<u>FISCAL</u> <u>YEAR</u>	<u>INTEREST</u> <u>DUE MONTHLY</u>	<u>PRINCIPAL</u> <u>AMOUNT</u>	<u>TOTAL</u> <u>REQUIREMENT</u>
06-07	\$ 318,688	\$ 235,000	\$ 553,688
07-08	304,411	240,000	544,411
08-09	290,060	240,000	530,060
09-10	275,260	250,000	525,260
10-11	260,087	255,000	515,087
11-12	244,390	265,000	509,390
12-13	228,320	270,000	498,320
13-14	211,726	280,000	491,726
14-15	194,535	290,000	484,535
15-16	176,746	300,000	476,746
16-17	158,359	310,000	468,359
17-18	139,149	325,000	464,149
18-19	119,268	335,000	454,268
19-20	98,563	350,000	448,563
20-21	76,963	365,000	441,963
21-22	54,465	380,000	434,465
22-23	30,846	400,000	430,846
23-24	<u>6,255</u>	<u>415,000</u>	<u>421,255</u>
	<u>\$3,188,091</u>	<u>\$5,505,000</u>	<u>\$8,693,091</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

General Obligation
June 30, 2006

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
06-07	\$ 49,878	\$ 48,535	\$ 98,413	\$ 50,000	\$ 148,413
07-08	48,534	47,057	95,591	55,000	150,591
08-09	47,056	45,578	92,634	55,000	147,634
09-10	45,578	43,966	89,544	60,000	149,544
10-11	43,965	42,219	86,184	65,000	151,184
11-12	42,219	40,472	82,691	65,000	147,691
12-13	40,472	38,591	79,063	70,000	149,063
13-14	38,591	36,575	75,166	75,000	150,166
14-15	36,575	34,513	71,088	75,000	146,088
15-16	34,512	32,313	66,825	80,000	146,825
16-17	32,312	29,816	62,128	85,000	147,128
17-18	29,816	27,172	56,988	90,000	146,988
18-19	27,172	24,381	51,553	95,000	146,553
19-20	24,381	21,444	45,825	100,000	145,825
20-21	21,444	18,359	39,803	105,000	144,803
21-22	18,359	15,128	33,487	110,000	143,487
22-23	15,128	11,603	26,731	120,000	146,731
23-24	11,603	7,931	19,534	125,000	144,534
24-25	7,931	4,113	12,044	130,000	142,044
25-26	<u>4,113</u>	<u>-</u>	<u>4,113</u>	<u>140,000</u>	<u>144,113</u>
	<u>\$619,639</u>	<u>\$569,766</u>	<u>\$1,189,405</u>	<u>\$1,750,000</u>	<u>\$2,939,405</u>

See accountant's report.

Equipment Loans – General Obligation
June 30, 2006

EQUIPMENT LOANS - GENERAL OBLIGATION

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE MONTHLY</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
06-07	<u>\$35</u>	<u>\$969</u>	<u>\$1,004</u>

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE ANNUALLY</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
06-07	<u>\$409</u>	<u>\$6,240</u>	<u>\$6,649</u>

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE ANNUALLY</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
06-07	<u>\$1,281</u>	<u>\$22,962</u>	<u>\$24,243</u>

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE ANNUALLY</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
06-07	<u>\$276</u>	<u>\$5,787</u>	<u>\$6,063</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

Water and Sewer Fund – General Obligation Bonds
June 30, 2006

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE NOV. 1</u>	<u>INTEREST DUE MAY 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
06-07	\$559	\$395	\$954	\$19,751	\$20,705

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
06-07	\$24,000	\$24,000	\$ -	\$ 24,000
07-08	24,000	24,000	-	24,000
08-09	24,000	24,000	200,000	224,000
09-10	12,000	12,000	200,000	212,000
	<u>\$84,000</u>	<u>\$84,000</u>	<u>\$400,000</u>	<u>\$484,000</u>

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

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
06-07	\$10,818	\$4,975	\$15,793	\$201,495	\$217,288
07-08	4,975	-	4,975	168,638	173,613
	<u>\$15,793</u>	<u>\$4,975</u>	<u>\$20,768</u>	<u>\$370,133</u>	<u>\$390,901</u>

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

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

Water and Sewer – General Obligation Bonds
June 30, 2006

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
06-07	\$ 5,985	\$ 5,985	\$11,970	\$115,245	\$127,215
07-08	4,833	4,833	9,666	117,473	127,139
08-09	3,658	3,658	7,316	119,704	127,020
09-10	2,461	2,461	4,922	121,934	126,856
10-11	<u>1,242</u>	<u>1,242</u>	<u>2,484</u>	<u>124,162</u>	<u>126,646</u>
	<u>\$18,179</u>	<u>\$18,179</u>	<u>\$36,358</u>	<u>\$598,518</u>	<u>\$634,876</u>

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
06-07	\$ 28,711	\$ 27,079	\$ 55,790	\$ 145,046	\$ 200,836
07-08	27,079	25,413	52,492	148,119	200,611
08-09	25,413	23,705	49,118	151,806	200,924
09-10	23,705	21,963	45,668	154,879	200,547
10-11	21,963	20,179	42,142	158,567	200,709
11-12	20,179	18,353	38,532	162,254	200,786
12-13	18,353	16,487	34,840	165,942	200,782
13-14	16,487	14,585	31,072	169,015	200,087
14-15	14,585	12,642	27,227	172,702	199,929
15-16	12,642	10,651	23,293	177,005	200,298
16-17	10,651	8,618	19,269	180,692	199,961
17-18	8,618	6,537	15,155	184,995	200,150
18-19	6,537	4,407	10,944	189,297	200,241
19-20	4,407	2,229	6,636	193,599	200,235
20-21	<u>2,229</u>	<u>-</u>	<u>2,229</u>	<u>198,163</u>	<u>200,392</u>
	<u>\$241,559</u>	<u>\$212,848</u>	<u>\$454,407</u>	<u>\$2,552,081</u>	<u>\$3,006,488</u>

See accountant's report.

Tax Levies in Millage
 Last Twenty Two Years
 June 30, 2006

CITY OF FLAT ROCK, MICHIGAN

FISCAL YEAR	GENERAL FUND	MUNICIPAL BUILDING FUND	LIBRARY FUND	SEWER DEBT	HISTORICAL DISTRICT	TOTAL MILLAGE
1985	11.08	2.07	0.00	3.60	0.00	16.75
1986	11.50	2.25	0.00	4.00	0.00	17.75
1987	11.50	2.25	0.00	4.00	0.00	17.75
1988	11.50	2.20	0.00	4.05	0.00	17.75
1989	15.50	2.25	0.00	0.00	0.00	17.75
1990	15.50	1.75	0.00	0.00	0.00	17.25
1991	15.25	1.65	0.00	0.00	0.00	16.90
1992	14.48	2.10	0.00	0.00	0.00	16.58
1993	14.30	2.00	0.00	0.00	0.00	16.30
1994	13.14	0.00	0.00	2.86	0.00	16.00
1995	13.14	0.00	0.00	2.86	0.00	16.00
1996	13.15	0.00	1.00	2.85	0.00	17.00
1997	13.15	0.00	1.00	2.85	0.00	17.00
1998	13.15	0.00	1.00	2.85	0.00	17.00
1999	13.15	0.00	1.00	2.85	0.00	17.00
2000	13.15	0.00	1.00	2.85	0.00	17.00
2001	16.00	0.00	1.00	0.00	0.00	17.00
2002	16.00	0.00	1.00	0.00	0.25	17.25
2003	16.00	0.00	1.00	0.00	0.25	17.25
2004	16.00	0.00	1.00	0.00	0.25	17.25
2005	16.00	0.00	1.00	0.00	0.25	17.25
2006	16.00	0.00	1.00	0.00	0.25	17.25

CITY OF FLAT ROCK, MICHIGAN

<u>FISCAL YEAR</u>	<u>WATER RATE</u>	<u>SEWER RATE</u>	<u>COMBINED RATE</u>
1985	1.50	2.30	3.80
1986	1.50	2.79	4.29
1987	1.50	2.79	4.29
1988	1.50	2.79	4.29
1989	1.00	3.29	4.29
1990	0.91	3.10	4.01
1991	0.91	3.10	4.01
1992	0.91	3.10	4.01
1993	1.01	3.00	4.01
1994			4.00
1995			4.00
1996			4.00
1997			4.00
1998			4.00
1999			4.00
2000			4.00
2001			3.60
2002			4.00
2003			4.00
2004			4.00
2005			4.00
2006			4.50