

**City of Flat Rock,  
Michigan**

**Annual Financial Statements  
and  
Independent Auditors' Report  
June 30, 2014**

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**City of Flat Rock, Michigan**  
**List of Elected and Appointed Officials**  
**June 30, 2014**

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Officials and City Council

Jonathan Dropiewski – Mayor

Kenneth Wrobel – Mayor Pro-Tem

Jim Martin – Councilman

John Bergeron – Councilman

Dawn Thomas – Councilwoman

Steven Beller – Councilman

Ricky Tefend – Councilman



13305 Reeck Road  
Southgate, Michigan 48108  
Phone (734) 769-1331  
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## Independent Auditors' Report

Mayor and City Council  
City of Flat Rock, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flat Rock, Michigan as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the City of Flat Rock, Michigan as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

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

#### ***Other Supplementary Information***

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

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

The list of elected and appointed officials, which is the responsibility of management, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014 on our consideration of the City of Flat Rock, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Flat Rock, Michigan's internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Southgate, MI

December 10, 2014

Our discussion and analysis of the City of Flat Rock, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the City's financial statements.

### Financial Highlights

- The City's total assets decreased by \$621,926 (or 1.47%). The governmental total assets decreased by \$1,195,664 (or 4.14%) and the business-type total assets increased by \$573,738 (or 4.23%).
- Total net position of \$16,444,109 reflects an increase of \$8,330 from last fiscal year
- At the end of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,990,076 an increase of \$57,784 from the previous year.
- At the end of the current fiscal year the fund balance for the General Fund increased \$8,976 to a final balance of \$685,133.

### Overview of the Financial Statements

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

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

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

### Government-Wide Financial Statements

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



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

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

Both statements report two activities:

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

### Fund Financial Statements

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

#### *Governmental Funds:*

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

The focus of governmental funds (current financial resources) is narrower than that of the government-wide financial statements (total economic resources). Therefore, the reader may better understand the long-term impact of the City's near-term financing decision by comparing information presented for governmental funds with the information presented for the governmental activities in the government-wide financial statements. Both the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison.

### *Proprietary Funds:*

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

### *Fiduciary Funds:*

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

### **Notes to Basic Financial Statements**

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

### **Additional Required Supplementary Information**

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

### **Non-Major Governmental Funds**

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

Financial Analysis of the Government as a Whole

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded its liabilities at the end of the fiscal year by \$16,444,109. However, all of the City's net position represents its investment in capital assets (e.g., land, roads, storm sewers, water and sewer systems, building, and equipment) less any related debt used to acquire or construct these assets that is still outstanding. The City uses these capital assets to provide essential services to citizens; therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

**City Of Flat Rock's Net Position**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets	\$ 2,948,952	\$ 1,971,771	\$ 4,920,723
Capital assets, net of accumulated depreciation	<u>24,704,801</u>	<u>12,158,358</u>	<u>36,863,159</u>
Total Assets	<u>27,653,753</u>	<u>14,130,129</u>	<u>41,783,882</u>
Long-term liabilities outstanding	18,041,327	4,047,814	22,089,141
Other liabilities (Current)	<u>2,294,358</u>	<u>941,785</u>	<u>3,236,143</u>
Total Liabilities	<u>20,335,685</u>	<u>4,989,599</u>	<u>23,325,248</u>
Deferred Inflows of resourced	<u>-</u>	<u>14,489</u>	<u>14,489</u>
Net Position			
Net investment in capital assets	11,777,742	7,707,949	19,485,691
Unrestricted (deficit)	<u>(4,459,674)</u>	<u>1,418,092</u>	<u>(3,041,582)</u>
TOTAL NET POSITION	<u>\$ 7,318,068</u>	<u>\$ 9,126,041</u>	<u>\$16,444,109</u>

**City of Flat Rock's Change in Net Position**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues			
Program Revenues			
Charges for services	\$ 2,603,936	\$3,758,143	\$ 6,362,079
Operating grants	852,776	-	852,776
General Revenues			
Taxes and special assessments	8,783,746	-	8,783,746
Investment earnings	<u>3,092</u>	<u>445</u>	<u>3,537</u>
Total Revenues	<u>12,243,550</u>	<u>3,758,588</u>	<u>16,002,138</u>
Expenses			
General government	1,771,705	-	1,771,705
Public safety	3,913,991	-	3,913,991
Public works	1,764,580	-	1,764,580
Recreation and culture	2,892,984	-	2,892,984
Community enrichment and development	1,170,288	-	1,170,288
Interest on long-term debt	849,907	-	849,907
Water and sewer	-	<u>3,630,353</u>	<u>3,630,353</u>
Total Expenses	<u>12,363,455</u>	<u>3,630,353</u>	<u>15,993,808</u>
Changes in Net Position	\$ (119,905)	\$ 128,235	\$ 8,330
Net Position, July 1, 2013	<u>7,437,973</u>	<u>8,997,806</u>	<u>16,435,779</u>
Net Position, June 30, 2014	<u>\$ 7,318,068</u>	<u>\$9,126,041</u>	<u>\$16,444,109</u>

*Governmental Activities*

Governmental activities change in net position decreased \$119,905 from \$7,437,973 to \$7,318,068. A contributing factor is the depreciation of governmental assets.

*Business-Type Activities*

Business-type activities increased the City's net assets by \$128,235. A key factor for this increase is due to department of water and sewer activities.

*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 \$685,133. Total fund balance increased by \$8,976, during the fiscal year.

*Community Center*

The Community Center, at the end of the current fiscal year, realized an unreserved fund balance of \$896. Total fund balance decreased by \$24,274, from the previous fiscal year.

*Tax Increment Finance Authority*

The Tax Increment Finance Authority has a fund balance of \$384,391, which is an increase of \$92,806 from the 2012-13 fiscal year.

*Nonmajor Governmental Funds*

Nonmajor Governmental Funds had a total fund balance of \$919,656, a total decrease of \$19,724 from the prior fiscal year. These Nonmajor funds consist of:

Special Revenue Funds	\$ 900,094
Debt Service Funds	-0-
Capital Project Funds	19,562

Capital Assets and Debt Administration

Capital Assets

The City investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$36,863,159 (net of accumulated depreciation). This investment includes a broad range of capital assets, which are detailed in the table below. The total decrease in the City's capital assets for the current fiscal year was \$520,853, due to depreciation. The following table is a comparison of the City's net capital assets as of June 30, 2014 compared to June 30, 2013:

**Net Capital Assets at Year End  
(in thousands of dollars)**

(rounding differences may be present)	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Capital assets not depreciated						
Land	\$ 1,382	\$ 1,405	\$ -	\$ -	\$ 1,382	\$ 1,405
Capital assets being depreciated						
Infrastructure	5,655	5,636	-	-	5,655	5,636
Buildings	16,817	16,392	4,529	4,416	21,346	20,808
Machinery and meters	1,374	1,206	554	507	1,928	1,713
Water and sewer mains	-	-	6,962	7,173	6,962	7,173
Vehicles	<u>50</u>	<u>66</u>	<u>60</u>	<u>62</u>	<u>110</u>	<u>128</u>
Net capital assets	<u>\$25,278</u>	<u>\$24,705</u>	<u>\$12,105</u>	<u>\$12,158</u>	<u>\$37,383</u>	<u>\$36,863</u>

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

Long-Term Debt

At the end of the fiscal year, the City had total long-term bonds and notes outstanding of \$18,931,123.

**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)	\$14,418,582	\$4,115,552	\$18,534,134
Equipment Loans	<u>76,621</u>	<u>320,368</u>	<u>396,989</u>
	<u>\$14,495,203</u>	<u>\$4,435,920</u>	<u>\$18,931,123</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 (\$18,931,123) is lower than the current state-imposed limit of \$36,025,118.

### **Economic Condition and Outlook**

The City of Flat Rock's budget for year ending June 30, 2015 is not recommending any change to the millage rates. In the 2014-15 fiscal year the water and sewer rates were increased to \$7.50 residential, \$9.00 for commercial and \$9.25 for industrial per thousand gallons.

The City's 2015 budgeted revenue consists of 69% tax revenues, 20% local sources and 11% from other sources. The City's tax base is projected to have an increase of \$271,531. Local revenues are projected to increase by \$322,262 for the fiscal year ended June 30, 2015. This is primarily due to an addition at the Ford Flat Rock Assembly plant, the City's largest taxpayer, as well as an increase in other building construction and renovation. The new personal property tax legislation, which began in the 2013-14 fiscal year, may have a major negative impact on the City's future fiscal health.

The City's General Fund expenditures are allocated 52% to public safety, police, fire, building and safety. The department of public services amounts to 29% and the general operations, which include the clerk's and treasurer's departments, total 18% and other areas total 1%. In addition, it is recommended that expenditures will increase by \$611,302 over the previous year's budget, which can be attributed to increased capital purchases. The General Fund is projecting the fund balance to decrease by \$8,733, which will bring the General Fund balance to \$676,400 or 8.7% of the General Fund budget.

### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions regarding any information provided in this report or request for additional financial information should be addressed to the following:

City of Flat Rock  
25500 Gibraltar Road  
Flat Rock, Michigan 48134-1399

**City of Flat Rock, Michigan**  
**Statement of Net Position**  
**June 30, 2014**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,334,107	\$ 1,436,576	\$ 3,770,683
Receivables			
Taxes	15,692	-	15,692
Customers	20	508,125	508,145
Accrued interest and other	37,843	-	37,843
Due from other units of government	509,505	8,301	517,806
Internal balances	3,992	(3,988)	4
Inventories	16,658	20,572	37,230
Prepaid items	31,135	2,185	33,320
Capital assets not being depreciated	1,405,182	-	1,405,182
Capital assets, net of accumulated depreciation	<u>23,299,619</u>	<u>12,158,358</u>	<u>35,457,977</u>
Total assets	<u>27,653,753</u>	<u>14,130,129</u>	<u>41,783,882</u>

See Accompanying Notes to Financial Statements



**City of Flat Rock, Michigan**  
**Statement of Net Position**  
**June 30, 2014**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
Accounts payable	\$ 342,192	\$ 339,889	\$ 682,081
Accrued and other liabilities	540,856	146,196	687,052
Noncurrent liabilities			
Due within one year	1,411,310	455,700	1,867,010
Due in more than one year	13,083,893	4,047,814	17,131,707
Net other post employment benefit obligations	4,957,434	-	4,957,434
Total liabilities	<u>20,335,685</u>	<u>4,989,599</u>	<u>25,325,284</u>
<b>Deferred inflows of resources</b>			
Bond refunding	-	14,489	14,489
 Total liabilities and deferred inflows of resources	<u>20,335,685</u>	<u>5,004,088</u>	<u>25,339,773</u>
<b>Net Position</b>			
Net investment in capital assets	11,777,742	7,707,949	19,485,691
Unrestricted (deficit)	<u>(4,459,674)</u>	<u>1,418,092</u>	<u>(3,041,582)</u>
 Total net position	<u>\$ 7,318,068</u>	<u>\$ 9,126,041</u>	<u>\$ 16,444,109</u>

See Accompanying Notes to Financial Statements

**City of Flat Rock, Michigan**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>						
<b>Primary government</b>						
<b>Governmental activities</b>						
General government	\$ 1,771,705	\$ 22,823	\$ 5,737	\$ (1,743,145)	\$ -	\$ (1,743,145)
Public safety	3,913,991	750,068	15,578	(3,148,345)	-	(3,148,345)
Public works	1,764,580	195,597	575,911	(993,072)	-	(993,072)
Community and economic development	1,170,288	2,699	235,223	(932,366)	-	(932,366)
Recreation and culture	2,892,984	1,632,749	20,327	(1,239,908)	-	(1,239,908)
Interest on long-term debt	849,907	-	-	(849,907)	-	(849,907)
Total governmental activities	<u>12,363,455</u>	<u>2,603,936</u>	<u>852,776</u>	<u>(8,906,743)</u>	<u>-</u>	<u>(8,906,743)</u>
<b>Business-type activities</b>						
Water and sewer	<u>3,630,353</u>	<u>3,758,143</u>	<u>-</u>	<u>-</u>	<u>127,790</u>	<u>127,790</u>
Total primary government	<u>\$ 15,993,808</u>	<u>\$ 6,362,079</u>	<u>\$ 852,776</u>	<u>(8,906,743)</u>	<u>127,790</u>	<u>(8,778,953)</u>
<b>General revenues</b>						
Property taxes				7,487,188	-	7,487,188
State shared revenue				1,004,176	-	1,004,176
Unrestricted investment earnings				3,092	445	3,537
Gain on sale of capital assets				82,552	-	82,552
Miscellaneous				209,830	-	209,830
Total general revenues, extraordinary items, and transfers				<u>8,786,838</u>	<u>445</u>	<u>8,787,283</u>
Change in net position				(119,905)	128,235	8,330
Net position - beginning of year				<u>7,437,973</u>	<u>8,997,806</u>	<u>16,435,779</u>
<b>Net position - end of year</b>				<u>\$ 7,318,068</u>	<u>\$ 9,126,041</u>	<u>\$ 16,444,109</u>

See Accompanying Notes to Financial Statements

**City of Flat Rock, Michigan**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2014**

	General	Special Revenue Funds		Nonmajor Governmental Funds	Total Governmental Funds
		Tax Increment Finance Authority	Community Center		
<b>Assets</b>					
Cash and cash equivalents	\$ 647,408	\$ 386,401	\$ 202,786	\$ 1,097,512	\$ 2,334,107
Receivables					
Taxes	14,621	-	-	1,071	15,692
Customers	20	-	-	-	20
Accrued interest and other	37,843	-	-	-	37,843
Due from other units of government	164,435	-	2,432	342,638	509,505
Due from other funds	240,149	-	23,103	25,778	289,030
Inventories	16,658	-	-	-	16,658
Prepaid items	28,204	-	821	2,110	31,135
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 1,149,338</u>	<u>\$ 386,401</u>	<u>\$ 229,142</u>	<u>\$ 1,469,109</u>	<u>\$ 3,233,990</u>

See Accompanying Notes to Financial Statements

**City of Flat Rock, Michigan**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2014**

	General	Special Revenue Funds		Nonmajor Governmental Funds	Total Governmental Funds
		Tax Increment Finance Authority	Community Center		
<b>Liabilities</b>					
Accounts payable	\$ 248,445	\$ -	\$ 42,345	\$ 51,402	\$ 342,192
Accrued and other liabilities	192,657	-	185,233	6,727	384,617
Due to other funds	23,103	2,010	668	259,257	285,038
Total liabilities	464,205	2,010	228,246	317,386	1,011,847
<b>Deferred Inflows of Resources</b>					
Grants	-	-	-	232,067	232,067
<b>Fund Balances</b>					
Non-spendable					
Inventories	16,658	-	-	-	16,658
Prepaid items	28,204	-	821	2,110	31,135
Restricted for					
Major street	-	-	-	51,272	51,272
Local street	-	-	-	325,476	325,476
Downtown development authority	-	-	-	546,339	546,339
Historial district	-	-	-	117,752	117,752
Library	-	-	-	45,840	45,840
Other special revenue	-	-	-	43,372	43,372
Capital projects	-	-	-	19,562	19,562
Unassigned	640,271	384,391	75	(232,067)	792,670
Total fund balances	685,133	384,391	896	919,656	1,990,076
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,149,338	\$ 386,401	\$ 229,142	\$ 1,469,109	\$ 3,233,990

See Accompanying Notes to Financial Statements

**City of Flat Rock, Michigan**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Position of Governmental Activities**  
**June 30, 2014**

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<b>Total fund balances for governmental funds</b>	\$ 1,990,076
Total net position for governmental activities in the statement of net position is different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	23,299,619
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	1,405,182
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	232,067
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(156,239)
Compensated absences	(468,929)
Claims and judgments	(1,079,653)
Net other post employment obligation	(4,957,434)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(12,946,621)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 7,318,068</u></u>

See Accompanying Notes to Financial Statements

**City of Flat Rock, Michigan**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2014**

	<u>Special Revenue Funds</u>			Nonmajor Governmental Funds	Total Governmental Funds
	<u>General</u>	Tax Increment Financing Authority	Community Center		
<b>Revenues</b>					
Taxes	\$ 5,051,604	\$ 3,219,695	\$ -	\$ 983,910	\$ 9,255,209
Licenses and permits	144,750	-	-	-	144,750
Federal grants	-	-	-	128,607	128,607
State shared revenue	839,949	-	-	723,073	1,563,022
Other state grants	24,200	-	25,271	-	49,471
Local contributions	12,775	-	-	-	12,775
Charges for services	256,885	-	1,399,028	-	1,655,913
Fines and forfeitures	349,847	-	-	-	349,847
Interest income	2,166	873	19	34	3,092
Rental income	178,257	-	1,255	-	179,512
Other revenue	<u>272,323</u>	<u>-</u>	<u>26,228</u>	<u>56,208</u>	<u>354,759</u>
 Total revenues	 <u>7,132,756</u>	 <u>3,220,568</u>	 <u>1,451,801</u>	 <u>1,891,832</u>	 <u>13,696,957</u>

See Accompanying Notes to Financial Statements

**City of Flat Rock, Michigan**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2014**

	<u>Special Revenue Funds</u>				Total Governmental Funds
	<u>General</u>	<u>Tax Increment Financing Authority</u>	<u>Community Center</u>	<u>Nonmajor Governmental Funds</u>	
<b>Expenditures</b>					
Current					
General government	\$ 1,511,943	\$ -	\$ -	\$ -	\$ 1,511,943
Public safety	3,494,102	-	-	5,176	3,499,278
Public works	1,384,650	-	-	530,913	1,915,563
Community and economic development	20,159	54,444	-	966,801	1,041,404
Recreation and culture	174,765	-	1,658,860	-	1,833,625
Library	-	-	-	282,671	282,671
Capital outlay	-	-	-	25,547	25,547
Debt service					
Principal retirement	-	-	-	1,150,000	1,150,000
Interest and fiscal charges	-	-	-	693,668	693,668
	<u>6,585,619</u>	<u>54,444</u>	<u>1,658,860</u>	<u>3,654,776</u>	<u>11,953,699</u>
Excess (deficiency) of revenues over expenditures	<u>547,137</u>	<u>3,166,124</u>	<u>(207,059)</u>	<u>(1,762,944)</u>	<u>1,743,258</u>
<b>Other financing sources (uses)</b>					
Transfers in	7,514	-	182,785	2,127,235	2,317,534
Transfers out	(628,227)	(1,305,292)	-	(384,015)	(2,317,534)
Tax refund	-	(1,768,026)	-	-	(1,768,026)
Sale of fixed assets	82,552	-	-	-	82,552
	<u>(538,161)</u>	<u>(3,073,318)</u>	<u>182,785</u>	<u>1,743,220</u>	<u>(1,685,474)</u>
Net change in fund balance	8,976	92,806	(24,274)	(19,724)	57,784
Fund balance - beginning of year	<u>676,157</u>	<u>291,585</u>	<u>25,170</u>	<u>939,380</u>	<u>1,932,292</u>
Fund balance - end of year	<u>\$ 685,133</u>	<u>\$ 384,391</u>	<u>\$ 896</u>	<u>\$ 919,656</u>	<u>\$ 1,990,076</u>

See Accompanying Notes to Financial Statements

**City of Flat Rock, Michigan**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2014**

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**Net change in fund balances - Total governmental funds** \$ 57,784

Total change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(1,263,263)
Capital outlay	689,270

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Grants	232,067
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Expenses are recorded when incurred in the statement of activities.

Accrued interest	(156,239)
Compensated absences	28,984
Claims and judgments	141,949
Net other post employment obligation	(1,074,547)

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Repayments of long-term debt	<u>1,224,090</u>
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**Change in net position of governmental activities** **\$ (119,905)**



**City of Flat Rock, Michigan**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2014**

	Enterprise Funds
	Water & Sewer
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 1,436,576
Receivables	
Customers	508,125
Due from other units of government	8,301
Inventories	20,572
Prepaid items	2,185
Total current assets	1,975,759
Noncurrent assets	
Capital assets, net of accumulated depreciation	12,158,358
Total assets	14,134,117
<b>Liabilities</b>	
Current liabilities	
Accounts payable	339,889
Accrued and other liabilities	146,196
Due to other funds	3,988
Current portion of noncurrent liabilities	455,700
Total current liabilities	945,773
Long-term debt net of current portion	4,047,814
Total liabilities	4,993,587
<b>Deferred inflows of resources</b>	
Bond refunding	14,489
<b>Net Position</b>	
Net investment in capital assets	7,707,949
Unrestricted	1,418,092
Total net position	\$ 9,126,041

See Accompanying Notes to Financial Statements

**City of Flat Rock, Michigan**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2014**

	Enterprise Funds
	Water & Sewer
<b>Operating revenue</b>	
Customer fees	\$ 3,629,775
Connection fees	40,002
Other revenue	88,366
Total operating revenue	3,758,143
<b>Operating expenses</b>	
Personnel services	625,949
Supplies	25,659
Contractual services	58,057
Utilities	6,480
Repairs and maintenance	366,583
Other expenses	1,826,647
Depreciation	578,921
Total operating expenses	3,488,296
Operating income (loss)	269,847
<b>Nonoperating revenue (expenses)</b>	
Interest income	445
Interest expense	(142,057)
Total nonoperating revenue (expenses)	(141,612)
Change in net position	128,235
Net position - beginning of year	8,997,806
Net position - end of year	\$ 9,126,041

See Accompanying Notes to Financial Statements

**City of Flat Rock, Michigan**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2014**

	<u>Enterprise Funds</u>
	<u>Water and Sewer</u>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 3,732,069
Receipts from other funds	302,572
Payments to suppliers	(2,011,712)
Payments to employees	<u>(623,183)</u>
Net cash provided by operating activities	<u>1,399,746</u>
<b>Cash flows from capital and related financing activities</b>	
Proceeds from capital debt	518,434
Purchases/construction of capital assets	(632,060)
Principal and interest paid on long-term debt	<u>(488,089)</u>
Net cash used by capital and related financing activities	<u>(601,715)</u>
<b>Cash flows from investing activities</b>	
Interest received	<u>445</u>
Net increase in cash and cash equivalents	798,476
Cash and cash equivalents - beginning of year	<u>638,100</u>
Cash and cash equivalents - end of year	<u>\$ 1,436,576</u>

See Accompanying Notes to Financial Statements

**City of Flat Rock, Michigan**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2014**

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	Enterprise Funds
	Water and Sewer
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ 269,847
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation and amortization expense	578,921
Changes in assets and liabilities	
Receivables (net)	(17,773)
Due from other units of government	(8,301)
Due from other funds	300,000
Prepaid items	(37)
Accounts payable	179,413
Accrued and other liabilities	92,338
Due to other funds	2,572
Compensated absences	2,766
	2,766
Net cash provided by operating activities	\$ 1,399,746

See Accompanying Notes to Financial Statements

**City of Flat Rock, Michigan**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2014**

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	<u>Tax Collection</u>	<u>Trust and Agency</u>	<u>Crime Prevention</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 3,070	\$ 122,737	\$ 473	\$ 126,280
<b>Liabilities</b>				
Accounts payable	\$ 3,066	\$ 122,737	\$ 473	\$ 126,276
Due to other funds	<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>
Total liabilities	<u>\$ 3,070</u>	<u>\$ 122,737</u>	<u>\$ 473</u>	<u>\$ 126,280</u>

See Accompanying Notes to Financial Statements

**The City of Flat Rock, Michigan**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting entity**

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

**Blended component units**

The City of Flat Rock Building Authority (the "Authority") is a separate legal entity from the City. The Authority is reported as if it were a part of the primary government because its sole purpose is to finance and construct the City's public buildings. The intended purpose is the acquisition, furnishing, equipping, owning, improving, enlarging, operating, and maintaining a building or buildings, automobile parking lots or structures, recreational facilities, stadiums and the necessary site or sites thereof, together with appurtenant properties and facilities necessary or convenient use thereof, for use for any legitimate public purpose of the City.

The Downton Development Authority (the "Authority") was created under Act No. 197 of the Michigan State statutes to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic development within the downtown district. In addition, the Authority budget is subject to approval by City Council. Funding for the Authority is provided from the increased property tax revenues from any benefited property.

The Tax Increment Finance Authority (the "Authority") was created under Act No. 450 of the Michigan State statutes with the purpose to bolster the declining value of the lands located within the district. The

Authority has a targeted development area which will be developed and ultimately lead to increasing the values of the properties located within the targeted area. Funding for the Authority is provided by capturing the increased property tax revenues from the increase in valuations of the benefited properties. In addition, the Authority's budget is subject to approval by the City Council.

**Joint Ventures**

The City is a member of the 33<sup>rd</sup> District Court (the "Court"), which provides judicial services to the member communities. The City appoints one member to the joint venture's governing board, who then approves the annual budget. The Court receives its operating revenue principally from fines and fees, in addition to annual funding contributions from member communities. During the current year, the City contributed \$388,693 to the Court, representing the City's share of the Court's net activity. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating communities in the near future, other than the fluctuation of case loads, which impacts the City's share of the Court debt. Complete financial statements for the Court can be obtained from the administrative offices at: 19000 Van Horn Road, Woodhaven, MI 48183.

The City is a member of the South Huron Valley Utility Authority, which provides sanitary sewage disposal services. Each of the eight member communities appoints one member to the Board. The Authority receives its operating revenue through charges to the communities. The City's share of the debt of the joint venture is being financed by the City through debt service charges. During the year ended June 30, 2014, the City incurred net operating costs of \$792,050. In addition, the City paid \$318,090 in principal payments and \$99,983 in interest expense. Complete financial statements for the Authority can be obtained from the administrative offices at 34001 West Jefferson, Brownstown, MI 48173.

**The City of Flat Rock, Michigan**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Government-wide and fund financial statements**

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

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

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

**Measurement focus, basis of accounting, and financial statement presentation**

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

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**The City of Flat Rock, Michigan**  
**Notes to Financial Statements**  
**June 30, 2014**

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The City reports the following major governmental funds:

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

The Tax Increment Finance Authority (TIFA) is treated as a special revenue fund used to develop and increase the value of properties located within the targeted area. The refunds are distributed to the original taxing entity.

The Community Center is a special revenue fund used to provide social, cultural and recreational activities including banquet and meeting facilities and aquatics and fitness centers.

The City reports the following major proprietary funds:

The Water and Sewer Fund is an Enterprise Fund. The fund is financed and operated in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing water and sewer services to the general public are recovered through user charges.

Additionally, the City reports the following:

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

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

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

The fiduciary funds account for assets held by the City in a trustee capacity. Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the water and sewer fund include the cost of sales and services, administrative expenses, and depreciation on



**The City of Flat Rock, Michigan**  
**Notes to Financial Statements**  
**June 30, 2014**

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capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Assets, liabilities, and net position or equity**

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

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

All trade and property tax receivables are shown net of an allowance for uncollectible amounts of \$13,232. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The 2013 taxable valuation of the government totaled \$357,364,341, on which ad valorem taxes consisted of 16.00 mills for operating purposes. This resulted in \$5,303,568 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments. Approximately 34% of the City’s property tax revenue is from one company located in the City of Flat Rock.

Inventories and prepaid items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the City follows the consumption method, and they therefore are capitalized as prepaid items in both entity-wide and fund financial statements.

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

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

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

Roads and infrastructure	10 to 30 years
Water and sewer mains	50 years
Buildings	50 years
Vehicles	5 to 12 years
Equipment and meters	7 to 30 years

**The City of Flat Rock, Michigan**  
**Notes to Financial Statements**  
**June 30, 2014**

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Deferred inflows of resources – A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

Compensated absences – It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

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

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

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

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

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

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

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

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

**The City of Flat Rock, Michigan**  
**Notes to Financial Statements**  
**June 30, 2014**

**Subsequent Events**

Management has evaluated subsequent events through, December 10, 2014, which is the date the financial statements were available to be issued.

**Upcoming Accounting and Reporting Changes**

The Governmental Accounting Standards Board has issued *Statements 67, Financial Reporting for Pension Plans and 68 Accounting and Financial Reporting for Pensions*. Statement 67 changes how public employee pension plans calculate and report their total pension liability. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The effect of these changes has not been determined. Statement 67 is effective for the year ending June 30, 2014 and Statement 68 is effective for the year ending June 30, 2015.

**Note 2 - Stewardship, Compliance and Accountability**

**Budgetary information**

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

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

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

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

**Excess of expenditures over appropriations**

	<u>Appropriations</u>	<u>Actual</u>	<u>Budget Variance</u>
General Fund			
Public works	\$ 1,324,624	\$ 1,384,650	\$ 60,026
Recreation and culture	93,690	174,765	81,075
Transfers	627,708	628,227	519
Tax Increment Finance Authority			
Tax refunds	1,330,837	1,768,026	437,189
Transfers	1,258,228	1,305,292	47,064

**The City of Flat Rock, Michigan**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 3 - Deposits and Investments**

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

	Cash and Cash Equivalents
Governmental activities	\$ 2,334,107
Business-type activities	1,436,576
Total primary government	3,770,683
Fiduciary funds	126,280
Total	\$ 3,896,963

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 3,269,484	\$ 126,280
Investments in securities, mutual funds and similar vehicles	501,199	-
	\$ 3,770,683	\$ 126,280

As of year end, the government had the following investments:

Investment	Fair Value	Rating	Rating Organization
Fifth Third Government			
Money Market	\$ 501,199	AAAmf	Fitch

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

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

*Custodial credit risk – deposits* – In the case of deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of year end, \$2,888,748 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments* – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**The City of Flat Rock, Michigan**  
**Notes to Financial Statements**  
**June 30, 2014**

The following investment securities were uninsured and unregistered and held in the following manner:

Investment	Fair Value	Rating	Rating Organization
Fifth Third Government			
Money Market	\$ 501,199	AAAmf	Fitch

**Note 4 - Deferred Inflows of Resources**

At year end the various components of deferred inflows of resources are as follows:

<b>Primary government</b>	
Deferred amount on refunding (credit)	\$ 14,489
Earned but unavailable revenues	
Grants	<u>232,067</u>
	<u>\$ 246,556</u>

**Note 5 - Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,382,201	\$ 22,981	\$ -	\$ 1,405,182
Capital assets being depreciated				
Infrastructure	24,546,535	563,644	-	25,110,179
Buildings, additions and improvements	22,891,424	33,367	-	22,924,791
Machinery and equipment	5,270,031	31,916	-	5,301,947
Vehicles	<u>920,828</u>	<u>37,362</u>	<u>-</u>	<u>958,190</u>
Total capital assets being depreciated	<u>53,628,818</u>	<u>666,289</u>	<u>-</u>	<u>54,295,107</u>
Less accumulated depreciation for				
Infrastructure	18,891,153	583,286	-	19,474,439
Buildings, additions and improvements	6,074,854	458,695	-	6,533,549
Machinery and equipment	3,895,636	200,045	-	4,095,681
Vehicles	<u>870,582</u>	<u>21,237</u>	<u>-</u>	<u>891,819</u>
Total accumulated depreciation	<u>29,732,225</u>	<u>1,263,263</u>	<u>-</u>	<u>30,995,488</u>
Net capital assets being depreciated	<u>23,896,593</u>	<u>(596,974)</u>	<u>-</u>	<u>23,299,619</u>
Governmental activities capital assets, net	<u>\$ 25,278,794</u>	<u>\$ (573,993)</u>	<u>\$ -</u>	<u>\$ 24,704,801</u>

**The City of Flat Rock, Michigan**  
**Notes to Financial Statements**  
**June 30, 2014**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets being depreciated				
Buildings, additions and improvements	\$ 6,516,962	\$ -	\$ -	\$ 6,516,962
Machinery and equipment	906,830	69,832	10,000	966,662
Vehicles	343,835	14,554	-	358,389
Water and sewer system	17,244,054	547,677	-	17,791,731
<b>Total capital assets being depreciated</b>	<u>25,011,681</u>	<u>632,063</u>	<u>10,000</u>	<u>25,633,744</u>
Less accumulated depreciation for				
Buildings, additions and improvements	1,987,779	113,673	-	2,101,452
Machinery and equipment	352,766	116,930	10,000	459,696
Vehicles	283,658	12,399	-	296,057
Water and sewer system	10,282,262	335,919	-	10,618,181
<b>Total accumulated depreciation</b>	<u>12,906,465</u>	<u>578,921</u>	<u>10,000</u>	<u>13,475,386</u>
<b>Net capital assets being depreciated</b>	<u>12,105,216</u>	<u>53,142</u>	<u>-</u>	<u>12,158,358</u>
<b>Business-type capital assets, net</b>	<u>\$ 12,105,216</u>	<u>\$ 53,142</u>	<u>\$ -</u>	<u>\$ 12,158,358</u>

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

**Governmental activities**

General government	\$ 31,684
Public safety	130,760
Public works	53,038
Recreation and culture	457,833
Other functions	<u>589,948</u>
<b>Total governmental activities</b>	<b>1,263,263</b>

**Business-type activities**

Water and Sewer	<u>578,921</u>
<b>Total primary government</b>	<b><u>\$ 1,842,184</u></b>

**Note 6 - Capital Leases**

The City has a capital lease for a vector. The future minimum lease payments are as follows:

Year ending June 30,

2015	\$ 35,918
2016	35,918
2017	35,918
2018	<u>174,511</u>

Total minimum lease payments	282,265
Less amount representing interest	<u>31,729</u>

Present value of minimum lease payments \$ 250,536

Equipment \$ 450,363  
Less accumulated depreciation 127,700

**Total** \$ 322,663

**The City of Flat Rock, Michigan**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Note 7 - Interfund Receivables, Payables and Transfers**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due from/to other funds</b>		
General Fund	Nonmajor governmental funds	\$ 232,764
General Fund	TIFA Fund	2,010
General Fund	DDA Fund	1,387
General Fund	Water/Sewer	3,988
Community Center Fund	General Fund	23,103
Nonmajor governmental funds	Nonmajor governmental funds	25,778
		<u>\$ 289,030</u>

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

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
General Fund	Nonmajor Funds	\$ 628,227
Nonmajor funds	Nonmajor Funds	314,295
TIFA Fund	Nonmajor Funds	1,130,292
TIFA Fund	Community Center Fund	175,000
Nonmajor funds	Community Center Fund	7,785
Nonmajor funds	General Fund	7,514
DDA Fund	Nonmajor Funds	54,421
		<u>\$ 2,317,534</u>

Transfers are used to move unrestricted General Fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. TIFA transfers were to refund taxes back to the originating entity.

**The City of Flat Rock, Michigan**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 8 - Long-Term Debt**

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

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Bonds and notes payable									
General obligation bonds									
Building Authority Bond, Series 2004	\$ 1,720,000	9/1/18	2.00% - 4.40%	\$140,000 - \$155,000	\$ 720,000	\$ -	\$ 130,000	\$ 590,000	\$ 140,000
Building Authority Bond, Series 2006	3,415,000	8/1/21	3.90% - 4.60%	\$305,000 - \$395,000	2,735,000	-	295,000	2,440,000	305,000
Tax Increment Finance Authority - 2005 Limited Tax Development Bonds	1,750,000	10/1/26	5.375% - 5.875%	\$75,000 - \$140,000	1,330,000	-	75,000	1,255,000	75,000
Tax Increment Finance Authority - Limited Tax Development Bonds Series 2006A	4,270,000	10/1/24	6.75% - 7.00%	\$220,000 - \$405,000	3,255,000	-	210,000	3,045,000	220,000
Tax Increment Finance Authority - Limited Tax Development Bonds Series 2006B	5,675,000	10/1/24	4.00% - 4.80%	\$310,000 - \$380,000	3,730,000	-	305,000	3,425,000	310,000
Captial Improvement Bonds - 2010 Limited Tax General Obligation	2,500,000	8/1/25	3.00% - 5.00%	\$145,000 - \$250,000	2,250,000	-	135,000	2,115,000	145,000
Total bonds payable					<u>14,020,000</u>	<u>-</u>	<u>1,150,000</u>	<u>12,870,000</u>	<u>1,195,000</u>
Claims and judgments									
Auto Alliance, Inc. - Refundable 2009 Personal Property Tax	559,630	8/31/21	N/A	\$55,963	447,704	-	55,963	391,741	55,963
Auto Alliance, Inc. - Refundable 2009 - 2011 Real Property Tax	859,887	10/31/22	N/A	\$85,986	773,898	-	85,986	687,912	85,989
Total claims and judgements					<u>1,221,602</u>	<u>-</u>	<u>141,949</u>	<u>1,079,653</u>	<u>141,952</u>
Compensated absences									
Equipment install purchase agreement	334,000	12/15/15	4.47%	\$66,789	133,589	-	66,801	66,788	66,788
Equipment lease purchase agreement	34,819	9/20/16	6.465%	\$1,970 - \$7,570	17,122	-	7,289	9,833	7,570
Total other					<u>648,624</u>	<u>-</u>	<u>103,074</u>	<u>545,550</u>	<u>74,358</u>
Total governmental activities					<u>\$ 15,890,226</u>	<u>\$ -</u>	<u>\$ 1,395,023</u>	<u>\$ 14,495,203</u>	<u>\$ 1,411,310</u>



**The City of Flat Rock, Michigan**  
**Notes to Financial Statements**  
**June 30, 2014**

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>									
Bonds and notes payable									
General obligation bonds									
South Huron Valley Utility Authority - Sewer System Plant Acquisition Bonds	\$ 3,271,516	10/1/21	2.25%	\$172,702 - \$198,164	\$ 1,465,469	\$ -	\$ 169,015	\$ 1,296,454	\$ 172,702
South Huron Valley Utility Authority - 2004 Sewer System Plant Expansion	2,352,760	4/1/26	2.13%	\$113,555 - \$142,901	1,640,808	-	111,004	1,529,804	113,555
South Huron Valley Utility Authority - 2010 Sewer System Improvements	409,360	5/1/30	4.000% - 6.375%	\$16,630 - \$34,538	379,937	-	15,351	364,586	16,630
South Huron Valley Utility Authority - 2011 Sewer System Improvements	557,073	4/1/31	2.50%	\$23,562 - \$34,497	513,315	-	22,720	490,595	23,562
South Huron Valley Utility Authority - 2014 Sewer System Improvements	448,602	4/1/29	1.78%	\$89,720	-	448,602	-	448,602	89,720
Deferred amounts on refunding					16,947	-	2,458	14,489	-
Total bonds payable					4,016,476	448,602	320,548	4,144,530	416,169
Capital leases									
2012 Vactor lease	311,938	10/19/18	3.78%	\$26,448 - \$168,155	276,020	-	25,484	250,536	26,448
2014 Backhoe loan	69,832	10/8/18	3.35%	\$13,083 - \$14,813	-	69,832	-	69,832	13,083
Compensated absences	N/A	N/A	N/A	N/A	50,339	2,766	-	53,105	-
Total business-type activities					\$ 4,342,835	\$ 521,200	\$ 346,032	\$ 4,518,003	\$ 455,700

**The City of Flat Rock, Michigan**  
**Notes to Financial Statements**  
**June 30, 2014**

Annual debt service requirements to maturity for the bonds payable are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 1,195,000	\$ 637,190	\$ 416,169	\$ 100,660
2016	1,245,000	580,240	423,866	91,463
2017	1,305,000	519,144	430,109	81,883
2018	1,360,000	453,620	437,805	72,117
2019	1,260,000	387,702	446,749	62,180
2020 - 2024	5,985,000	943,641	1,294,720	190,657
2025 - 2029	520,000	22,407	577,896	67,656
2025 - 2034	-	-	102,727	4,772
	<u>\$ 12,870,000</u>	<u>\$ 3,543,944</u>	<u>\$ 4,130,041</u>	<u>\$ 671,388</u>

**Note 9 - Risk Management**

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

**Note 10 - Employee Retirement and Benefit Systems**

**Defined benefit pension plan**

Plan description – The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be

obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Funding policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees. Each member contributes a percent of annual compensation, as selected by the City. Any percentage from 0% to 10% (in .1% increments) may be selected. A 3% and 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.

Annual pension costs – For the year ended June 30, 2014, the City's annual pension cost of \$ 625,494 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2013, using the entry age normal cost method. Significant actuarial assumptions used include: 1) an 8% investment rate of return; 2) projected salary increases of 4.5 percent per year; and 3) 4.5 percent per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period.

The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 27 years.

**The City of Flat Rock, Michigan**  
**Notes to Financial Statements**  
**June 30, 2014**

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Three year trend information as of December 31 is as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual pension cost	\$ 625,494	\$ 577,352	\$ 579,003
Percentage of APC contributed	100%	100%	100%
Actuarial value of assets	12,170,777	11,946,009	11,869,966
Actuarial accrued liabilities	21,619,300	21,006,439	21,046,896
Unfunded AAL	9,448,523	9,060,430	9,176,930
Funded ratio	56.0%	57.0%	56.0%
Covered payroll	3,082,131	3,041,091	3,028,837
UAAL as a percentage of covered payroll	307%	298%	303%

**Note 11 - Deferred Compensation Plan**

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

**Note 12 - Other Postemployment Benefits**

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

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

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

Funding progress – For the year ended June 30, 2014, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2013. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

**The City of Flat Rock, Michigan**  
**Notes to Financial Statements**  
**June 30, 2014**

This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 1,580,603
Interest on the prior year's net OPEB obligation	153,621
Less adjustment to annual required contribution	<u>(236,385)</u>
Annual OPEB cost	1,497,839
Amounts contributed	
Payments of current premiums	<u>423,292</u>
Increase in net OPEB obligation	1,074,547
OPEB obligation - beginning of year	<u>3,882,887</u>
OPEB obligation - end of year	<u><u>\$ 4,957,434</u></u>

The schedule of employer contributions and the net OPEB obligations for the fiscal year ended June 30, 2014, 2013, and 2012 are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual OPEB costs	\$ 1,497,839	\$ 1,444,717	\$ 1,403,360
Percentage contributed	28.260%	30.304%	30.150%
Net OPEB obligations	4,957,434	3,840,543	2,866,020

The funding progress of the plan as of the most recent valuation date is as follows:

Valuation as of June 30, 2013:	
Actuarial value of assets	-
Actuarial accrued liability (AAL)	16,983,463
Unfunded AAL	16,983,463
Funded ratio	0%

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

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

**The City of Flat Rock, Michigan**  
**Notes to Financial Statements**  
**June 30, 2014**

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In the June 30, 2013 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on plan assets, and an annual healthcare cost trend for medical and drug costs of 7.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after three years, with an annual healthcare cost trend rate for dental and vision costs of 4.0 percent, which remains unchanged. Both rates included a 4.0 percent inflation assumption. The UAAL is being amortized as a level percent of payroll if the divisions are open to new hires and as a level dollar if the divisions are closed to new hires.

**Note 13 - Contingent Liabilities**

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

**Note 14 - Subsequent Events**

Subsequent to year end, City Council made a resolution to borrow a sum no greater than \$3,500,000 for capital improvement bonds. These amounts are not reflected in the financial statements.

**City of Flat Rock, Michigan**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Taxes				
Property taxes	\$ 5,261,275	\$ 5,261,275	\$ 5,027,299	\$ (233,976)
Penalties and interest	32,000	32,000	24,305	(7,695)
Licenses and permits	210,810	210,810	144,750	(66,060)
State shared revenue	838,873	838,873	839,949	1,076
State grants	21,500	21,500	24,200	2,700
Local contributions	10,000	10,000	12,775	2,775
Charges for services	259,520	259,520	256,885	(2,635)
Fines and forfeitures	426,200	426,200	349,847	(76,353)
Interest income	500	500	2,166	1,666
Rental income	140,000	140,000	178,257	38,257
Other revenue	257,180	257,180	272,323	15,143
Sale of fixed assets	31,000	31,000	82,552	51,552
Transfers in	-	-	7,514	7,514
	<u>7,488,858</u>	<u>7,488,858</u>	<u>7,222,822</u>	<u>(266,036)</u>
<b>Expenditures</b>				
General government				
Legislative	14,100	14,100	13,811	(289)
Judicial	520,000	520,000	452,783	(67,217)
Clerk	104,158	104,158	110,887	6,729
Treasurer	193,587	193,587	197,998	4,411
Assessor	42,368	42,368	48,659	6,291
Elections	49,645	49,645	36,683	(12,962)
Buildings and grounds	249,751	249,751	209,636	(40,115)
Attorney	114,800	114,800	89,082	(25,718)
General operations	462,283	462,283	352,404	(109,879)
	<u>1,750,692</u>	<u>1,750,692</u>	<u>1,511,943</u>	<u>(238,749)</u>

**City of Flat Rock, Michigan**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Public safety				
Police department	\$ 2,681,063	\$ 2,681,063	\$ 2,518,673	\$ (162,390)
Fire department	980,800	980,800	974,270	(6,530)
Building inspection department	3,500	3,500	1,159	(2,341)
Total public safety	<u>3,665,363</u>	<u>3,665,363</u>	<u>3,494,102</u>	<u>(171,261)</u>
Public works				
Department of public works	<u>1,324,624</u>	<u>1,324,624</u>	<u>1,384,650</u>	<u>60,026</u>
Community and economic development				
Planning	13,869	13,869	11,996	(1,873)
Zoning	<u>7,555</u>	<u>7,555</u>	<u>8,163</u>	<u>608</u>
Total community and economic development	<u>21,424</u>	<u>21,424</u>	<u>20,159</u>	<u>(1,265)</u>
Recreation and culture				
Parks and recreation	<u>93,690</u>	<u>93,690</u>	<u>174,765</u>	<u>81,075</u>
Transfers out	<u>627,708</u>	<u>627,708</u>	<u>628,227</u>	<u>519</u>
Total expenditures	<u>7,483,501</u>	<u>7,483,501</u>	<u>7,213,846</u>	<u>(269,655)</u>
Excess (deficiency) of revenues over expenditures	5,357	5,357	8,976	3,619
Fund balance - beginning of year	<u>676,157</u>	<u>676,157</u>	<u>676,157</u>	<u>-</u>
Fund balance - end of year	<u>\$ 681,514</u>	<u>\$ 681,514</u>	<u>\$ 685,133</u>	<u>\$ 3,619</u>

**City of Flat Rock, Michigan**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Tax Increment Finance Authority**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Taxes	\$ 2,643,776	\$ 2,643,776	\$ 3,219,695	\$ 575,919
Interest income	<u>2,000</u>	<u>2,000</u>	<u>873</u>	<u>(1,127)</u>
Total revenues	<u>2,645,776</u>	<u>2,645,776</u>	<u>3,220,568</u>	<u>574,792</u>
<b>Expenditures</b>				
Current				
Community and economic development	188,300	188,300	54,444	(133,856)
Tax refunds	1,330,837	1,330,837	1,768,026	437,189
Transfers out	<u>1,133,229</u>	<u>1,133,229</u>	<u>1,305,292</u>	<u>172,063</u>
Total expenditures	<u>2,652,366</u>	<u>2,652,366</u>	<u>3,127,762</u>	<u>475,396</u>
Excess of revenues (deficiency) over expenditures	(6,590)	(6,590)	92,806	99,396
Fund balance - beginning of year	<u>291,585</u>	<u>291,585</u>	<u>291,585</u>	<u>-</u>
Fund balance - end of year	<u>\$ 284,995</u>	<u>\$ 284,995</u>	<u>\$ 384,391</u>	<u>\$ 99,396</u>



**City of Flat Rock, Michigan**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Community Center**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
<b>Revenues</b>				
Charges for services	\$ 1,591,500	\$ 1,591,500	\$ 1,399,028	\$ (192,472)
Other state grants	31,000	31,000	25,271	(5,729)
Interest income	160	160	19	(141)
Rental income	1,250	1,250	1,255	5
Other revenue	4,300	4,300	26,228	21,928
Transfers in	<u>125,000</u>	<u>125,000</u>	<u>182,785</u>	<u>57,785</u>
Total revenues	1,753,210	1,753,210	1,634,586	(118,624)
<b>Expenditures</b>				
Current				
Recreation and culture	<u>1,744,712</u>	<u>1,744,712</u>	<u>1,658,860</u>	<u>(85,852)</u>
Excess of revenues (deficiency) over expenditures	8,498	8,498	(24,274)	(32,772)
Fund balance - beginning of year	<u>25,170</u>	<u>25,170</u>	<u>25,170</u>	<u>-</u>
Fund balance - end of year	<u>\$ 33,668</u>	<u>\$ 33,668</u>	<u>\$ 896</u>	<u>\$ (32,772)</u>

**City of Flat Rock, Michigan**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2014**

	Special Revenue Funds							Debt Service Funds				Capital Projects Funds		
	Block Grant Fund	Major Street Fund	Local Street Fund	Downtown Development Authority	Historical District Fund	Library Fund	Greenways	Other Funds	2010 Road Improvement	Building Authority	Building Authority Ballfield	TIFA	2010 Road Improvement	Nonmajor Governmental Funds
<b>Assets</b>														
Cash and cash equivalents	\$ -	\$ 48,504	\$ 279,262	\$ 547,726	\$ 117,483	\$ 41,603	\$ -	\$ 43,372	\$ -	\$ -	\$ -	\$ -	\$ 19,562	\$ 1,097,512
Receivables														
Taxes	-	-	-	-	213	858	-	-	-	-	-	-	-	1,071
Due from other units of government	10,739	64,446	24,863	-	72	10,451	232,067	-	-	-	-	-	-	342,638
Due from other funds	-	-	25,778	-	-	-	-	-	-	-	-	-	-	25,778
Prepaid items	-	1,025	1,025	-	30	30	-	-	-	-	-	-	-	2,110
Total assets	<u>\$ 10,739</u>	<u>\$ 113,975</u>	<u>\$ 330,928</u>	<u>\$ 547,726</u>	<u>\$ 117,798</u>	<u>\$ 52,942</u>	<u>\$ 232,067</u>	<u>\$ 43,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,562</u>	<u>\$ 1,469,109</u>
<b>Liabilities</b>														
Accounts payable	\$ -	\$ 27,711	\$ 746	\$ -	\$ 16	\$ 1,261	\$ 21,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,402
Accrued and other liabilities	-	458	458	-	-	5,811	-	-	-	-	-	-	-	6,727
Due to other funds	10,739	33,509	3,223	1,387	-	-	210,399	-	-	-	-	-	-	259,257
Total liabilities	<u>10,739</u>	<u>61,678</u>	<u>4,427</u>	<u>1,387</u>	<u>16</u>	<u>7,072</u>	<u>232,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>317,386</u>

**City of Flat Rock, Michigan**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2014**

	Special Revenue Funds							Debt Service Funds				Capital Projects Funds		Nonmajor Governmental Funds
	Block Grant Fund	Major Street Fund	Local Street Fund	Downtown Development Authority	Historical District Fund	Library Fund	Greenways	Other Funds	2010 Road Improvement	Building Authority	Building Authority Ballfield	TIFA	2010 Road Improvement	
<b>Deferred inflows of resources</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 232,067	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 232,067
<b>Fund Balances</b>														
Non-spendable														
Prepaid items	-	1,025	1,025	-	30	30	-	-	-	-	-	-	-	2,110
Restricted for														
Major street	-	51,272	-	-	-	-	-	-	-	-	-	-	-	51,272
Local street	-	-	325,476	-	-	-	-	-	-	-	-	-	-	325,476
Downtown development authority	-	-	-	546,339	-	-	-	-	-	-	-	-	-	546,339
Historical district	-	-	-	-	117,752	-	-	-	-	-	-	-	-	117,752
Library	-	-	-	-	-	45,840	-	-	-	-	-	-	-	45,840
Other special revenue	-	-	-	-	-	-	43,372	-	-	-	-	-	-	43,372
Capital projects	-	-	-	-	-	-	-	-	-	-	-	19,562	-	19,562
Unassigned (deficit)	-	-	-	-	-	-	(232,067)	-	-	-	-	-	-	(232,067)
<b>Total fund balances</b>	<u>-</u>	<u>52,297</u>	<u>326,501</u>	<u>546,339</u>	<u>117,782</u>	<u>45,870</u>	<u>(232,067)</u>	<u>43,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,562</u>	<u>919,656</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 10,739</u>	<u>\$ 113,975</u>	<u>\$ 330,928</u>	<u>\$ 547,726</u>	<u>\$ 117,798</u>	<u>\$ 52,942</u>	<u>\$ 232,067</u>	<u>\$ 43,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,562</u>	<u>\$ 1,469,109</u>

**City of Flat Rock, Michigan**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2014**

	Special Revenue Funds							Debt Service Funds				Capital Projects Funds	Total Nonmajor Governmental Funds	
	Block Grant Fund	Major Street Fund	Local Street Fund	Downtown Development Authority	Historical District Fund	Library Fund	Greenways	Other Funds	2010 Road Improvement	Building Authority	Building Authority Ballfield	TIFA		2010 Road Improvement
<b>Revenues</b>														
Taxes	\$ -	\$ -	\$ -	\$ 565,518	\$ 83,702	\$ 334,690	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 983,910
Federal grants	125,451	-	-	-	-	-	-	3,156	-	-	-	-	-	128,607
State shared revenue	-	391,573	184,338	-	-	7,135	140,027	-	-	-	-	-	-	723,073
Interest income	-	-	-	34	-	-	-	-	-	-	-	-	-	34
Other revenue	-	-	1,925	1,550	5	49,058	-	3,670	-	-	-	-	-	56,208
<b>Total revenues</b>	<b>125,451</b>	<b>391,573</b>	<b>186,263</b>	<b>567,102</b>	<b>83,707</b>	<b>390,883</b>	<b>140,027</b>	<b>6,826</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,891,832</b>
<b>Expenditures</b>														
Current														
Public safety	-	-	-	-	-	-	-	5,176	-	-	-	-	-	5,176
Public works	-	231,050	298,469	-	-	-	-	-	-	-	-	-	1,394	530,913
Community and economic development	110,152	-	-	439,664	43,382	-	372,094	1,509	-	-	-	-	-	966,801
Library	-	-	-	-	-	282,671	-	-	-	-	-	-	-	282,671
Capital outlay	-	-	-	-	-	-	-	25,547	-	-	-	-	-	25,547
Debt service														
Principal retirement	-	-	-	-	-	-	-	-	135,000	130,000	295,000	590,000	-	1,150,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	93,060	27,870	115,185	457,553	-	693,668
<b>Total expenditures</b>	<b>110,152</b>	<b>231,050</b>	<b>298,469</b>	<b>439,664</b>	<b>43,382</b>	<b>282,671</b>	<b>372,094</b>	<b>32,232</b>	<b>228,060</b>	<b>157,870</b>	<b>410,185</b>	<b>1,047,553</b>	<b>1,394</b>	<b>3,654,776</b>
Excess (deficiency) of revenues over expenditures	15,299	160,523	(112,206)	127,438	40,325	108,212	(232,067)	(25,406)	(228,060)	(157,870)	(410,185)	(1,047,553)	(1,394)	(1,762,944)

**City of Flat Rock, Michigan**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2014**

	Special Revenue Funds							Debt Service Funds				Capital Projects Funds	Total Nonmajor Governmental Funds	
	Block Grant Fund	Major Street Fund	Local Street Fund	Downtown Development Authority	Historical District Fund	Library Fund	Greenways	Other Funds	2010 Road Improvement	Building Authority	Building Authority Ballfield	TIFA	2010 Road Improvement	
<b>Other financing sources (uses)</b>														
Transfers in	\$ -	\$ -	\$ 246,629	\$ -	\$ -	\$ 40,000	\$ -	\$ -	\$ 228,060	\$ 157,666	\$ 410,054	\$ 1,044,826	\$ -	\$ 2,127,235
Transfers out	(15,299)	(156,629)	-	(54,421)	-	(157,666)	-	-	-	-	-	-	-	(384,015)
Total other financing sources (uses)	(15,299)	(156,629)	246,629	(54,421)	-	(117,666)	-	-	228,060	157,666	410,054	1,044,826	-	1,743,220
Net change in fund balance	-	3,894	134,423	73,017	40,325	(9,454)	(232,067)	(25,406)	-	(204)	(131)	(2,727)	(1,394)	(19,724)
Fund balance - beginning of year	-	48,403	192,078	473,322	77,457	55,324	-	68,778	-	204	131	2,727	20,956	939,380
Fund balance (deficit) - end of year	\$ -	\$ 52,297	\$ 326,501	\$ 546,339	\$ 117,782	\$ 45,870	\$ (232,067)	\$ 43,372	\$ -	\$ -	\$ -	\$ -	\$ 19,562	\$ 919,656

**City of Flat Rock, Michigan**  
**Other Supplementary Information**  
**Schedule of Indebtedness**  
**June 30, 2014**

Description	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
<b>Governmental Activities</b>					
Building Authority Bond, Series 2004	9/1/2014	\$ 140,000	\$ 12,571	\$ 9,736	\$ 162,307
Date of issue January 2004;	9/1/2015	145,000	9,736	6,691	161,427
amount of issue \$1,720,000	9/1/2016	150,000	6,691	3,410	160,101
Interest due August 1 and February 1	9/1/2017	<u>155,000</u>	<u>3,410</u>	<u>-</u>	<u>158,410</u>
		<u>\$ 590,000</u>	<u>\$ 32,408</u>	<u>\$ 19,837</u>	<u>\$ 642,245</u>
Building Authority Bond, Series 2006	8/1/2014	\$ 305,000	\$ 54,282	\$ 47,801	\$ 407,083
Date of issue September 2006	8/1/2015	320,000	47,801	40,921	408,722
amount of issue \$3,415,000	8/1/2016	335,000	40,921	33,593	409,514
Interest due August 1 and February 1	8/1/2017	345,000	33,593	25,830	404,423
	8/1/2018	360,000	25,830	17,730	403,560
	8/1/2019	380,000	17,730	9,085	406,815
	8/1/2020	<u>395,000</u>	<u>9,085</u>	<u>-</u>	<u>404,085</u>
		<u>\$ 2,440,000</u>	<u>\$ 229,242</u>	<u>\$ 174,960</u>	<u>\$ 2,844,202</u>
Tax Increment Finance Authority	10/1/2014	\$ 75,000	\$ 36,575	\$ 34,513	\$ 146,088
2005 Limited Tax Devleopment Bonds	10/1/2015	80,000	34,512	32,313	146,825
Date of issue March 2005	10/1/2016	85,000	32,312	29,816	147,128
amount of issue \$1,750,000	10/1/2017	90,000	29,816	27,172	146,988
Interest due August 1 and February 1	10/1/2018	95,000	27,172	24,381	146,553
	10/1/2019	100,000	24,381	21,444	145,825
	10/1/2020	105,000	21,444	18,359	144,803
	10/1/2021	110,000	18,359	15,128	143,487
	10/1/2022	120,000	15,128	11,603	146,731
	10/1/2023	125,000	11,603	7,931	144,534
	10/1/2024	130,000	7,931	4,113	142,044
	10/1/2025	<u>140,000</u>	<u>4,113</u>	<u>-</u>	<u>144,113</u>
		<u>\$ 1,255,000</u>	<u>\$ 263,346</u>	<u>\$ 226,773</u>	<u>\$ 1,745,119</u>

**City of Flat Rock, Michigan**  
**Other Supplementary Information**  
**Schedule of Indebtedness**  
**June 30, 2014**

Description	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
Tax Increment Finance Authority	10/1/2014	\$ 220,000	\$ 105,104	\$ 97,678	\$ 422,782
Limited Tax Development Bonds Series 2006A	10/1/2015	235,000	97,678	89,748	422,426
Date of issue August 2006	10/1/2016	255,000	89,748	81,141	425,889
amount of issue \$4,270,000	10/1/2017	270,000	81,141	71,759	422,900
Interest due August 1 and February 1	10/1/2018	290,000	71,759	61,681	423,440
	10/1/2019	310,000	61,681	50,909	422,590
	10/1/2020	330,000	50,909	39,441	420,350
	10/1/2021	355,000	39,441	27,105	421,546
	10/1/2022	375,000	27,105	14,074	416,179
	10/1/2023	405,000	14,074	-	419,074
		<u>\$ 3,045,000</u>	<u>\$ 638,640</u>	<u>\$ 533,536</u>	<u>\$ 4,217,176</u>
Tax Increment Finance Authority	10/1/2014	\$ 310,000	\$ 78,404	\$ 71,817	\$ 460,221
Limited Tax Development Bonds Series 2006B	10/1/2015	315,000	71,817	64,926	451,743
Date of issue August 2006	10/1/2016	320,000	64,926	57,726	442,652
amount of issue \$5,675,000	10/1/2017	330,000	57,726	50,301	438,027
Interest due August 1 and February 1	10/1/2018	335,000	50,301	42,764	428,065
	10/1/2019	345,000	42,764	34,786	422,550
	10/1/2020	355,000	34,786	26,576	416,362
	10/1/2021	360,000	26,576	18,026	404,602
	10/1/2022	375,000	18,026	9,120	402,146
	10/1/2023	380,000	9,120	-	389,120
		<u>\$ 3,425,000</u>	<u>\$ 454,446</u>	<u>\$ 376,042</u>	<u>\$ 4,255,488</u>

**City of Flat Rock, Michigan**  
**Other Supplementary Information**  
**Schedule of Indebtedness**  
**June 30, 2014**

Description	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
Capital Improvement Bonds	8/1/2014	\$ 145,000	\$ 45,442	\$ 43,267	\$ 233,709
2010 Limited Tax General Obligation	8/1/2015	150,000	43,267	40,830	234,097
Date of issue September 2010	8/1/2016	160,000	40,830	38,030	238,860
amount of issue \$2,500,000	8/1/2017	170,000	38,030	34,842	242,872
Interest due August 1 and February 1	8/1/2018	180,000	34,842	31,242	246,084
	8/1/2019	190,000	31,242	27,300	248,542
	8/1/2020	200,000	27,300	23,000	250,300
	8/1/2021	210,000	23,000	17,750	250,750
	8/1/2022	225,000	17,750	12,125	254,875
	8/1/2023	235,000	12,125	6,250	253,375
	8/1/2024	250,000	6,250	-	256,250
		<u>\$ 2,115,000</u>	<u>\$ 320,078</u>	<u>\$ 274,636</u>	<u>\$ 2,709,714</u>
<b>Business Type Activities</b>					
South Huron Valley Utility Authority	10/1/2014	\$ 172,702	\$ 14,585	\$ 12,642	\$ 199,929
Sewer System Plant Acquisition Bonds	10/1/2015	177,005	12,642	10,651	200,298
Date of issue September 1998	10/1/2016	180,692	10,651	8,618	199,961
amount of issue \$3,271,516;	10/1/2017	184,995	8,618	6,537	200,150
Flat Rock Share of \$26,615,000	10/1/2018	189,297	6,537	4,407	200,241
Interest due October 1 and April 1	10/1/2019	193,599	4,407	2,229	200,235
	10/1/2020	198,164	2,229	-	200,393
		<u>\$ 1,296,454</u>	<u>\$ 59,669</u>	<u>\$ 45,084</u>	<u>\$ 1,401,207</u>



**City of Flat Rock, Michigan**  
**Other Supplementary Information**  
**Schedule of Indebtedness**  
**June 30, 2014**

Description	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
South Huron Valley Utility Authority	4/1/2015	\$ 113,555	\$ 16,254	\$ 16,254	\$ 146,063
2004 Sewer System Plant Expansion	4/1/2016	116,107	15,048	15,048	146,203
Date of issue April 2004	4/1/2017	117,383	13,814	13,814	145,011
amount of issue \$2,352,760;	4/1/2018	119,935	12,567	12,567	145,069
Flat Rock Share of \$9,220,000	4/1/2019	122,486	11,293	11,293	145,072
Interest due August 1 and February 1	4/1/2020	126,314	9,994	9,994	146,302
	4/1/2021	128,866	8,649	8,649	146,164
	4/1/2022	131,418	7,280	7,280	145,978
	4/1/2023	133,970	5,883	5,883	145,736
	4/1/2024	136,521	4,460	4,460	145,441
	4/1/2025	140,349	3,010	3,010	146,369
	4/1/2026	142,900	1,518	1,518	145,936
		<u>\$ 1,529,804</u>	<u>\$ 109,770</u>	<u>\$ 109,770</u>	<u>\$ 1,749,344</u>
South Huron Valley Utility Authority	5/1/2015	\$ 16,630	\$ 10,337	\$ 10,337	\$ 37,304
2010 Sewer System Improvements	5/1/2016	16,630	10,005	10,005	36,640
Date of issue May 2010	5/1/2017	17,910	9,564	9,564	37,038
amount of issue \$409,360;	5/1/2018	17,910	9,089	9,089	36,088
Flat Rock Share of \$1,600,000	5/1/2019	19,189	8,615	8,615	36,419
Interest due November 1 and May 1	5/1/2020	19,189	8,106	8,106	35,401
	5/1/2021	21,747	7,598	7,598	36,943
	5/1/2022	20,468	7,021	7,021	34,510
	5/1/2023	21,747	6,479	6,479	34,705
	5/1/2024	23,027	5,903	5,903	34,833
	5/1/2025	24,306	5,293	5,293	34,892
	5/1/2026	24,306	4,648	4,648	33,602
	5/1/2027	25,585	3,874	3,874	33,333
	5/1/2028	29,423	3,058	3,058	35,539
	5/1/2029	31,981	2,120	2,120	36,221
	5/1/2030	34,538	1,101	1,102	36,741
		<u>\$ 364,586</u>	<u>\$ 102,811</u>	<u>\$ 102,812</u>	<u>\$ 570,209</u>

**City of Flat Rock, Michigan**  
**Other Supplementary Information**  
**Schedule of Indebtedness**  
**June 30, 2014**

Description	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
South Huron Valley Utility Authority	4/1/2015	\$ 23,562	\$ 6,132	\$ 6,133	\$ 35,827
2011 Sewer System Improvements	4/1/2016	24,404	5,838	5,838	36,080
Date of issue April 2011	4/1/2017	24,404	5,533	5,533	35,470
amount of issue \$537,073;	4/1/2018	25,245	5,228	5,228	35,701
Flat Rock Share of \$3,310,000	4/1/2019	26,087	4,912	4,912	35,911
Interest due October 1 and April 1	4/1/2020	26,928	4,586	4,586	36,100
	4/1/2021	26,928	4,250	4,250	35,428
	4/1/2022	27,770	3,913	3,913	35,596
	4/1/2023	28,611	3,566	3,566	35,743
	4/1/2024	29,453	3,208	3,208	35,869
	4/1/2025	30,294	2,840	2,840	35,974
	4/1/2026	31,136	2,461	2,461	36,058
	4/1/2027	31,977	2,072	2,072	36,121
	4/1/2028	32,819	1,672	1,672	36,163
	4/1/2029	32,819	1,262	1,262	35,343
	4/1/2030	33,660	852	852	35,364
	4/1/2031	<u>34,498</u>	<u>431</u>	<u>434</u>	<u>35,363</u>
		<u>\$ 490,595</u>	<u>\$ 58,756</u>	<u>\$ 58,760</u>	<u>\$ 608,111</u>
South Huron Valley Utility Authority					
2014 Sewer System Improvements	4/11/2015	\$ 89,720	\$ 3,993	\$ 4,006	\$ 97,719
Date of issue May 2014	4/11/2016	89,720	3,194	3,208	96,122
amount of issue \$448,602;	4/11/2017	89,720	2,396	2,409	94,525
Flat Rock Share of \$1,540,000	4/11/2018	89,720	1,597	1,610	92,927
Interest due October 11 and April 11	4/11/2019	<u>89,722</u>	<u>798</u>	<u>812</u>	<u>91,332</u>
		<u>\$ 448,602</u>	<u>\$ 11,978</u>	<u>\$ 12,045</u>	<u>\$ 472,625</u>

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

<b>Fiscal Year</b>	<b>General Fund</b>	<b>Municipal Building Fund</b>	<b>Sewer Debt</b>	<b>Library Fund</b>	<b>Historical District</b>	<b>Police &amp; Fire</b>	<b>Total</b>
1990	15.50	2.25	-	-	-	-	17.75
1991	15.50	1.75	-	-	-	-	17.25
1992	15.25	1.65	-	-	-	-	16.90
1993	14.48	2.10	-	-	-	-	16.58
1994	14.30	2.00	-	-	-	-	16.30
1995	13.14	-	-	-	-	-	13.14
1996	13.14	-	2.86	-	-	-	16.00
1997	13.15	-	2.86	-	-	-	16.01
1998	13.15	-	2.85	1.00	-	-	17.00
1999	13.15	-	2.85	1.00	-	-	17.00
2000	13.15	-	2.85	1.00	-	-	17.00
2001	13.15	-	-	1.00	-	-	14.15
2002	16.25	-	-	1.00	-	-	17.25
2003	16.00	-	-	1.00	0.25	-	17.25
2004	16.00	-	-	1.00	0.25	-	17.25
2005	16.00	-	-	1.00	0.25	-	17.25
2006	16.00	-	-	1.00	0.25	-	17.25
2007	16.00	-	-	1.00	0.25	-	17.25
2008	16.00	-	-	1.00	0.25	-	17.25
2009	16.00	-	-	1.00	0.25	-	17.25
2010	16.00	-	-	1.00	0.25	-	17.25
2011	16.00	-	-	1.00	0.25	-	17.25
2012	16.00	-	-	1.00	0.25	-	17.25
2013	16.00	-	-	1.00	0.25	1.75	19.00
2014	16.00	-	-	1.00	0.25	1.75	19.00

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

Fiscal Year	Residential Rate	Non-Residential Rate	Commerical Rate	Industrial Rate
1990	4.01	4.01	-	-
1991	4.01	4.01	-	-
1992	4.01	4.01	-	-
1993	4.00	4.00	-	-
1994	4.00	4.00	-	-
1995	4.00	4.00	-	-
1996	4.00	4.00	-	-
1997	4.00	4.50	-	-
1998	4.00	4.50	-	-
1999	4.00	4.50	-	-
2000	3.60	4.25	-	-
2001	4.00	4.50	-	-
2002	4.00	4.50	-	-
2003	4.00	4.50	-	-
2004	4.00	4.50	-	-
2005	4.50	5.00	-	-
2006	4.50	5.00	-	-
2007	4.50	5.00	-	-
2008	5.00	-	6.50	6.75
2009	5.00	-	6.50	6.75
2010	5.00	-	6.50	6.75
2011	6.00	-	7.50	7.75
2012	6.00	-	7.50	7.75
2013	7.00	-	8.50	8.75
2014	7.00	-	8.50	8.75



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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

### **Independent Auditors' Report**

Management and City Council  
City of Flat Rock, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Flat Rock, Michigan as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Flat Rock, Michigan's basic financial statements, and have issued our report thereon dated December 10, 2014.

#### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Yeo & Yeo, P.C.  
Southgate, MI  
December 10, 2014