

**City of Flat Rock,  
Michigan**

**Financial Statements**

**June 30, 2015**

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**City of Flat Rock, Michigan**  
**List of Elected Officials**  
**June 30, 2015**

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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

## 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, 2015, 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, 2015, 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.

### ***Adoption of New Accounting Standards***

As described in Note 1 to the financial statements, during the year ended June 30, 2015, the Government adopted GASB Statement No. 68 Accounting and Financial Reporting for Pensions, Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinions are not modified with respect to this matter.

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

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

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

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

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 16, 2015 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 16, 2015

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, 2015. Please read it in conjunction with the City's financial statements.

### Financial Highlights

- The City's total assets and deferred outflows of resources increased by \$4,745,858 (or 11.4%). The governmental total assets increased by \$4,242,414 (or 15.3%) and the business-type total assets increased by \$503,444 (or 3.6%).
- Total net position of \$7,138,959 reflects a decrease of \$9,305,150 from last fiscal year which represents a prior period adjustment due to the implementation of GASB 68 of \$10,093,453 and a current year increase of \$788,303.
- At the end of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$5,509,255, an increase of \$3,519,179 from the previous year.
- At the end of the current fiscal year the fund balance for the General Fund increased \$392,054 to a final balance of \$1,077,187.

### 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 \$7,138,959. 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.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current and other assets	\$ 6,933,424	\$ 2,948,952	\$ 2,925,406	\$ 1,971,771	\$ 9,858,830	\$ 4,920,723
Capital assets	24,527,881	24,704,801	11,643,188	12,158,358	36,171,069	36,863,159
Total assets	31,461,305	27,653,753	14,568,594	14,130,129	46,029,899	41,783,882
<b>Deferred Outflows of Resources</b>						
Deferred Charges	434,862	-	64,979	-	499,841	-
Total assets and deferred outflows	31,896,167	27,653,753	14,633,573	14,130,129	46,529,740	41,783,882
<b>Liabilities</b>						
Current	1,241,517	2,294,358	442,269	941,785	1,683,786	3,236,143
Noncurrent	32,172,947	18,041,327	5,522,017	4,047,814	37,694,964	22,089,141
Total liabilities	33,414,464	20,335,685	5,964,286	4,989,599	39,378,750	25,325,284
<b>Deferred Inflows of Resources</b>						
Deferred inflows	-	-	12,031	14,489	12,031	14,489
Total liabilities and deferred inflows	33,414,464	20,335,685	5,976,317	5,004,088	39,390,781	25,339,773
<b>Net Position</b>						
Net investment						
in capital assets	11,898,345	11,777,742	7,648,447	7,707,949	19,546,792	19,485,691
Restricted	4,789,128	-	-	-	4,789,128	-
Unrestricted	(18,205,770)	(4,459,674)	1,008,809	1,418,092	(17,196,961)	(3,041,582)
Total net position	\$ (1,518,297)	\$ 7,318,068	\$ 8,657,256	\$ 9,126,041	\$ 7,138,959	\$ 16,444,109

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program revenue:						
Charges for services	\$ 2,830,787	\$ 2,603,936	\$ 4,782,288	\$ 3,758,143	\$ 7,613,075	\$ 6,362,079
Operating grants and contributions	890,091	852,776	-	-	890,091	852,776
General revenues:						
Property taxes	7,899,900	8,783,746	-	-	7,899,900	8,783,746
State-shared revenue	876,176	-	-	-	876,176	-
Investment and rent earnings	5,326	3,092	1,216	445	6,542	3,537
Miscellaneous	<u>277,353</u>	<u>-</u>	<u>400</u>	<u>-</u>	<u>277,753</u>	<u>-</u>
Total revenues	12,779,633	12,243,550	4,783,904	3,758,588	17,563,537	16,002,138
<b>Expenses</b>						
General government	1,972,332	1,771,705	-	-	1,972,332	1,771,705
Public safety	4,648,562	3,913,991	-	-	4,648,562	3,913,991
Public works	1,574,535	1,764,580	-	-	1,574,535	1,764,580
Community and economic development	844,699	1,170,288	-	-	844,699	1,170,288
Recreation and cultural	3,031,369	2,892,984	-	-	3,031,369	2,892,984
Water and sewer	-	-	3,912,651	3,630,353	3,912,651	3,630,353
Interest on long-term debt	<u>791,086</u>	<u>849,907</u>	<u>-</u>	<u>-</u>	<u>791,086</u>	<u>849,907</u>
Total expenses	<u>12,862,583</u>	<u>12,363,455</u>	<u>3,912,651</u>	<u>3,630,353</u>	<u>16,775,234</u>	<u>15,993,808</u>
Excess revenues over (under) expenses before transfers	(82,950)	(119,905)	871,253	128,235	788,303	8,330
Transfers	<u>27,889</u>	<u>-</u>	<u>(27,889)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(55,061)	(119,905)	843,364	128,235	788,303	8,330
Net position (deficit), beginning of year	<u>7,318,068</u>	<u>7,437,973</u>	<u>9,126,041</u>	<u>8,997,806</u>	<u>16,444,109</u>	<u>16,435,779</u>
Prior period adjustment - GASB 68	<u>(8,781,304)</u>	<u>-</u>	<u>(1,312,149)</u>	<u>-</u>	<u>(10,093,453)</u>	<u>-</u>
<b>Net position (deficit), end of year</b>	<u>\$ (1,518,297)</u>	<u>\$ 7,318,068</u>	<u>\$ 8,657,256</u>	<u>\$ 9,126,041</u>	<u>\$ 7,138,959</u>	<u>\$16,444,109</u>

*Governmental Activities*

Governmental activities change in net position decreased \$8,836,365 from \$7,318,068 to (\$1,518,297). This includes a prior period adjustment for the implementation of GASB 68 of (\$8,781,304).

*Business-Type Activities*

Business-type activities decreased the City's net assets by \$468,785. This includes a prior period adjustment for the implementation of GASB 68 of (\$1,312,149).

*General Fund*

The General Fund is the chief operating fund of the City. At the end of the current fiscal year realized a fund balance was \$1,077,187 or 13.6% of general fund expenditures. Total fund balance increased by \$392,054, during the fiscal year.

*Community Center*

The Community Center, at the end of the current fiscal year realized fund balance of \$12,605. Total fund balance increased by \$11,709, from the previous fiscal year.

*Tax Increment Finance Authority*

The Tax Increment Finance Authority has a fund balance of \$453,051, which is an increase of \$68,660 from the 2013-14 fiscal year. During the 2014-15 fiscal year \$1,110,000 of bonds were refunded and new debt issued resulting in a savings of \$169,930 over the remaining term of the bond.

*SAW Grant*

The SAW Grant Fund is a new fund this year and has a fund balance of (\$267,344), which is due to deferred revenue from the State of Michigan that will be recognized in the next fiscal year.

*2015 Capital Projects*

The 2015 Capital Projects Fund is a new fund this year and has a fund balance of \$2,977,222, which is due to bond proceeds that will be spent in the next fiscal year.

*Nonmajor Governmental Funds*

Nonmajor Governmental Funds had a total fund balance of \$1,256,534, a total increase of \$336,878 from the prior fiscal year.

Capital Assets and Debt Administration

Capital Assets

The City investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$36,171,069 (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 \$692,090, mainly 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, 2015:

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

	2015			2014		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
Land	\$ 1,537	\$ -	\$ 1,537	\$ 1,405	\$ -	\$ 1,405
Construction in progress	304	14	318	-	-	-
Infrastructure	5,088	-	5,088	5,636	-	5,636
Buildings and Improvements, net	15,976	4,302	20,278	16,392	4,416	20,808
Machinery and meters, net	1,431	427	1,858	1,206	507	1,713
Water and sewer mains, net	-	6,825	-	-	7,173	7,173
Vehicles, net	191	75	266	66	62	128
<b>Capital assets, net</b>	<b>\$ 24,527</b>	<b>\$ 11,643</b>	<b>\$ 36,170</b>	<b>\$ 24,705</b>	<b>\$ 12,158</b>	<b>\$ 36,863</b>

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 \$21,110,878.

**Outstanding Debt at Year End**

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
Bonds and note	\$ 15,325,240	\$ 3,713,871	\$ 19,039,111
Claims and judgements	937,704	-	937,704
Other	757,916	376,147	1,134,063
	<u>\$ 17,020,860</u>	<u>\$ 4,090,018</u>	<u>\$ 21,110,878</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 (\$19,039,111) is lower than the current state-imposed limit of \$45,050,487.

**Economic Condition and Outlook**

The City of Flat Rock's budget for year ending June 30, 2016 is not recommending any changes to the millage or water and sewer rates.

The City's 2016 budgeted revenue consists of 65.1% tax revenues, 23.9% local sources and 11.0% from other sources. The City's tax base is projected to have an increase of \$215,453. Local revenues are projected to increase by \$353,387 for the fiscal year ended June 30, 2016. This is primarily due to an increase in building construction and renovations. The new personal property tax legislation, which began in the 2013-14 fiscal year, may have a negative impact on the City's future fiscal health.

The City's General Fund expenditures are allocated 52.1% to public safety, police, fire, building and safety. The department of public services amounts to 26.2% and the general operations, which include the clerk's and treasurer's departments, total 20.0% and other areas total 1.7%. In addition, it is recommended that expenditures will increase by \$595,104 over the previous year's budget, which can be attributed to increased personnel cost and capital purchases. The General Fund is projecting the fund balance to increase by \$58, which will bring the General Fund balance to \$1,077,245 or 12.9% 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, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 6,316,933	\$ 2,082,545	\$ 8,399,478
Receivables			
Taxes	158,630	-	158,630
Customers	2,185	521,220	523,405
Accrued interest and other	7,315	-	7,315
Due from other units of government	703,620	-	703,620
Internal balances	(297,420)	297,420	-
Inventories	6,314	20,572	26,886
Prepaid items	35,847	3,649	39,496
Capital assets not being depreciated	1,841,403	14,056	1,855,459
Capital assets, net of accumulated depreciation	<u>22,686,478</u>	<u>11,629,132</u>	<u>34,315,610</u>
Total assets	31,461,305	14,568,594	46,029,899
<b>Deferred outflows of resources</b>			
Deferred amount of pension expense related to net pension liability	<u>434,862</u>	<u>64,979</u>	<u>499,841</u>
Total assets and deferred outflows of resources	<u>31,896,167</u>	<u>14,633,573</u>	<u>46,529,740</u>

See Accompanying Notes to the Financial Statements

**City of Flat Rock, Michigan**  
**Statement of Net Position**  
**June 30, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
Accounts payable	\$ 460,716	\$ 285,186	\$ 745,902
Accrued and other liabilities	780,801	157,083	937,884
Noncurrent liabilities			
Debt due within one year	1,587,692	464,835	2,052,527
Debt due in more than one year	15,433,168	3,625,183	19,058,351
Net other post employment benefit obligations	5,568,714	-	5,568,714
Net pension liability	9,583,373	1,431,999	11,015,372
Total liabilities	<u>33,414,464</u>	<u>5,964,286</u>	<u>39,378,750</u>
<b>Deferred inflows of resources</b>			
Bond refunding	-	12,031	12,031
 Total liabilities and deferred inflows of resources	 <u>33,414,464</u>	 <u>5,976,317</u>	 <u>39,390,781</u>
<b>Net position</b>			
Net investment in capital assets	11,898,345	7,648,447	19,546,792
Restricted for:			
TIFA	453,051	-	453,051
Community center	10,146	-	10,146
Streets	548,494	-	548,494
Downtown development authority	460,592	-	460,592
Historical district	128,039	-	128,039
Library	118,590	-	118,590
Other special revenue	33,883	-	33,883
Capital projects	3,006,257	-	3,006,257
SAW grant	30,076	-	30,076
Unrestricted	<u>(18,205,770)</u>	<u>1,008,809</u>	<u>(17,196,961)</u>
 Total net position	 <u>\$ (1,518,297)</u>	 <u>\$ 8,657,256</u>	 <u>\$ 7,138,959</u>

See Accompanying Notes to the Financial Statements

**City of Flat Rock, Michigan**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>						
<b>Primary government</b>						
<b>Governmental activities</b>						
General government	\$ 1,972,332	\$ 73,899	\$ 8,468	\$ (1,889,965)	\$ -	\$ (1,889,965)
Public safety	4,648,562	873,925	7,706	(3,766,931)	-	(3,766,931)
Public works	1,574,535	372,394	557,229	(644,912)	-	(644,912)
Community and economic development	844,699	3,715	129,982	(711,002)	-	(711,002)
Recreation and culture	3,031,369	1,506,854	186,706	(1,337,809)	-	(1,337,809)
Interest on long-term debt	791,086	-	-	(791,086)	-	(791,086)
Total governmental activities	12,862,583	2,830,787	890,091	(9,141,705)	-	(9,141,705)
<b>Business-type activities</b>						
Water and sewer	3,912,651	4,782,288	-	-	869,637	869,637
Total primary government	<u>\$ 16,775,234</u>	<u>\$ 7,613,075</u>	<u>\$ 890,091</u>	<u>(9,141,705)</u>	<u>869,637</u>	<u>(8,272,068)</u>
<b>General revenues</b>						
Property taxes				7,899,900	-	7,899,900
State shared revenue				876,176	-	876,176
Unrestricted investment earnings				5,326	1,216	6,542
Gain on sale of capital assets				31,087	400	31,487
Miscellaneous				246,266	-	246,266
Transfers				27,889	(27,889)	-
Total general revenues and transfers				<u>9,086,644</u>	<u>(26,273)</u>	<u>9,060,371</u>
Change in net position				(55,061)	843,364	788,303
Net position - beginning of year, as restated				<u>(1,463,236)</u>	<u>7,813,892</u>	<u>6,350,656</u>
<b>Net position - end of year</b>				<u>\$ (1,518,297)</u>	<u>\$ 8,657,256</u>	<u>\$ 7,138,959</u>

See Accompanying Notes to the Financial Statements

**City of Flat Rock, Michigan**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2015**

	Special Revenue Funds				Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General	Tax Increment Finance Authority	Community Center	SAW Grant	2015 Construction		
<b>Assets</b>							
Cash and cash equivalents	\$ 1,035,565	\$ 464,182	\$ 256,934	\$ 30,076	\$ 3,304,530	\$ 1,225,646	\$ 6,316,933
Receivables							
Taxes	145,962	-	-	-	-	12,668	158,630
Customers	1,185	-	-	-	-	1,000	2,185
Accrued interest and other	7,315	-	-	-	-	-	7,315
Due from other units of government	220,590	-	6,368	297,420	-	179,242	703,620
Due from other funds	84,332	-	-	-	-	25,633	109,965
Inventories	6,314	-	-	-	-	-	6,314
Prepaid items	30,858	-	2,459	-	-	2,530	35,847
	<u>\$ 1,532,121</u>	<u>\$ 464,182</u>	<u>\$ 265,761</u>	<u>\$ 327,496</u>	<u>\$ 3,304,530</u>	<u>\$ 1,446,719</u>	<u>\$ 7,340,809</u>
Total assets							

See Accompanying Notes to the Financial Statements

**City of Flat Rock, Michigan**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2015**

	Special Revenue Funds			Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General	Tax Increment Finance Authority	Community Center	SAW Grant		
<b>Liabilities</b>						
Accounts payable	\$ 87,128	\$ -	\$ 36,232	\$ -	\$ 327,308	\$ 460,716
Accrued and other liabilities	367,806	2,524	216,924	-	-	601,404
Due to other funds	-	8,607	-	297,420	-	407,385
Total liabilities	<u>454,934</u>	<u>11,131</u>	<u>253,156</u>	<u>297,420</u>	<u>327,308</u>	<u>1,469,505</u>
<b>Deferred inflows of resources</b>						
Grants	-	-	-	297,420	-	362,049
<b>Fund balances</b>						
Non-spendable						
Inventories	6,314	-	-	-	-	6,314
Prepaid items	30,858	-	2,459	-	-	35,847
Restricted for						
TIFA	-	453,051	-	-	-	453,051
Community center	-	-	10,146	-	-	10,146
Streets	-	-	-	-	548,494	548,494
Downtown development authority	-	-	-	-	460,592	460,592
Historical district	-	-	-	-	128,039	128,039
Library	-	-	-	-	118,590	118,590
Other special revenue	-	-	-	-	33,883	33,883
Capital projects	-	-	-	2,977,222	29,035	3,006,257
Unassigned (deficit)	<u>1,040,015</u>	<u>-</u>	<u>-</u>	<u>(267,344)</u>	<u>(64,629)</u>	<u>708,042</u>
Total fund balances	<u>1,077,187</u>	<u>453,051</u>	<u>12,605</u>	<u>(267,344)</u>	<u>2,977,222</u>	<u>5,509,255</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,532,121</u>	<u>\$ 464,182</u>	<u>\$ 265,761</u>	<u>\$ 327,496</u>	<u>\$ 3,304,530</u>	<u>\$ 7,340,809</u>

See Accompanying Notes to the Financial Statements

**City of Flat Rock, Michigan**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Position of Governmental Activities**  
**June 30, 2015**

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<b>Total fund balances for governmental funds</b>	<b>\$ 5,509,255</b>
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.	22,686,478
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	1,841,403
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	362,049
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(179,397)
Compensated absences	(447,363)
Claims and judgments	(937,704)
Net other post employment obligation	(5,568,714)
Deferred outflows (inflows) of resources	
Deferred outflow of resources from resulting from net pension liability - MERS	434,862
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	(15,635,793)
Net pension liability	<u>(9,583,373)</u>
<b>Net position of governmental activities</b>	<b><u>\$ (1,518,297)</u></b>

See Accompanying Notes to the Financial Statements

**City of Flat Rock, Michigan**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2015**

	Special Revenue Funds				Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General	Tax Increment Financing Authority	Community Center	SAW Grant	2015 Construction		
<b>Revenues</b>							
Taxes	\$ 5,348,917	\$ 3,636,617	\$ -	\$ -	\$ -	\$ 1,217,032	\$ 10,202,566
Licenses and permits	158,125	-	-	-	-	-	158,125
Federal grants	2,000	-	-	-	-	128,836	130,836
State shared revenue	854,609	-	-	-	-	561,762	1,416,371
Other state grants	40,783	-	26,103	-	-	171,011	237,897
Local contributions	9,175	-	-	-	-	-	9,175
Charges for services	347,095	-	1,289,130	-	-	-	1,636,225
Fines and forfeitures	364,585	-	-	-	-	-	364,585
Interest income	2,962	1,246	84	-	495	539	5,326
Rental income	156,056	-	575	-	-	-	156,631
Other revenue	481,215	-	6,658	-	-	115,620	603,493
<b>Total revenues</b>	<b>7,765,522</b>	<b>3,637,863</b>	<b>1,322,550</b>	<b>-</b>	<b>495</b>	<b>2,194,800</b>	<b>14,921,230</b>

See Accompanying Notes to the Financial Statements

**City of Flat Rock, Michigan**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2015**

	Special Revenue Funds			Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General	Tax Increment Financing Authority	Community Center	SAW Grant		
<b>Expenditures</b>						
Current						
General government	\$ 1,558,869	\$ -	\$ -	\$ -	\$ -	\$ 1,558,869
Public safety	3,615,696	-	-	-	1,745	3,617,441
Public works	1,233,018	-	-	5,552	445,753	1,684,323
Community and economic development	13,766	100,138	-	-	736,716	850,620
Recreation and culture	126,506	-	1,610,148	-	-	1,736,654
Library	-	-	-	-	326,672	326,672
Other functions	-	-	-	226	-	226
Capital outlay	575,114	-	10,693	289,681	470,663	1,459,585
Debt service						
Principal retirement	-	-	-	-	1,195,000	1,195,000
Interest and fiscal charges	1,356	-	-	-	114,764	757,454
Bond issuance costs	-	10,474	-	-	-	10,474
Advance refunding escrow	-	1,100,000	-	-	-	1,100,000
Total expenditures	<u>7,124,325</u>	<u>1,210,612</u>	<u>1,620,841</u>	<u>295,233</u>	<u>585,653</u>	<u>14,297,318</u>
Excess (deficiency) of revenues over expenditures	<u>641,197</u>	<u>2,427,251</u>	<u>(298,291)</u>	<u>(295,233)</u>	<u>(585,158)</u>	<u>623,912</u>
<b>Other financing sources (uses)</b>						
Transfers in	20,000	-	310,000	27,889	-	2,352,840
Transfers out	(683,096)	(1,243,785)	-	-	(398,070)	(2,324,951)
Issuance of debt	-	-	-	-	3,500,000	3,505,851
Refunding bonds issued	-	1,155,000	-	-	-	1,155,000
Premium on issuance of debt	-	32,860	-	-	62,380	95,240
Capital lease proceeds	382,866	-	-	-	-	382,866
Tax refund	-	(2,302,666)	-	-	-	(2,302,666)
Sale of fixed assets	31,087	-	-	-	-	31,087
Total other financing sources (uses)	<u>(249,143)</u>	<u>(2,358,591)</u>	<u>310,000</u>	<u>27,889</u>	<u>3,562,380</u>	<u>2,895,267</u>
Net change in fund balance	392,054	68,660	11,709	(267,344)	2,977,222	3,519,179
Fund balance - beginning of year	<u>685,133</u>	<u>384,391</u>	<u>896</u>	<u>-</u>	<u>-</u>	<u>1,990,076</u>
Fund balance - end of year	<u>\$ 1,077,187</u>	<u>\$ 453,051</u>	<u>\$ 12,605</u>	<u>\$ (267,344)</u>	<u>\$ 1,256,534</u>	<u>\$ 5,509,255</u>

See Accompanying Notes to the 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, 2015**

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**Net change in fund balances - Total governmental funds** \$ 3,519,179

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	(1,299,656)
Capital outlay	1,122,736

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

Grants	129,982
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Expenses are recorded when incurred in the statement of activities.

Accrued interest	(23,158)
Compensated absences	21,566
Claims and judgments	141,949
Net other post employment obligation	(611,280)

The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions

Net change in net pension liability	(539,986)
Net change in the deferred outflow of resources related to the net pension liability	172,779

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.

Debt issued	(5,138,957)
Repayments of long-term debt	2,449,785

**Change in net position of governmental activities** \$ (55,061)

See Accompanying Notes to the Financial Statements

**City of Flat Rock, Michigan**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2015**

	Enterprise Funds
	Water & Sewer
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 2,082,545
Receivables	
Customers	521,220
Due from other funds	297,420
Inventories	20,572
Prepaid items	3,649
Total current assets	2,925,406
Noncurrent assets	
Capital assets, net of accumulated depreciation	11,629,132
Capital assets not being depreciated	14,056
Total noncurrent assets	11,643,188
Total assets	14,568,594
<b>Deferred outflows of resources</b>	
Deferred amount of pension expense related to net pension liability	64,979
Total assets and deferred outflows of resources	14,633,573
<b>Liabilities</b>	
Current liabilities	
Accounts payable	285,186
Accrued and other liabilities	157,083
Current portion of noncurrent liabilities	464,835
Total current liabilities	907,104
Noncurrent liabilities	
Net pension liability	1,431,999
Long-term debt net of current portion	3,625,183
Total noncurrent liabilities	5,057,182
Total liabilities	5,964,286
<b>Deferred inflows of resources</b>	
Bond refunding	12,031
Total liabilities and deferred inflows of resources	5,976,317
<b>Net position</b>	
Net investment in capital assets	7,648,447
Unrestricted	1,008,809
Total net position	\$ 8,657,256

See Accompanying Notes to the Financial Statements

**City of Flat Rock, Michigan**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2015**

	<u>Enterprise Funds</u>
	<u>Water &amp; Sewer</u>
<b>Operating revenue</b>	
Customer fees	\$ 4,654,291
Connection fees	41,696
Other revenue	86,301
	4,782,288
<b>Operating expenses</b>	
Personnel services	620,611
Supplies	19,792
Contractual services	128,353
Utilities	6,304
Repairs and maintenance	486,996
Other expenses	1,951,579
Depreciation	589,193
	3,802,828
Total operating revenue	4,782,288
Total operating expenses	3,802,828
Operating income (loss)	979,460
<b>Nonoperating revenue (expenses)</b>	
Interest income	1,216
Gain on sale of assets	400
Interest expense	(109,823)
	(108,207)
Total nonoperating revenue (expenses)	(108,207)
Income (loss) before transfers out	871,253
Transfers out	(27,889)
	843,364
Change in net position	843,364
Net position - beginning of year, as restated	7,813,892
Net position - end of year	\$ 8,657,256

See Accompanying Notes to the Financial Statements

**City of Flat Rock, Michigan**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2015**

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	<u>Enterprise Funds</u>
	<u>Water and Sewer</u>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 4,777,494
Payments to other funds	(301,408)
Payments to suppliers	(2,583,433)
Payments to employees	<u>(578,439)</u>
Net cash provided by operating activities	<u>1,314,214</u>
<b>Cash flows from noncapital financing activities</b>	
Transfers to other funds	<u>(27,889)</u>
<b>Cash flows from capital and related financing activities</b>	
Purchases/construction of capital assets	(74,023)
Principal and interest paid on long-term debt	(567,949)
Proceeds from sale of capital assets	<u>400</u>
Net cash used by capital and related financing activities	<u>(641,572)</u>
<b>Cash flows from investing activities</b>	
Interest received	<u>1,216</u>
Net increase in cash and cash equivalents	645,969
Cash and cash equivalents - beginning of year	<u>1,436,576</u>
Cash and cash equivalents - end of year	<u>\$ 2,082,545</u>

See Accompanying Notes to the Financial Statements

**City of Flat Rock, Michigan**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2015**

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	Enterprise Funds
	Water and Sewer
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 979,460
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation expense	589,193
Noncash portion related to net pension liability	80,688
Changes in assets and liabilities	
Receivables (net)	(13,095)
Due from other units of government	8,301
Due from other funds	(297,420)
Prepaid items	(1,464)
Deferred outflows	(25,817)
Accounts payable	(54,703)
Accrued and other liabilities	10,887
Due to other funds	(3,988)
Compensated absences	42,172
	<u>42,172</u>
Net cash provided by operating activities	\$ 1,314,214

See Accompanying Notes to the Financial Statements

**City of Flat Rock, Michigan**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2015**

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	Tax Collection	Trust and Agency	Crime Prevention	Total
<b>Assets</b>				
Cash and cash equivalents	<u>\$ 1,044,899</u>	<u>\$ 174,102</u>	<u>\$ 473</u>	<u>\$ 1,219,474</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,002,023	\$ 37,973	\$ 473	\$ 1,040,469
Accrued and other liabilities	<u>42,876</u>	<u>136,129</u>	<u>-</u>	<u>179,005</u>
Total liabilities	<u>\$ 1,044,899</u>	<u>\$ 174,102</u>	<u>\$ 473</u>	<u>\$ 1,219,474</u>

See Accompanying Notes to the Financial Statements

**The City of Flat Rock, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2015**

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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 Mayor and a six-member Council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the City’s operations.

**Blended Component Units**

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

The 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 \$323,315 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, 2015, the City incurred net operating costs of \$792,050. In addition, the City paid \$326,449 in principal payments and \$92,675 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 the Financial Statements**  
**June 30, 2015**

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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 the Financial Statements**  
**June 30, 2015**

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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 SAW Grant is a special revenue fund used record the activities of the stormwater, asset management and wastewater grant.

The 2015 Construction Fund is a capital projects fund used record the activities of the 2015 capital improvement bonds.

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

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recover the cost of connecting new customers to the system. Operating expenses for the water and sewer fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Assets, Liabilities, and Net Position or Equity**

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

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds”. Activity between funds that is representative of 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 \$12,681. Property taxes are levied on each July 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 2014 taxable valuation of the government totaled \$418,439,886, on which ad valorem taxes consisted of 16.00 mills for operating purposes. This resulted in \$5,762,097 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments. Approximately 30% 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.

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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

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

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

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

applicable bond premium or discount.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. 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. The City reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense.

Pensions and other postemployment benefit (OPEB) costs – The City offers both pension and retiree healthcare benefits to retirees. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS fiduciary net position have been determined on the same basis as they are reported to the systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The City receives actuarial-based calculations to compute the annual required contributions (ARC) necessary to fund the obligations over the remaining amortization periods. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contributions, adjusted for interest and "adjustment to the ARC" on the beginning of the year underpaid amount, if any.

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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.

**Adoption of New Accounting Standards**

The Governmental Accounting Standards Board ("The GASB") has issued Statement No. 68 *Accounting and Financial Reporting for Pensions*, and Statement 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 net pension liability is recorded on the government-wide statements and, if applicable, the proprietary fund statements. Statement 71 amends Statement 68 to address an issue concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and non-employer contributing entities. Statements 68 and 71 are effective for the year ending June 30, 2015.

**Upcoming Accounting and Reporting Changes**

The GASB has issued Statement No. 72 *Fair Value Measurements and Applications*. Statement 72 addresses accounting and financial reporting issues related to fair value measurements. Fair value is defined as an exit price (what a government would get to sell the asset), and fair value measurements primarily apply to investments. The statement enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. This statement requires additional disclosures about fair value measurements, the level of fair value hierarchy, and valuation techniques. Statement 72 is effective for the year ending June 30, 2016, although earlier application is allowed.

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In addition, the GASB has released the following three Statements.

Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The purpose of this Statement is provide the readers of the financial statements information about the effects of the pension-related transactions on the financial statements of state and local government employers. It will assist in assessing the relationship between a government's inflows of resources and its total cost (including pension expense) of providing government services each period in addition to providing information about the government's pension obligation. The first objective of this Statement is to improve the information about financial support provided by certain nonemployer entities for pensions that are provided to the employees of other entities that are not within the scope of Statement No. 68. These requirements are effective for the fiscal year ending June 30, 2017. The second objective is to improve the quality of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions that are not within the scope of Statement 68 and the third objective is to clarify the application of certain provisions of Statement No. 67 and 68. These two requirements are effective for the fiscal year ending June 30, 2016.

Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year.

Statement No. 74 is effective for the fiscal year ending June 30, 2017.

Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

The City is evaluating the impact GASB 73 through 75 will have on its financial reporting.

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

**Budgetary Information**

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

Prior to July 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are scheduled 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.

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

**Excess of Expenditures Over Appropriations**

	<u>Appropriations</u>	<u>Actual</u>	<u>Budget Variance</u>
General Fund			
Capital outlay	\$ 473,000	\$ 575,114	\$ 102,114
Debt service	-	1,356	1,356
Tax Increment Finance Authority Fund			
Debt service	-	1,110,474	1,110,474
Tax refunds	2,178,881	2,302,666	123,785
Community Center Fund			
Capital outlay	-	10,693	10,693
SAW Grant Fund			
Capital outlay	285,900	289,681	3,781

**Note 3 - Deposits and Investments**

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

	<u>Cash and Cash Equivalents</u>
Governmental activities	\$ 6,316,933
Business-type activities	<u>2,082,545</u>
Total primary government	8,399,478
Fiduciary funds	<u>1,219,474</u>
Total	<u>\$ 9,618,952</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 7,693,755	\$ 1,219,474
Investments in securities, mutual funds and similar vehicles	704,523	-
Petty cash and cash on hand	<u>1,200</u>	<u>-</u>
	<u>\$ 8,399,478</u>	<u>\$ 1,219,474</u>

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

Investment	Fair Value	Rating	Rating Organization
Fifth Third Government			
Money Market	\$ <u>704,523</u>	AAAmmf	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 invested in any one issuer.

*Custodial credit risk – deposits* – In the case of deposits, this is the risk that in the event of bank failure, the City’s deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of year end, \$215,859 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

**Note 4 - 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	\$ 12,031
Earned but unavailable revenues	
Grants	<u>362,049</u>
	<u>\$ 374,080</u>

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**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	\$ 1,405,182	\$ 131,723	\$ -	\$ 1,536,905
Construction-in-progress	-	304,498	-	304,498
<b>Total capital assets not being depreciated</b>	<b>1,405,182</b>	<b>436,221</b>	<b>-</b>	<b>1,841,403</b>
Capital assets being depreciated				
Infrastructure	25,110,179	38,169	-	25,148,348
Buildings, additions and improvements	22,924,791	48,820	-	22,973,611
Machinery and equipment	5,301,947	424,096	-	5,726,043
Vehicles	958,190	175,430	86,882	1,046,738
<b>Total capital assets being depreciated</b>	<b>54,295,107</b>	<b>686,515</b>	<b>86,882</b>	<b>54,894,740</b>
Less accumulated depreciation for				
Infrastructure	19,474,439	585,820	-	20,060,259
Buildings, additions and improvements	6,533,549	463,577	-	6,997,126
Machinery and equipment	4,095,681	199,812	-	4,295,493
Vehicles	891,819	50,447	86,882	855,384
<b>Total accumulated depreciation</b>	<b>30,995,488</b>	<b>1,299,656</b>	<b>86,882</b>	<b>32,208,262</b>
<b>Net capital assets being depreciated</b>	<b>23,299,619</b>	<b>(613,141)</b>	<b>-</b>	<b>22,686,478</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 24,704,801</b>	<b>\$ (176,920)</b>	<b>\$ -</b>	<b>\$ 24,527,881</b>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Construction-in-progress	\$ -	\$ 14,056	\$ -	\$ 14,056
Capital assets being depreciated				
Buildings, additions and improvements	6,516,962	-	-	6,516,962
Machinery and equipment	966,662	30,069	-	996,731
Vehicles	358,389	29,898	13,300	374,987
Water and sewer system	17,791,731	-	-	17,791,731
<b>Total capital assets being depreciated</b>	<b>25,633,744</b>	<b>59,967</b>	<b>13,300</b>	<b>25,680,411</b>
Less accumulated depreciation for				
Buildings, additions and improvements	2,101,452	113,673	-	2,215,125
Machinery and equipment	459,696	110,053	-	569,749
Vehicles	296,057	16,669	13,300	299,426
Water and sewer system	10,618,181	348,798	-	10,966,979
<b>Total accumulated depreciation</b>	<b>13,475,386</b>	<b>589,193</b>	<b>13,300</b>	<b>14,051,279</b>
<b>Net capital assets being depreciated</b>	<b>12,158,358</b>	<b>(529,226)</b>	<b>-</b>	<b>11,629,132</b>
<b>Business-type capital assets, net</b>	<b>\$ 12,158,358</b>	<b>\$ (515,170)</b>	<b>\$ -</b>	<b>\$ 11,643,188</b>

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

<b>Governmental Activities</b>	
General government	\$ 31,683
Public safety	104,812
Public works	91,578
Recreation and culture	479,101
Other functions	592,482
<b>Total governmental activities</b>	<b>1,299,656</b>
<b>Business-type Activities</b>	
Water and Sewer	589,193
<b>Total primary government</b>	<b>\$ 1,888,849</b>



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**Note 6 - Capital Leases**

The City has various capital leases for equipment. The future minimum lease payments are as follows:

Year ending June 30,	Governmental Funds				Enterprise Fund	
	Sweeper	Dump Truck	Copiers	Total	Vactor	Total
2016	\$ 40,194	\$ 41,772	\$ 3,583	\$ 85,549	\$ 35,918	\$ 121,467
2017	39,924	41,772	1,320	83,016	35,918	118,934
2018	38,924	41,772	1,320	82,016	174,511	256,527
2019	39,654	41,772	1,320	82,746	-	82,746
2020	-	-	1,210	1,210	-	1,210
Total minimum lease payments	158,696	167,088	8,753	334,537	246,347	580,884
Less amount representing interest	11,128	12,130	726	23,984	22,259	46,243
Present value of minimum lease payments	<u>\$ 147,568</u>	<u>\$ 154,958</u>	<u>\$ 8,027</u>	<u>\$ 310,553</u>	<u>\$ 224,088</u>	<u>\$ 534,641</u>
Equipment	\$ 187,492	\$ 197,781	\$ 8,459	\$ 393,732	\$ 450,363	\$ 844,095
Less accumulated depreciation	26,785	28,254	1,692	56,731	217,773	274,504
Total	<u>\$ 160,707</u>	<u>\$ 169,527</u>	<u>\$ 6,767</u>	<u>\$ 337,001</u>	<u>\$ 232,590</u>	<u>\$ 569,591</u>

**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	\$ 75,725
General Fund	TIFA Fund	8,607
Water/Sewer	SAW Grant	297,420
Nonmajor governmental funds	Nonmajor governmental funds	25,633
		<u>\$ 407,385</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	\$ 498,096
General Fund	Community Center Fund	185,000
Nonmajor funds	Nonmajor Funds	378,070
TIFA Fund	Nonmajor Funds	1,118,785
TIFA Fund	Community Center Fund	125,000
Water/Sewer	SAW Grant	27,889
Nonmajor funds	General Fund	20,000
		<u>\$ 2,352,840</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.

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**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. Claims and judgements are payments resulting from prior settlements. 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	\$ 590,000	\$ -	\$ 140,000	\$ 450,000	\$ 145,000
Building Authority Bond, Series 2006	3,415,000	8/1/21	3.90% - 4.60%	\$305,000 - \$395,000	2,440,000	-	305,000	2,135,000	320,000
Tax Increment Finance Authority - 2005 Limited Tax Development Bonds	1,750,000	10/1/26	5.375% - 5.875%	\$80,000	1,255,000	-	1,175,000	80,000	80,000
Tax Increment Finance Authority - Limited Tax Development Bonds Series 2006A	4,270,000	10/1/24	6.75% - 7.00%	\$220,000 - \$405,000	3,045,000	-	220,000	2,825,000	235,000
Tax Increment Finance Authority - Limited Tax Development Bonds Series 2006B	5,675,000	10/1/24	4.00% - 4.80%	\$310,000 - \$380,000	3,425,000	-	310,000	3,115,000	315,000
Capital Improvement Bonds - 2010 Limited Tax General Obligation	2,500,000	8/1/25	3.00% - 5.00%	\$145,000 - \$250,000	2,115,000	-	145,000	1,970,000	150,000
Tax Increment Finance Authority - 2015 Limited Tax Development Bonds	1,750,000	10/1/26	5.375% - 5.875%	\$25,000 - \$140,000	-	1,155,000	-	1,155,000	25,000
Capital Improvement Bonds - 2015 Limited Tax General Obligation	2,500,000	8/1/25	3.00% - 5.00%	\$100,000 - \$250,000	-	3,500,000	-	3,500,000	100,000
Premium on bond issues					-	95,240	-	95,240	-
Total bonds and notes payable					<u>12,870,000</u>	<u>4,750,240</u>	<u>2,295,000</u>	<u>15,325,240</u>	<u>1,370,000</u>
Claims and judgments									
Auto Alliance, Inc. - Refundable 2009 Personal Property Tax	559,630	8/31/21	N/A	\$55,963	391,741	-	55,963	335,778	55,963
Auto Alliance, Inc. - Refundable 2009 - 2011 Real Property Tax	859,887	10/31/22	N/A	\$85,986	687,912	-	85,986	601,926	85,989
Total claims and judgements					<u>1,079,653</u>	<u>-</u>	<u>141,949</u>	<u>937,704</u>	<u>141,952</u>
Other									
Compensated absences	N/A	N/A	N/A	N/A	468,929	-	21,566	447,363	-
Capital lease - copier	34,819	9/20/16	6.465%	\$2,263	9,833	-	7,570	2,263	2,263
Capital lease - sweeper	187,492	2/2/19	3.190%	\$35,419 - \$38,403	-	187,492	39,924	147,568	35,419
Capital lease - dump truck	195,374	5/8/19	3.084%	\$36,993 - \$40,522	-	195,374	40,416	154,958	36,993
Capital lease - copier	5,852	5/29/20	4.844%	\$1,065 - \$1,230	-	5,851	87	5,764	1,065
Equipment install purchase agreement - fire truck	334,000	12/15/15	4.470%	\$66,789	66,788	-	66,788	-	-
Total other					<u>478,762</u>	<u>388,717</u>	<u>109,563</u>	<u>757,916</u>	<u>75,740</u>
Total governmental activities					<u>\$ 14,495,203</u>	<u>\$ 5,138,957</u>	<u>\$ 2,613,300</u>	<u>\$ 17,020,860</u>	<u>\$ 1,587,692</u>

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	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	\$ 1,296,454	\$ -	\$ 172,703	\$ 1,123,751	\$ 177,005
South Huron Valley Utility Authority - 2004 Sewer System Plant Expansion	2,352,760	4/1/26	2.13%	\$113,555 - \$142,901	1,529,804	-	113,555	1,416,249	116,107
South Huron Valley Utility Authority - 2010 Sewer System Improvements	409,360	5/1/30	4.000% - 6.375%	\$16,630 - \$34,538	364,586	-	16,630	347,956	16,630
South Huron Valley Utility Authority - 2011 Sewer System Improvements	557,073	4/1/31	2.50%	\$23,562 - \$34,497	490,595	-	23,562	467,033	24,404
South Huron Valley Utility Authority - 2014 Sewer System Improvements	448,602	4/1/29	1.78%	\$89,720	448,602	-	89,720	358,882	89,720
Total bonds and notes payable					<u>4,130,041</u>	<u>-</u>	<u>416,170</u>	<u>3,713,871</u>	<u>423,866</u>
Other									
Capital lease - 2012 Vector	311,938	10/19/18	3.78%	\$26,448 - \$168,155	250,536	-	26,448	224,088	27,448
Equipment lease purchase agreement - 2014 backhoe	69,832	10/8/18	3.35%	\$13,083 - \$14,813	69,832	-	13,050	56,782	13,521
Compensated absences	N/A	N/A	N/A	N/A	53,105	42,172	-	95,277	-
Total other					<u>373,473</u>	<u>42,172</u>	<u>39,498</u>	<u>376,147</u>	<u>40,969</u>
Total business-type activities					<u>\$ 4,503,514</u>	<u>\$ 42,172</u>	<u>\$ 455,668</u>	<u>\$ 4,090,018</u>	<u>\$ 464,835</u>

**The City of Flat Rock, Michigan**  
**Notes to the Financial Statements**  
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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
2016	\$ 1,370,000	\$ 640,781	\$ 423,866	\$ 91,477
2017	1,450,000	598,553	430,109	81,896
2018	1,500,000	532,319	437,805	72,130
2019	1,395,000	465,986	446,781	62,194
2020	1,460,000	389,434	366,030	52,008
2021 - 2025	5,805,000	1,025,095	1,123,638	160,935
2026 - 2030	1,075,000	313,680	451,144	49,277
2031 - 2035	1,175,000	111,840	34,498	865
	<u>\$ 15,230,000</u>	<u>\$ 4,077,688</u>	<u>\$ 3,713,871</u>	<u>\$ 570,782</u>

**Advance Refunding**

On May 28, 2015, the City issued tax increment refunding bonds of \$1,155,000 (par value) with an interest rate of 2.00% to 3.00% to advance refund tax increment bonds with an interest rate of 5.375% to 5.875% and a par value of \$1,750,000. The bonds mature from October 1, 2015 through October 1, 2025. The net proceeds from the issuance of the tax increment refunding bonds were deposited with an escrow agent to provide debt service payments until the tax increment bonds mature. The advance refunding met the requirements of an in-substance debt defeasance and the tax increment bonds were removed from the City's financial statements.

**Deferred Amount of Debt Refunding**

The City issued bonds in 2015 to advance refund and retire previously issued term bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through the fiscal year.

Deferred amount on refunding activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Less deferred amounts on defeasance	\$ 14,489	\$ -	\$ 2,458	\$ 12,031

**Defeased Debt**

The City has defeased tax increment bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of the refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. The final payment date is October 1, 2015. As of year end, the amount of defeased debt outstanding but removed from the Township's financial statements is \$1,132,313.

**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 plan was established by the Michigan Legislature under Public

**The City of Flat Rock, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2015**

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Act 135 of 1945 and administered by a nine member Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

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

Employees covered by benefit terms – At the December 31, 2014 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	49
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>50</u>
	<u>105</u>

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions range from 4.28% to 49.50% based on annual payroll for open divisions. Divisions that are closed to new employees have an annual employer contribution amount of 4.28% to 49.50%.

Net pension liability – The employer's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: 1) Inflation 3-4%; 2) Salary increases 4.5% in the long-term (1%, 2%, and 3% for calendar years 2014, 2015, 2016, respectively); 3) Investment rate of return of 8.25%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% male and 50% female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

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

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

**The City of Flat Rock, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2015**

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Global equity	57.5%	5.02%
Global fixed income	20.0%	2.18%
Real assets	12.5%	4.23%
Diversifying strategies	10.0%	6.56%

Discount rate – The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>2015</u>
<b>Total Pension Liability</b>	
Service cost	\$ 349,449
Interest on the total pension liability	1,763,834
Benefit payments and refunds	<u>(1,303,169)</u>
Net change in total pension liability	810,114
Total pension liability - beginning	<u>21,856,668</u>
Total pension liability - ending (a)	<u>\$ 22,666,782</u>
<b>Plan Fiduciary Net Position</b>	
Employer contributions	\$ 650,534
Employee contributions	153,807
Pension plan net investment income	714,400
Benefit payments and refunds	(1,303,169)
Pension plan administrative expense	<u>(26,132)</u>
Net change in plan fiduciary net position	189,440
Plan fiduciary net position - beginning	<u>11,461,970</u>
Plan fiduciary net position - ending (b)	<u>11,651,410</u>
Net pension liability (a-b)	<u>\$ 11,015,372</u>
Plan fiduciary net position as a percentage of total pension liability	51.40%
Covered employee payroll	3,211,517
Net pension liability as a percentage of covered employee payroll	343.00%

**The City of Flat Rock, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2015**

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 8.25%, as well as what the employer’s net pension liability would be using a discount rate that is 1% point lower (7.25%) or 1% higher (9.25%) than the current rate.

	<u>1% decrease</u>	Current <u>discount rate</u>	<u>1% increase</u>
Total pension liability	\$ 25,146,054	\$ 22,666,782	\$ 20,549,970
Fiduciary net position	<u>11,651,410</u>	<u>11,651,410</u>	<u>11,651,410</u>
 Net pension liability	 <u>\$ 13,494,644</u>	 <u>\$ 11,015,372</u>	 <u>\$ 8,898,560</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2015, the employer recognized pension expense of \$1,125,961. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>
Excess (deficit) investment returns	\$ 167,646
Contributions subsequent to the measurement date*	<u>332,195</u>
 Total	 <u>\$ 499,841</u>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2016.

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

<u>Year ending June 30,</u>		
2016	\$	41,912
2017		41,912
2018		41,912
2019		<u>41,910</u>
	<u>\$</u>	<u>167,646</u>

**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, John Hancock and Prudential Securities.

**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 hired prior to September 2011. The City pays the full cost of coverage for these benefits. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant (other than specific co-pays). The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Currently 32 retirees are eligible for post-employment health benefits. The City obtains health care coverage through private insurers.

**The City of Flat Rock, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2015**

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, 2015, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2015. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution (recommended)	\$ 1,180,007
Interest on the prior year's net OPEB obligation	198,297
Less adjustment to annual required contribution	<u>(312,637)</u>
 Annual OPEB cost	 1,065,667
 Amounts contributed	
Payments of current premiums	<u>454,387</u>
 Increase in net OPEB obligation	 611,280
 OPEB obligation - beginning of year	 <u>4,957,434</u>
 OPEB obligation - end of year	 <u><u>\$ 5,568,714</u></u>

The schedule of employer contributions and the net OPEB obligations for the fiscal year ended June 30, 2015, 2014, and 2013 are as follows:

	2015	2014	2013
Annual OPEB costs	\$ 1,065,667	\$ 1,497,839	\$ 1,444,717
Percentage contributed	42.639%	28.260%	30.304%
Net OPEB obligations	5,568,714	4,957,434	3,840,543



**The City of Flat Rock, Michigan**  
**Notes to the Financial Statements**  
**June 30, 2015**

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

Valuation as of June 30, 2015:

Actuarial value of assets	-
Actuarial accrued liability (AAL)	14,388,666
Unfunded AAL	14,388,666
Funded ratio	0%

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

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

In the June 30, 2015 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 - Change in Accounting Principle**

As indicated in Note 1, the City has adopted Governmental Accounting Standards Board Statements 68 and 71. These statements require the Government to record their net pension liability and pension expense. Previously these amounts were not recorded on the Government's statements. The standards require this change be applied retroactively. The impact of this change is to reduce beginning net position in the governmental activities statement of activities as of July 1, 2014, by \$8,781,304, restating it from \$7,318,068 to (\$1,463,236). The impact also changed the water/sewer fund beginning net assets as of July 1, 2014, by \$1,312,149, restating it from \$9,126,041 to \$7,813,892.

**City of Flat Rock, Michigan**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
<b>Revenues</b>				
Taxes				
Property taxes	\$ 5,460,375	\$ 5,460,375	\$ 5,300,806	\$ (159,569)
Penalties and interest	30,000	30,000	48,111	18,111
Licenses and permits	177,760	177,760	158,125	(19,635)
Federal grants	-	-	2,000	2,000
State shared revenue	862,200	862,200	854,609	(7,591)
State grants	25,000	25,000	40,783	15,783
Local contributions	15,000	15,000	9,175	(5,825)
Charges for services	264,300	274,300	347,095	72,795
Fines and forfeitures	395,000	395,000	364,585	(30,415)
Interest income	2,000	2,000	2,962	962
Rental income	144,300	144,300	156,056	11,756
Other revenue	299,050	323,050	481,215	158,165
Sale of fixed assets	43,600	43,600	31,087	(12,513)
Capital lease proceeds	-	-	382,866	382,866
Transfers in	7,964	27,964	20,000	(7,964)
	<u>7,726,549</u>	<u>7,780,549</u>	<u>8,199,475</u>	<u>418,926</u>
Total revenues				
<b>Expenditures</b>				
General government				
Legislative	14,400	14,400	13,025	(1,375)
Judicial	445,000	445,000	388,275	(56,725)
Clerk	136,894	136,894	123,186	(13,708)
Treasurer	242,179	242,179	276,375	34,196
Assessor	46,653	46,653	47,906	1,253
Elections	50,645	50,645	68,897	18,252
Buildings and grounds	284,391	284,391	236,901	(47,490)
Attorney	107,800	107,800	61,683	(46,117)
General operations	368,858	368,858	342,621	(26,237)
	<u>1,696,820</u>	<u>1,696,820</u>	<u>1,558,869</u>	<u>(137,951)</u>
Total general government				

**City of Flat Rock, Michigan**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public safety				
Police department	\$ 2,628,085	\$ 2,628,085	\$ 2,567,488	\$ (60,597)
Fire department	1,007,547	1,007,547	1,048,063	40,516
Building inspection department	3,500	3,500	145	(3,355)
Total public safety	<u>3,639,132</u>	<u>3,639,132</u>	<u>3,615,696</u>	<u>(23,436)</u>
Public works				
Department of public works	<u>1,409,567</u>	<u>1,409,567</u>	<u>1,233,018</u>	<u>(176,549)</u>
Community and economic development				
Planning	11,027	11,027	5,571	(5,456)
Zoning	9,540	9,540	8,195	(1,345)
Total community and economic development	<u>20,567</u>	<u>20,567</u>	<u>13,766</u>	<u>(6,801)</u>
Recreation and culture				
Parks and recreation	<u>128,600</u>	<u>128,600</u>	<u>126,506</u>	<u>(2,094)</u>
Capital outlay	<u>342,000</u>	<u>473,000</u>	<u>575,114</u>	<u>102,114</u>
Debt service				
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>1,356</u>	<u>1,356</u>
Transfers out	<u>498,596</u>	<u>683,596</u>	<u>683,096</u>	<u>(500)</u>
Total expenditures	<u>7,735,282</u>	<u>8,051,282</u>	<u>7,807,421</u>	<u>(243,861)</u>
Excess (deficiency) of revenues over expenditures	(8,733)	(270,733)	392,054	662,787
Fund balance - beginning of year	<u>685,133</u>	<u>685,133</u>	<u>685,133</u>	<u>-</u>
Fund balance - end of year	<u>\$ 676,400</u>	<u>\$ 414,400</u>	<u>\$ 1,077,187</u>	<u>\$ 662,787</u>

**City of Flat Rock, Michigan**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Tax Increment Finance Authority**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Taxes	\$ 3,582,484	\$ 3,582,484	\$ 3,636,617	\$ 54,133
Interest income	1,500	1,500	1,246	(254)
Refunding bonds issued	-	-	1,155,000	1,155,000
Premium on issuance of debt	-	-	32,860	32,860
	<u>3,583,984</u>	<u>3,583,984</u>	<u>4,825,723</u>	<u>1,241,739</u>
Total revenues				
<b>Expenditures</b>				
Current				
Community and economic development	93,312	93,312	100,138	6,826
Debt service				
Bond issuance costs	-	-	10,474	10,474
Advance refunding escrow	-	-	1,100,000	1,100,000
Total debt service	<u>-</u>	<u>-</u>	<u>1,110,474</u>	<u>1,110,474</u>
Tax refunds	2,178,881	2,178,881	2,302,666	123,785
Transfers out	1,444,045	1,444,045	1,243,785	(200,260)
	<u>3,622,926</u>	<u>3,622,926</u>	<u>3,546,451</u>	<u>(76,475)</u>
	<u>3,716,238</u>	<u>3,716,238</u>	<u>4,757,063</u>	<u>1,040,825</u>
Total expenditures				
Excess of revenues (deficiency) over expenditures	(132,254)	(132,254)	68,660	200,914
Fund balance - beginning of year	384,391	384,391	384,391	-
Fund balance - end of year	<u>\$ 252,137</u>	<u>\$ 252,137</u>	<u>\$ 453,051</u>	<u>\$ 200,914</u>

**City of Flat Rock, Michigan**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Community Center**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Charges for services	\$ 1,526,700	\$ 1,341,700	\$ 1,289,130	\$ (52,570)
Other state grants	31,000	31,000	26,103	(4,897)
Interest income	-	-	84	84
Rental income	1,400	1,400	575	(825)
Other revenue	4,500	4,500	6,658	2,158
Transfers in	136,946	321,946	310,000	(11,946)
	<u>1,700,546</u>	<u>1,700,546</u>	<u>1,632,550</u>	<u>(67,996)</u>
Total revenues				
<b>Expenditures</b>				
Current				
Recreation and culture	1,699,925	1,699,925	1,610,148	(89,777)
Capital outlay	-	-	10,693	10,693
	<u>1,699,925</u>	<u>1,699,925</u>	<u>1,620,841</u>	<u>(79,084)</u>
Total expenditures				
Excess of revenues (deficiency) over expenditures	621	621	11,709	11,088
Fund balance - beginning of year	896	896	896	-
Fund balance - end of year	<u>\$ 1,517</u>	<u>\$ 1,517</u>	<u>\$ 12,605</u>	<u>\$ 11,088</u>

**City of Flat Rock, Michigan**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**SAW Grant**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Other state grants	\$ -	\$ 275,144	\$ -	\$ (275,144)
Transfers in	-	37,976	27,889	(10,087)
Total revenues	-	313,120	27,889	(285,231)
<b>Expenditures</b>				
Current				
Public works	-	27,220	5,552	(21,668)
Capital outlay	-	285,900	289,681	3,781
Total expenditures	-	313,120	295,233	(17,887)
Excess of revenues (deficiency) over expenditures	-	-	(267,344)	(267,344)
Fund balance - beginning of year	-	-	-	-
Fund balance (deficit) - end of year	\$ -	\$ -	\$ (267,344)	\$ (267,344)

**City of Flat Rock**  
**Required Supplementary Information**  
**Municipal Employees Retirement System of Michigan**  
**Schedule of Employer Contributions**  
**June 30, 2015**

Actuarial Valuation Date	Annual Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
12/31/2005	\$ 535,740	\$ 535,740	\$ -	\$ 4,098,080	13.07%
12/31/2006	529,836	529,836	-	4,263,917	12.43%
12/31/2007	578,568	578,568	-	4,100,932	14.11%
12/31/2008	593,359	593,359	-	3,603,933	16.46%
12/31/2009	571,075	571,075	-	3,608,759	15.82%
12/31/2010	559,361	559,361	-	3,141,984	17.80%
12/31/2011	578,096	592,096	(14,000)	3,028,837	19.55%
12/31/2012	560,292	584,292	(24,000)	3,041,091	19.21%
12/31/2013	582,166	606,166	(24,000)	3,082,131	19.67%
12/31/2014	632,534	650,534	(18,000)	3,211,517	20.26%

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

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Individual entry-age
Amortization method	Level-dollar closed
Remaining amortization period	18 years
Asset valuation method	10-year smoothed value of assets
Inflation	3-4%
Salary increases	0.045
Investment rate of return	8.25%
Retirement age	60
Mortality	1994 Group annuity mortality table of 50% male and 50% female blend

**City of Flat Rock**  
**Required Supplementary Information**  
**Municipal Employees Retirement System of Michigan**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**June 30, 2015**

Fiscal year ended June 30,	2015
<b>Total Pension Liability</b>	
Service cost	\$ 349,449
Interest on the total pension liability	1,763,834
Benefit payments and refunds	(1,303,169)
Net change in total pension liability	810,114
Total pension liability - beginning	21,856,668
Total pension liability - ending (a)	22,666,782
<b>Plan Fiduciary Net Position</b>	
Employer contributions	650,534
Employee contributions	153,807
Pension plan net investment income	714,400
Benefit payments and refunds	(1,303,169)
Pension plan administrative expense	(26,132)
Net change in plan fiduciary net position	189,440
Plan fiduciary net position - beginning	11,461,970
Plan fiduciary net position - ending (b)	11,651,410
Net pension liability (a-b)	\$ 11,015,372
Plan fiduciary net position as a percentage of total pension liability	51.40%
Covered employee payroll	3,211,517
Net pension liability as a percentage of covered employee payroll	343.00%

\*GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.



**City of Flat Rock**  
**Required Supplementary Information**  
**Municipal Employees Retirement System of Michigan**  
**Schedule of Employers' Net Pension Liability**  
**June 30, 2015**

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<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total Pension</u> <u>Liability</u>	<u>Plan Net</u> <u>Position</u>	<u>Net Pension</u> <u>Liability</u>	<u>Plan Net Position</u> <u>as a % of Total</u> <u>Pension Liability</u>	<u>Covered</u> <u>Payroll</u>	<u>Net Pension</u> <u>Liability as a % of</u> <u>Covered Payroll</u>
2015	\$ 22,666,782	\$ 11,651,410	\$ 11,015,372	51.40%	\$ 3,211,517	343.00%

\*GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

**City of Flat Rock, Michigan**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	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	\$ -	\$ 98,428	\$ 360,875	\$ 467,734	\$ 126,309	\$ 107,515	\$ -	\$ 35,750	\$ -	\$ -	\$ -	\$ -	\$ 29,035	\$ 1,225,646
Receivables														
Taxes	-	-	-	-	1,842	10,826	-	-	-	-	-	-	-	12,668
Customers	-	-	-	1,000	-	-	-	-	-	-	-	-	-	1,000
Due from other units of government	2,954	64,082	36,861	-	-	10,716	64,629	-	-	-	-	-	-	179,242
Due from other funds	-	-	25,633	-	-	-	-	-	-	-	-	-	-	25,633
Prepaid items	-	1,215	1,215	-	50	50	-	-	-	-	-	-	-	2,530
Total assets	<u>\$ 2,954</u>	<u>\$ 163,725</u>	<u>\$ 424,584</u>	<u>\$ 468,734</u>	<u>\$ 128,201</u>	<u>\$ 129,107</u>	<u>\$ 64,629</u>	<u>\$ 35,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,035</u>	<u>\$ 1,446,719</u>
<b>Liabilities</b>														
Accounts payable	\$ -	\$ 2,441	\$ 4,185	\$ -	\$ 112	\$ 1,443	\$ -	\$ 1,867	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,048
Accrued and other liabilities	-	1,134	3,992	-	-	9,024	-	-	-	-	-	-	-	14,150
Due to other funds	2,954	25,633	-	8,142	-	-	64,629	-	-	-	-	-	-	101,358
Total liabilities	<u>2,954</u>	<u>29,208</u>	<u>8,177</u>	<u>8,142</u>	<u>112</u>	<u>10,467</u>	<u>64,629</u>	<u>1,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,556</u>
<b>Deferred inflows of resources</b>														
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,629	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,629
<b>Fund balances</b>														
Non-spendable														
Prepaid items	-	1,215	1,215	-	50	50	-	-	-	-	-	-	-	2,530
Restricted for														
Major street	-	133,302	-	-	-	-	-	-	-	-	-	-	-	133,302
Local street	-	-	415,192	-	-	-	-	-	-	-	-	-	-	415,192
Downtown development authority	-	-	-	460,592	-	-	-	-	-	-	-	-	-	460,592
Historical district	-	-	-	-	128,039	-	-	-	-	-	-	-	-	128,039
Library	-	-	-	-	-	118,590	-	-	-	-	-	-	-	118,590
Greenways project	-	-	-	-	-	-	-	33,883	-	-	-	-	-	33,883
Capital projects	-	-	-	-	-	-	-	-	-	-	-	29,035	-	29,035
Unassigned (deficit)	-	-	-	-	-	-	(64,629)	-	-	-	-	-	-	(64,629)
Total fund balances (deficit)	<u>-</u>	<u>134,517</u>	<u>416,407</u>	<u>460,592</u>	<u>128,089</u>	<u>118,640</u>	<u>(64,629)</u>	<u>33,883</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,035</u>	<u>1,256,534</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,954</u>	<u>\$ 163,725</u>	<u>\$ 424,584</u>	<u>\$ 468,734</u>	<u>\$ 128,201</u>	<u>\$ 129,107</u>	<u>\$ 64,629</u>	<u>\$ 35,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,035</u>	<u>\$ 1,446,719</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, 2015**

	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	\$ -	\$ -	\$ -	\$ 588,140	\$ 89,970	\$ 538,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,217,032
Federal grants	125,614	-	-	-	-	-	-	3,222	-	-	-	-	-	128,836
State shared revenue	-	399,794	154,213	-	-	7,755	-	-	-	-	-	-	-	561,762
Other state grants	-	-	-	-	-	-	171,011	-	-	-	-	-	-	171,011
Interest income	-	31	209	54	100	105	-	22	-	-	-	-	18	539
Other revenue	-	2,630	60,446	4,715	-	35,718	-	2,100	-	-	-	-	10,011	115,620
<b>Total revenues</b>	<b>125,614</b>	<b>402,455</b>	<b>214,868</b>	<b>592,909</b>	<b>90,070</b>	<b>582,500</b>	<b>171,011</b>	<b>5,344</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,029</b>	<b>2,194,800</b>
<b>Expenditures</b>														
Current														
Public safety	-	-	-	-	-	-	-	1,745	-	-	-	-	-	1,745
Public works	-	161,279	283,918	-	-	-	-	-	-	-	-	-	556	445,753
Community and economic development	24,988	-	-	622,600	79,763	-	3,573	5,792	-	-	-	-	-	736,716
Library	-	-	-	-	-	326,672	-	-	-	-	-	-	-	326,672
Capital outlay	100,626	-	-	-	-	5,851	-	6,957	-	-	-	-	-	113,434
Debt service														
Principal retirement	-	-	-	-	-	-	-	-	145,000	140,000	305,000	605,000	-	1,195,000
Interest and fiscal charges	-	-	-	-	-	-	-	339	89,460	23,058	102,583	425,894	-	641,334
<b>Total expenditures</b>	<b>125,614</b>	<b>161,279</b>	<b>283,918</b>	<b>622,600</b>	<b>79,763</b>	<b>332,523</b>	<b>3,573</b>	<b>14,833</b>	<b>234,460</b>	<b>163,058</b>	<b>407,583</b>	<b>1,030,894</b>	<b>556</b>	<b>3,460,654</b>
Excess (deficiency) of revenues over expenditures	-	241,176	(69,050)	(29,691)	10,307	249,977	167,438	(9,489)	(234,460)	(163,058)	(407,583)	(1,030,894)	9,473	(1,265,854)
<b>Other financing sources (uses)</b>														
Transfers in	\$ -	\$ -	\$ 158,956	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 234,460	\$ 163,058	\$ 407,583	\$ 1,030,894	\$ -	\$ 1,994,951
Transfers out	-	(158,956)	-	(56,056)	-	(183,058)	-	-	-	-	-	-	-	(398,070)
Lease proceeds	-	-	-	-	-	5,851	-	-	-	-	-	-	-	5,851
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(158,956)</b>	<b>158,956</b>	<b>(56,056)</b>	<b>-</b>	<b>(177,207)</b>	<b>-</b>	<b>-</b>	<b>234,460</b>	<b>163,058</b>	<b>407,583</b>	<b>1,030,894</b>	<b>-</b>	<b>1,602,732</b>
Net change in fund balance	-	82,220	89,906	(85,747)	10,307	72,770	167,438	(9,489)	-	-	-	-	9,473	336,878
Fund balance (deficit) - beginning of year	-	52,297	326,501	546,339	117,782	45,870	(232,067)	43,372	-	-	-	-	19,562	919,656
Fund balance (deficit) - end of year	\$ -	\$ 134,517	\$ 416,407	\$ 460,592	\$ 128,089	\$ 118,640	\$ (64,629)	\$ 33,883	\$ -	\$ -	\$ -	\$ -	\$ 29,035	\$ 1,256,534

**City of Flat Rock, Michigan**  
**Other Supplementary Information**  
**Schedule of Indebtedness**  
**June 30, 2015**

Description	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
<b>Governmental Activities</b>					
Building Authority Bond, Series 2004	9/1/2015	\$ 145,000	\$ 9,736	\$ 6,691	\$ 161,427
Date of issue January 2004	9/1/2016	150,000	6,691	3,410	160,101
amount of issue \$1,720,000	9/1/2017	<u>155,000</u>	<u>3,410</u>	<u>-</u>	<u>158,410</u>
Interest due September 1 and March 1					
		<u>\$ 450,000</u>	<u>\$ 19,837</u>	<u>\$ 10,101</u>	<u>\$ 479,938</u>
Building Authority Bond, Series 2006	8/1/2015	\$ 320,000	\$ 47,801	\$ 40,921	\$ 408,722
Date of issue September 2006	8/1/2016	335,000	40,921	33,593	409,514
amount of issue \$3,415,000	8/1/2017	345,000	33,593	25,830	404,423
Interest due August 1 and February 1	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>\$ 2,135,000</u>	<u>\$ 174,960</u>	<u>\$ 127,159</u>	<u>\$ 2,437,119</u>
Tax Increment Finance Authority					
2005 Limited Tax Development Bonds	10/1/2015	\$ 80,000	\$ 2,200	\$ -	\$ 82,200
Date of issue March 2005 amount of issue \$1,155,000 interest due October 1 and April 1					
		<u>\$ 80,000</u>	<u>\$ 2,200</u>	<u>\$ -</u>	<u>\$ 82,200</u>
Tax Increment Finance Authority					
2015 Limited Tax Development Bonds	10/1/2015	\$ 25,000	\$ 10,301	\$ 14,825	\$ 50,126
Date of issue May 2015	10/1/2016	105,000	14,825	13,775	133,600
amount of issue \$1,155,000	10/1/2017	105,000	13,775	12,725	131,500
Interest due October 1 and April 1	10/1/2018	105,000	12,725	11,675	129,400
	10/1/2019	110,000	1,675	10,575	122,250
	10/1/2020	110,000	10,575	8,925	129,500
	10/1/2021	110,000	8,925	7,275	126,200
	10/1/2022	120,000	7,275	5,475	132,750
	10/1/2023	120,000	5,475	3,675	129,150
	10/1/2024	120,000	3,675	1,875	125,550
	10/1/2025	<u>125,000</u>	<u>1,875</u>	<u>-</u>	<u>126,875</u>
		<u>\$ 1,155,000</u>	<u>\$ 91,101</u>	<u>\$ 90,800</u>	<u>\$ 1,336,901</u>

**City of Flat Rock, Michigan**  
**Other Supplementary Information**  
**Schedule of Indebtedness**  
**June 30, 2015**

Description	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
Tax Increment Finance Authority	10/1/2015	\$ 235,000	\$ 97,678	\$ 89,748	\$ 422,426
Limited Tax Development Bonds Series 2006A	10/1/2016	255,000	89,748	81,141	425,889
Date of issue August 2006	10/1/2017	270,000	81,141	71,759	422,900
amount of issue \$4,270,000	10/1/2018	290,000	71,759	61,681	423,440
Interest due October 1 and April 1	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>\$ 2,825,000</u>	<u>\$ 533,536</u>	<u>\$ 435,858</u>	<u>\$ 3,794,394</u>
Tax Increment Finance Authority	10/1/2015	\$ 315,000	\$ 71,817	\$ 64,926	\$ 451,743
Limited Tax Development Bonds Series 2006B	10/1/2016	320,000	64,926	57,726	442,652
Date of issue August 2006	10/1/2017	330,000	57,726	50,301	438,027
amount of issue \$5,675,000	10/1/2018	335,000	50,301	42,764	428,065
Interest due October 1 and April 1	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>\$ 3,115,000</u>	<u>\$ 376,042</u>	<u>\$ 304,225</u>	<u>\$ 3,795,267</u>

**City of Flat Rock, Michigan**  
**Other Supplementary Information**  
**Schedule of Indebtedness**  
**June 30, 2015**

Description	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
Capital Improvement Bonds	8/1/2015	\$ 150,000	\$ 43,267	\$ 40,830	\$ 234,097
2010 Limited Tax General Obligation	8/1/2016	160,000	40,830	38,030	238,860
Date of issue September 2010	8/1/2017	170,000	38,030	34,842	242,872
amount of issue \$2,500,000	8/1/2018	180,000	34,842	31,242	246,084
Interest due August 1 and February 1	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>\$ 1,970,000</u>	<u>\$ 274,636</u>	<u>\$ 231,369</u>	<u>\$ 2,476,005</u>
Capital Improvement Bonds	10/1/2015	\$ 100,000	\$ 44,834	\$ 57,406	\$ 202,240
2015 Limited Tax General Obligation	10/1/2016	125,000	57,406	55,531	237,937
Date of issue May 2015	10/1/2017	125,000	55,531	53,656	234,187
amount of issue \$3,500,000	10/1/2018	125,000	53,656	51,781	230,437
Interest due October 1 and April 1	10/1/2019	125,000	51,781	49,906	226,687
	10/1/2020	150,000	49,906	48,312	248,218
	10/1/2021	150,000	48,312	46,718	245,030
	10/1/2022	150,000	46,718	44,468	241,186
	10/1/2023	150,000	44,468	42,218	236,686
	10/1/2024	175,000	42,218	39,593	256,811
	10/1/2025	175,000	39,593	36,968	251,561
	10/1/2026	175,000	36,968	33,468	245,436
	10/1/2027	200,000	33,468	29,468	262,936
	10/1/2028	200,000	29,468	25,468	254,936
	10/1/2029	200,000	25,468	21,468	246,936
	10/1/2030	225,000	21,468	17,531	263,999
	10/1/2031	225,000	17,531	13,593	256,124
	10/1/2032	225,000	13,593	9,375	247,968
	10/1/2033	250,000	9,375	4,687	264,062
	10/1/2034	250,000	4,687	-	254,687
		<u>\$ 3,500,000</u>	<u>\$ 726,449</u>	<u>\$ 681,615</u>	<u>\$ 4,908,064</u>

**City of Flat Rock, Michigan**  
**Other Supplementary Information**  
**Schedule of Indebtedness**  
**June 30, 2015**

Description	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
<b>Business Type Activities</b>					
South Huron Valley Utility Authority	10/1/2015	\$ 177,005	\$ 12,642	\$ 10,651	\$ 200,298
Sewer System Plant Acquisition Bonds	10/1/2016	180,692	10,651	8,618	199,961
Date of issue September 1998	10/1/2017	184,995	8,618	6,537	200,150
amount of issue \$3,271,516;	10/1/2018	189,297	6,537	4,407	200,241
Flat Rock Share of \$26,615,000	10/1/2019	193,599	4,407	2,229	200,235
Interest due October 1 and April 1	10/1/2020	198,163	2,229	-	200,392
		<u>\$ 1,123,751</u>	<u>\$ 45,084</u>	<u>\$ 32,442</u>	<u>\$ 1,201,277</u>
South Huron Valley Utility Authority	4/1/2016	\$ 116,107	\$ 15,048	\$ 15,048	\$ 146,203
2004 Sewer System Plant Expansion	4/1/2017	117,383	13,814	13,814	145,011
Date of issue April 2004	4/1/2018	119,935	12,567	12,567	145,069
amount of issue \$2,352,760;	4/1/2019	122,486	11,293	11,293	145,072
Flat Rock Share of \$9,220,000	4/1/2020	126,314	9,994	9,994	146,302
Interest due October 1 and April 1	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>\$ 1,416,249</u>	<u>\$ 93,516</u>	<u>\$ 93,516</u>	<u>\$ 1,603,281</u>

**City of Flat Rock, Michigan**  
**Other Supplementary Information**  
**Schedule of Indebtedness**  
**June 30, 2015**

Description	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
South Huron Valley Utility Authority	5/1/2016	\$ 16,630	\$ 10,005	\$ 10,005	\$ 36,640
2010 Sewer System Improvements	5/1/2017	17,910	9,564	9,564	37,038
Date of issue May 2010	5/1/2018	17,910	9,089	9,089	36,088
amount of issue \$409,360;	5/1/2019	19,189	8,615	8,615	36,419
Flat Rock Share of \$1,600,000	5/1/2020	19,189	8,106	8,106	35,401
Interest due November 1 and May 1	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>\$ 347,956</u>	<u>\$ 92,474</u>	<u>\$ 92,475</u>	<u>\$ 532,905</u>



**City of Flat Rock, Michigan**  
**Other Supplementary Information**  
**Schedule of Indebtedness**  
**June 30, 2015**

Description	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
South Huron Valley Utility Authority	4/1/2016	\$ 24,404	\$ 5,838	\$ 5,838	\$ 36,080
2011 Sewer System Improvements	4/1/2017	24,404	5,533	5,533	35,470
Date of issue April 2011	4/1/2018	25,245	5,228	5,228	35,701
amount of issue \$537,073;	4/1/2019	26,087	4,912	4,912	35,911
Flat Rock Share of \$3,310,000	4/1/2020	26,928	4,586	4,586	36,100
Interest due October 1 and April 1	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	34,498	431	434	35,363
		<u>\$ 467,033</u>	<u>\$ 52,624</u>	<u>\$ 52,627</u>	<u>\$ 572,284</u>
South Huron Valley Utility Authority					
2014 Sewer System Improvements	4/11/2016	\$ 89,720	\$ 3,194	\$ 3,208	\$ 96,122
Date of issue May 2014	4/11/2017	89,720	2,396	2,409	94,525
amount of issue \$448,602;	4/11/2018	89,720	1,597	1,610	92,927
Flat Rock Share of \$1,540,000	4/11/2019	89,722	798	812	91,332
Interest due October 11 and April 11		<u>\$ 358,882</u>	<u>\$ 7,985</u>	<u>\$ 8,039</u>	<u>\$ 374,906</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>
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
2015	16.00	-	-	1.50	0.25	1.75	19.50

**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	Commercial Rate	Industrial Rate
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
2015	7.50	-	9.00	9.25

**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, 2015, 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 16, 2015.

**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 16, 2015