

Auditing Procedures Report

issued under P.A. 2 of 1968, as amended and P.A. 71 of 1918, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Flat Rock, Michigan	County Wayne
Fiscal Year End June 30, 2007	Opinion Date November 26, 2007	Date Audit Report Submitted to State December 21, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

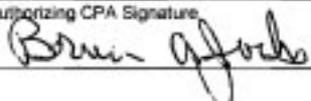
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Jocks & Associates, PC		Telephone Number 734-675-0266	
Street Address 3630 West Road		City Trenton	State Zip MI 48183
Authorizing CPA Signature 		Printed Name Bruce A. Jocks, CPA	License Number 1101020431

CITY OF FLAT ROCK, MICHIGAN

ANNUAL REPORT

June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

ANNUAL REPORT

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Jocks & Associates, PC

CERTIFIED PUBLIC ACCOUNTANTS

3630 West Road
Trenton, MI 48183

Phone 734/675-0266

Fax 734/675-3359

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Flat Rock, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Flat Rock's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flat Rock, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 36 through 51, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



November 26, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Flat Rock's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's net assets decreased by \$618,436 (or 2.6%). The governmental net assets decreased by \$384,068 (or 2.5%) and the business-type net assets decreased by \$234,368 (or 2.9%).
- Of the \$22,289,977 reported in net assets, \$19,603,005 is the investment in capital assets net of related debt, \$549,424 is reserved for debt service and capital projects and \$2,137,548 may be used to meet the ongoing obligations to citizens and creditors.
- At the end of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$3,551,206 a decrease of \$673,453 from the previous year.
- At the end of the current fiscal year the fund balance for the General Fund decreased \$196,460 to a final balance of \$2,042,390.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

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

Both statements report two activities:

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds:

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

Fiduciary Funds:

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

NOTES TO BASIC FINANCIAL STATEMENTS

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

ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION

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

NON-MAJOR GOVERNMENTAL FUNDS

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

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded its liabilities at the end of the fiscal year by \$22,289,977. However, 88% of the City's net assets represent its investment in capital assets (e.g., land, roads, storm sewers, water and sewer systems, building, and equipment) less any related debt used to acquire or construct these assets that is still outstanding. The City uses these capital assets to provide essential services to citizens; therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF FLAT ROCK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE (continued)

CITY OF FLAT ROCK'S NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 4,348,978	\$ 225,724	\$ 4,574,702
Capital assets, net of accumulated depreciation	<u>30,731,167</u>	<u>13,293,177</u>	<u>44,024,344</u>
TOTAL ASSETS	<u>\$35,080,145</u>	<u>\$13,518,901</u>	<u>\$48,599,046</u>
Long-term liabilities outstanding	\$18,372,398	\$ 5,244,708	\$23,617,106
Other liabilities	<u>1,917,710</u>	<u>774,253</u>	<u>2,691,963</u>
Total Liabilities	<u>20,290,108</u>	<u>6,018,961</u>	<u>26,309,069</u>
Net Assets:			
Invested in capital, net of related debt	12,064,177	7,538,828	19,603,005
Restricted	549,424	-	549,424
Unrestricted (deficit)	<u>2,176,436</u>	<u>(38,888)</u>	<u>2,137,548</u>
Total Net Assets	<u>14,790,037</u>	<u>7,499,940</u>	<u>22,289,977</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$35,080,145</u>	<u>\$13,518,901</u>	<u>\$48,599,046</u>

CITY OF FLAT ROCK'S CHANGE IN NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 2,954,233	\$2,711,436	\$ 5,665,669
Operating grants	1,561,987	-	1,561,987
General Revenues:			
Taxes and special assessments	10,263,500	-	10,263,500
Investment earnings	<u>505,487</u>	<u>11,397</u>	<u>516,884</u>
Total Revenues	<u>15,285,207</u>	<u>2,722,833</u>	<u>18,008,040</u>
Expenses:			
General government	1,691,564	-	1,691,564
Police	3,562,978	-	3,562,978
Fire	1,041,298	-	1,041,298
Building and safety	287,247	-	287,247
Public works	1,834,356	-	1,834,356
Recreation and culture	2,294,971	-	2,294,971
Library	575,796	-	575,796
Community enrichment and development	290,290	-	290,290
Road maintenance and repair	1,436,259	-	1,436,259
Tax refund	1,488,814	-	1,488,814
Interest on long-term debt	880,451	-	880,451
Miscellaneous	285,251	-	285,251
Water and sewer	-	<u>2,957,201</u>	<u>2,957,201</u>
Total Expenses	<u>15,669,275</u>	<u>2,957,201</u>	<u>18,626,476</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE (continued)

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Changes in Net Assets	(384,068)	(234,368)	(618,436)
Net Assets, July 1, 2006	<u>15,174,105</u>	<u>7,734,308</u>	<u>22,908,413</u>
Net Assets, June 30, 2007	<u>\$14,790,037</u>	<u>\$7,499,940</u>	<u>\$22,289,977</u>

Governmental Activities:

Governmental activities decreased the City’s net assets by \$384,068, thereby accounting for 63% of the total decrease in the net assets of the City.

Business-Type Activities:

Business-type activities decreased the City’s net assets by \$234,368. Key factors of this decrease are as follows:

- Operating revenues decreased by 14.7% and operating expenses increased by 8.2% during the year.

As the City completed the year, its governmental funds reported combined fund balances of \$3,551,206.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance was \$1,960,279 and reserved fund balance was \$82,111. Total fund balance decreased by \$196,460 during the fiscal year.

Tax Increment Finance Authority

The Tax Increment Finance Authority has fund balance of \$186,791.

Recreation Center Operating Fund

The Recreation Center Operating Fund has a deficit fund balance of \$553,746.

Other Governmental Funds

Other Governmental Funds had the following fund balances:

Special Revenue Funds	\$1,326,347
Debt Service Funds	\$ 117,327
Capital Projects Funds	\$ 432,097

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE (continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The City investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounts to \$43,383,612 (net of accumulated depreciation). This investment includes a broad range of capital assets, which are detailed in the table below. The total increase in the City's net investment in capital assets for the current fiscal year was \$1,758,114. The following table is a comparison of the City's net capital assets as of June 30, 2007 compared to June 30, 2006:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Capital assets not depreciated:						
Land	\$ 1,213	\$ 1,213	\$ -	\$ -	\$ 1,213	\$ 1,213
Capital assets being depreciated:						
Infrastructure	8,097	7,691	-	-	8,097	7,691
Buildings	19,189	19,156	2,972	5,258	22,161	24,414
Machinery and equipment	1,734	1,843	62	182	1,796	2,025
Water sewer and mains	-	-	8,095	7,781	8,095	7,781
Vehicles	<u>246</u>	<u>231</u>	<u>17</u>	<u>29</u>	<u>263</u>	<u>260</u>
Net capital assets	<u>\$30,479</u>	<u>\$30,134</u>	<u>\$11,146</u>	<u>\$13,250</u>	<u>\$41,625</u>	<u>\$43,384</u>

This year's major capital events included the following:

- Continuing construction/restoration of the historical district.
- Additional construction of the new recreational community center.
- Security surveillance system purchased through block grants.
- Various projects to repair and maintain roads and sidewalks.
- Two new vehicles were purchased for the City of Flat Rock Police Department at combined cost of \$41,000. One new vehicle was purchased for the Building and Safety Department at a cost of \$25,700.
- The South Huron Valley Utility Authority plant expansion was capitalized at a cost of \$2,353,000.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Long-Term Debt:

At the end of the fiscal year, the City had total long-term bonds and notes outstanding of \$24,383,006.

OUTSTANDING DEBT AT YEAR END

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
General obligation bonds (backed by the City)	\$18,590,000	\$5,716,016	\$24,306,016
Equipment Loans	<u>76,990</u>	<u>-</u>	<u>76,990</u>
	<u>\$18,666,990</u>	<u>\$5,716,016</u>	<u>\$24,383,006</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 (\$24,383,006) is significantly lower than the current state-imposed limit of \$57,294,442.

ECONOMIC CONDITION AND OUTLOOK

The City of Flat Rock's budget for 2008 is not recommending any change to the millage rate. The water and sewer rates are \$4.50 residential and \$5.50 for commercial per thousand gallons.

The City's revenue consists of 71.3% tax revenues, 17.5% local sources and 11.2% from other sources. The City's tax base had a decrease of \$260,000. Local revenues are projected to decrease by \$389,000 for the fiscal year ended June 30, 2008. State revenue sharing should remain consistent with last year, barring any additional changes in the distribution formula used by the State. The general fund has a budgeted transfer from the water and sewer fund in the amount of \$200,000.

The City's general fund expenditures are allocated 50.9% to public safety, police, fire, and building and safety. The department of public services amounts to 27.2% and the clerk and treasurer departments total 17.1% and other departments total 4.8%. In addition, it is recommended that there should be a decrease in expenditures over the previous year's budget of approximately \$439,000. The general fund is projecting fund balance increase of \$25,000.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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

BASIC FINANCIAL STATEMENTS

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 3,793,227	\$ 131,649	\$ 3,924,876
Accounts receivable	464,711	36,142	500,853
Internal balances	8,929	(972)	7,957
Current portion of note receivable	-	38,333	38,333
Inventories	8,345	20,572	28,917
Prepaid expenses	73,766	-	73,766
Total Current Assets	<u>4,348,978</u>	<u>225,724</u>	<u>4,574,702</u>
Noncurrent Assets			
Bond issuance cost and discounts, net of accumulated amortization	597,305	5,094	602,399
Capital assets, net of accumulated depreciation	30,133,862	13,249,750	43,383,612
Note receivable (net of current portion)	-	38,333	38,333
Total Noncurrent Assets	<u>30,731,167</u>	<u>13,293,177</u>	<u>44,024,344</u>
TOTAL ASSETS	<u>\$ 35,080,145</u>	<u>\$ 13,518,901</u>	<u>\$ 48,599,046</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 426,689	\$ 200,276	\$ 626,965
Accrued expenses	215,631	39,281	254,912
Current portion of accumulated compensated absences	155,452	3,497	158,949
Current portion of long-term obligations	1,119,938	531,199	1,651,137
Total Current Liabilities	<u>1,917,710</u>	<u>774,253</u>	<u>2,691,963</u>
Noncurrent Liabilities			
Accumulated compensated absences	825,346	59,891	885,237
Noncurrent portion of long-term obligations	17,547,052	5,184,817	22,731,869
Total Noncurrent Liabilities	<u>18,372,398</u>	<u>5,244,708</u>	<u>23,617,106</u>
TOTAL LIABILITIES	<u>20,290,108</u>	<u>6,018,961</u>	<u>26,309,069</u>
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	12,064,177	7,538,828	19,603,005
Restricted for			
Debt service	117,327	-	117,327
Capital projects	432,097	-	432,097
Unrestricted	2,176,436	(38,888)	2,137,548
Total Net Assets	<u>14,790,037</u>	<u>7,499,940</u>	<u>22,289,977</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 35,080,145</u>	<u>\$ 13,518,901</u>	<u>\$ 48,599,046</u>

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

Statement of Activities
For the Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities:						
General government	\$ 1,691,564	\$ 93,379	\$ 823,846	\$ (774,339)	\$ -	\$ (774,339)
Police	3,562,978	460,731	35,327	(3,066,920)	-	(3,066,920)
Fire	1,041,298	178,672	-	(862,626)	-	(862,626)
Building and safety	287,247	538,344	-	251,097	-	251,097
Public works	1,834,356	262,821	-	(1,571,535)	-	(1,571,535)
Recreation and culture	2,294,971	530,390	-	(1,764,581)	-	(1,764,581)
Library	575,796	661,351	-	85,555	-	85,555
Community enrichment and development	290,290	148,886	241,681	100,277	-	100,277
Road maintenance and repair	1,436,259	-	461,133	(975,126)	-	(975,126)
Tax refund	1,488,814	-	-	(1,488,814)	-	(1,488,814)
Interest on long-term debt	880,451	-	-	(880,451)	-	(880,451)
Miscellaneous	285,251	79,659	-	(205,592)	-	(205,592)
Total Governmental Activities	<u>15,669,275</u>	<u>2,954,233</u>	<u>1,561,987</u>	<u>(11,153,055)</u>	<u>-</u>	<u>(11,153,055)</u>
Business-type Activities:						
Water and sewer	<u>2,957,201</u>	<u>2,711,436</u>	<u>-</u>	<u>-</u>	<u>(245,765)</u>	<u>(245,765)</u>
Total Primary Government	<u>\$ 18,626,476</u>	<u>\$ 5,665,669</u>	<u>\$ 1,561,987</u>	<u>(11,153,055)</u>	<u>(245,765)</u>	<u>(11,398,820)</u>
General Revenues:						
Taxes:						
Property taxes, levied for general purposes				9,695,024	-	9,695,024
Property taxes, levied for special services				567,405	-	567,405
Special assessments for debt service				1,071	-	1,071
Investment earnings				505,487	11,397	516,884
Total General Revenues				<u>10,768,987</u>	<u>11,397</u>	<u>10,780,384</u>
CHANGES IN NET ASSETS				(384,068)	(234,368)	(618,436)
NET ASSETS, BEGINNING				<u>15,174,105</u>	<u>7,734,308</u>	<u>22,908,413</u>
NET ASSETS, ENDING				<u>\$ 14,790,037</u>	<u>\$ 7,499,940</u>	<u>\$ 22,289,977</u>

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

Balance Sheet
 Governmental Funds
 June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	General	Tax Increment Finance Authority	Recreation Center Operating	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,755,789	\$ 186,791	\$ 36,453	\$ 1,814,194	\$ 3,793,227
Receivables:					
Taxes	364,713	-	-	-	364,713
Accrued interest and other	14,865	-	-	28,743	43,608
Due from other funds	557,796	-	-	121,000	678,796
Due from other governmental units	-	-	-	56,390	56,390
Inventory	8,345	-	-	-	8,345
Prepaid expenses	73,766	-	-	-	73,766
TOTAL ASSETS	<u>\$ 2,775,274</u>	<u>\$ 186,791</u>	<u>\$ 36,453</u>	<u>\$ 2,020,327</u>	<u>\$ 5,018,845</u>
 <u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 293,033	\$ -	\$ 53,522	\$ 80,134	\$ 426,689
Accrued expenses	179,613	-	36,018	-	215,631
Compensated absences, current	139,238	-	16,214	-	155,452
Due to other funds	121,000	-	484,445	64,422	669,867
TOTAL LIABILITIES	<u>732,884</u>	<u>-</u>	<u>590,199</u>	<u>144,556</u>	<u>1,467,639</u>
 <u>FUND BALANCE</u>					
Reserved for:					
Inventory	8,345	-	-	-	8,345
Prepaid expenditures	73,766	-	-	-	73,766
Undesignated, reported in:					
General fund	1,960,279	-	-	-	1,960,279
Special revenue funds	-	186,791	(553,746)	1,326,347	959,392
Debt service	-	-	-	117,327	117,327
Capital projects	-	-	-	432,097	432,097
TOTAL FUND BALANCES	<u>2,042,390</u>	<u>186,791</u>	<u>(553,746)</u>	<u>1,875,771</u>	<u>3,551,206</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,775,274</u>	<u>\$ 186,791</u>	<u>\$ 36,453</u>	<u>\$ 2,020,327</u>	<u>\$ 5,018,845</u>

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

Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2007

Total Fund Balances for Governmental Funds	\$ 3,551,206
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	30,133,862
Compensated absences are not due and payable in the current period and are not reported in the funds.	(825,346)
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Other related amounts include unamortized bond cost of \$255,453.	(18,666,990)
Unamortized bond issue costs not recorded in the funds	<u>597,305</u>
Net Assets of Governmental Activities	<u><u>\$ 14,790,037</u></u>

Statement of Revenues, Expenditures
and Changes in Fund Balances Governmental Funds
For the Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	General	Tax Increment Finance Authority	Recreation Center Operating	Other Governmental Funds	Total
REVENUES					
Property taxes	\$ 6,984,021	\$ 5,006,095	\$ -	\$ 1,142,269	\$ 13,132,385
General Government	93,379	-	-	-	93,379
Police Department	460,731	-	-	-	460,731
Fire Department	178,672	-	-	-	178,672
Building and Safety	538,344	-	-	-	538,344
Public Works	262,821	-	-	-	262,821
Recreation and culture	120,950	-	963,646	-	1,084,596
Community enrichment and development	121,503	-	-	-	121,503
Special assessments	-	-	-	1,071	1,071
Internal governmental revenue:					
State grants	823,846	-	-	461,133	1,284,979
Federal shared revenue	-	-	-	241,681	241,681
Rental income	-	-	-	547,613	547,613
Other	-	20,000	-	229,514	249,514
Interest	258,878	132,559	1,399	112,651	505,487
Total Revenues	<u>9,843,145</u>	<u>5,158,654</u>	<u>965,045</u>	<u>2,735,932</u>	<u>18,702,776</u>
EXPENDITURES					
General government	1,664,992	-	-	-	1,664,992
Police	3,530,679	-	-	-	3,530,679
Fire	955,726	-	-	-	955,726
Building and safety	305,724	-	-	-	305,724
Public works	1,845,609	-	-	-	1,845,609
Recreation and culture	847,654	-	1,519,995	-	2,367,649
Library	-	-	-	554,206	554,206
Community enrichment and development	53,827	-	-	921,122	974,949
Road maintenance and repair	-	52,254	-	858,487	910,741
Tax refund	-	4,358,770	-	-	4,358,770
Debt Service:					
Principal	-	-	-	909,630	909,630
Interest	-	-	-	880,451	880,451
Miscellaneous	-	-	-	117,103	117,103
Total Expenditures	<u>9,204,211</u>	<u>4,411,024</u>	<u>1,519,995</u>	<u>4,240,999</u>	<u>19,376,229</u>
Excess Revenues (Expenditures)	<u>638,934</u>	<u>747,630</u>	<u>(554,950)</u>	<u>(1,505,067)</u>	<u>(673,453)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	2,060,121	2,060,121
Operating transfers out	(835,394)	(986,232)	-	(238,495)	(2,060,121)
Total Other Financing Sources (Uses)	<u>(835,394)</u>	<u>(986,232)</u>	<u>-</u>	<u>1,821,626</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(196,460)	(238,602)	(554,950)	316,559	(673,453)
FUND BALANCE, JULY 1, 2006	<u>2,238,850</u>	<u>425,393</u>	<u>1,204</u>	<u>1,559,212</u>	<u>4,224,659</u>
FUND BALANCE, JUNE 30, 2007	<u>\$ 2,042,390</u>	<u>\$ 186,791</u>	<u>\$ (553,746)</u>	<u>\$ 1,875,771</u>	<u>\$ 3,551,206</u>

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

Reconciliation of Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to the
 Statement of Activities
 For the Year Ended June 30, 2007

Net change in fund balance - total governmental funds		\$ (673,453)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays and construction in progress as expenditures. However in the statement of activities, the cost of these assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays and construction in progress		(345,320)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which payments exceeded proceeds.		868,598
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Amortization of current year bond issuance costs and discounts	(168,148)	
Change in long-term compensated absences	<u>(65,745)</u>	<u>(233,893)</u>
Change in Net Assets of Governmental Activities		<u>\$ (384,068)</u>

	<u>Business-Type Activities- Enterprise Fund Water and Sewer</u>
<u>ASSETS</u>	
Current Assets	
Cash and cash equivalents	\$ 131,649
Accounte receivable, customers	36,142
Current portion of accounts receivable	38,333
Due from other funds	(972)
Inventories	<u>20,572</u>
Total Current Assets	<u>225,724</u>
Noncurrent Assets	
Bond issuance cost, net of accumulated amortization	5,094
Capital assets, net of accumulated depreciation	13,249,750
Note receivable (net of current portion)	<u>38,333</u>
Total Noncurrent Assets	<u>13,293,177</u>
TOTAL ASSETS	<u>\$ 13,518,901</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts payable	\$ 200,276
Accrued expenses and other liabilities	39,281
Current portion of accumulated compensated absences	3,497
Current portion of long-term obligations	<u>531,199</u>
Total Current Liabilities	<u>774,253</u>
Noncurrent Liabilities	
Accumulated compensated absences	59,891
General obligation bonds payable	5,716,016
Less current portion shown in current liabilities	<u>531,199</u>
Total Noncurrent Liabilities	<u>5,244,708</u>
<u>NET ASSETS</u>	
Investment in capital assets, net of related debt	7,538,828
Deficit	<u>(38,888)</u>
Total Net Assets	<u>7,499,940</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,518,901</u>

Statement of Revenues, Expenses, and Changes
in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	<u>Business-Type Activities- Enterprise Fund Water and Sewer</u>
<u>OPERATING REVENUES</u>	
Customer billings	\$ 2,501,433
Capital charges	29,870
Service connections	90,190
Service charges	53,536
Other revenue	36,407
Total Operating Revenues	<u>2,711,436</u>
<u>OPERATING EXPENSES</u>	
Cost of water purchases	831,823
Cost of sewage disposal	849,751
System maintenance and repairs	362,525
General and administrative	282,174
Depreciation	462,827
Amortization	9,435
Total Operating Expenses	<u>2,798,535</u>
OPERATING LOSS	<u>(87,099)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	11,397
Interest expense	<u>(158,666)</u>
Total Net Non-Operating Expenses	<u>(147,269)</u>
CHANGE IN NET ASSETS	(234,368)
TOTAL NET ASSETS, BEGINNING	<u>7,734,308</u>
TOTAL NET ASSETS, ENDING	<u>\$ 7,499,940</u>

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

	Business-Type Activities- Enterprise Fund Water and Sewer
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash received from customers	\$ 2,709,636
Other operating revenues	36,407
Cash payments for goods and services	(1,557,617)
Cash to employees	(294,536)
Net Cash Provided By Operating Activities	<u>893,890</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Due to other funds	-
Collection of note receivable	38,334
Principal paid on revenue and general obligations	(577,227)
Interest paid on revenue and general obligations	(158,666)
Net Cash Used By Capital and Related Financing Activities	<u>(697,559)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchase of fixed assets	(213,502)
Interest on investments	11,397
Net Cash Provided By Investing Activities	<u>(202,105)</u>
NET DECREASE IN CASH	(5,774)
<u>CASH BALANCE</u> July 1, 2006	<u>137,423</u>
<u>CASH BALANCE</u> June 30, 2007	<u>\$ 131,649</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating loss	\$ (87,099)
Depreciation	462,827
Amortization	9,435
Change in assets and liabilities:	
Increase in accounts receivable	(1,800)
Increase in accounts payable	100,949
Decrease in accrued expenses and other liabilities	(90,324)
Decrease in due to other funds	499,902
Net Cash Provided By Operating Activities	<u>\$ 893,890</u>
<u>NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Bond proceeds	<u>\$ 2,352,760</u>
<u>NON-CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchase of fixed assets	<u>\$ (2,352,760)</u>

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

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	<u>Tax Collection</u>	<u>Trust and Agency</u>	<u>Crime Prevention</u>	<u>Deferred Compensation</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,917,011	\$ 298,425	\$ 1,225	\$ -	\$ 2,216,661
Due from other governments	-	-	-	-	-
	<u>1,917,011</u>	<u>298,425</u>	<u>1,225</u>	<u>-</u>	<u>2,216,661</u>
Investments, at fair value:					
Variable annuity funds	-	-	-	1,970,065	1,970,065
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,970,065</u>	<u>1,970,065</u>
TOTAL ASSETS	<u>\$ 1,917,011</u>	<u>\$ 298,425</u>	<u>\$ 1,225</u>	<u>\$ 1,970,065</u>	<u>\$ 4,186,726</u>
<u>LIABILITIES</u>					
Accounts payable	\$ -	\$ 78,222	\$ -	\$ -	\$ 78,222
Due to other funds	7,957				7,957
Due to other governments	1,909,054	-	-	-	1,909,054
Payments received in advance	-	220,203	1,225	-	221,428
Deferred compensation benefits	-	-	-	1,970,065	1,970,065
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,970,065</u>	<u>1,970,065</u>
TOTAL LIABILITIES	<u>\$ 1,917,011</u>	<u>\$ 298,425</u>	<u>\$ 1,225</u>	<u>\$ 1,970,065</u>	<u>\$ 4,186,726</u>

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

NOTE -1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FUND TYPES AND MAJOR FUNDS

The City reports the following major governmental funds:

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

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

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

In addition the City reports on the following fund types:

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

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

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

PROPRIETARY FUND:

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

FIDUCIARY FUNDS:

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE -2- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

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

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

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

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year ended June 30, 2007, the City incurred expenditures in certain non major budgetary funds, which were in excess of amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	Actual Over <u>Budget</u>
Historical District Fund	\$ 171,928	\$ 328,652	\$(156,724)

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

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

NOTE -3- CASH AND CASH EQUIVALENTS:

As of June 30, 2007, the carrying value of cash and cash equivalent (consisting of checking accounts, savings accounts, and certificate of deposits) was \$3,924,876 and the bank balance was \$5,620,029. Of the bank balance, \$108,643 was covered by federal depository insurance and \$5,511,386 was uninsured and uncollateralized.

NOTE -4- CAPITAL ASSETS:

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

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 1,213,229	\$ _____ -	\$ _____ -	\$ 1,213,229
Capital Assets Being Depreciated				
Infrastructure	20,954,161	384,959	-	21,339,120
Buildings	22,089,942	416,011	-	22,505,953
Machinery and Equipment	3,978,588	379,845	-	4,358,433
Vehicles	<u>751,933</u>	<u>78,832</u>	<u> -</u>	<u>830,765</u>
Subtotal	<u>47,774,624</u>	<u>1,259,647</u>	<u> -</u>	<u>49,034,271</u>
Less Accumulated Depreciation for				
Infrastructure	(12,857,049)	(791,061)	-	(13,648,110)
Buildings	(2,900,934)	(449,355)	-	(3,350,289)
Machinery and Equipment	(2,244,710)	(270,542)	-	(2,515,252)
Vehicles	<u>(505,978)</u>	<u>(94,009)</u>	<u> -</u>	<u>(599,987)</u>
Subtotal	<u>(18,508,671)</u>	<u>(1,604,967)</u>	<u> -</u>	<u>(20,113,638)</u>
Net Capital Assets Being Depreciated	<u>29,265,953</u>	<u>(345,320)</u>	<u> -</u>	<u>28,920,633</u>
Governmental Activities Capital Total				
Capital Assets – Net of Depreciation	<u>\$30,479,182</u>	<u>\$ (345,320)</u>	<u>\$ _____ -</u>	<u>\$ 30,133,862</u>
Business – Type Activities				
Capital Assets Being Depreciated				
Water and Sewer Mains	\$16,036,057	\$ 67,794	\$ _____ -	\$16,103,851
Buildings	4,164,202	2,352,760	-	6,516,962
Equipment and Meters	317,237	125,996	-	443,233
Vehicles	<u>265,685</u>	<u>19,711</u>	<u> -</u>	<u>285,396</u>
Subtotal	<u>20,783,181</u>	<u>2,566,261</u>	<u> -</u>	<u>23,349,442</u>
Less Accumulated Depreciation for				
Water and Sewer Mains	(7,940,312)	(382,730)	-	(8,323,042)
Buildings	(1,192,065)	(66,618)	-	(1,258,683)
Equipment and Meters	(255,391)	(6,942)	-	(262,333)
Vehicles	<u>(249,097)</u>	<u>(6,537)</u>	<u> -</u>	<u>(255,634)</u>
Subtotal	<u>(9,636,865)</u>	<u>(462,827)</u>	<u> -</u>	<u>(10,099,392)</u>
Business Type Activities Capital Total				
Capital Assets – Net of Depreciation	<u>\$11,146,316</u>	<u>\$2,103,434</u>	<u>\$ _____ -</u>	<u>\$ 13,249,750</u>

NOTE -4- CAPITAL ASSETS: (continued)

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

Governmental Activities	
Road Maintenance and Repair	\$ 791,059
Recreational Culture	434,117
Public Works	102,247
Police	89,628
Library	77,676
Fire	73,746
General Government	25,638
Building and Safety	<u>10,856</u>
Total Governmental Activities	<u>\$1,604,967</u>
Business – Type Activities	
Water and Sewer Mains	\$ 382,730
Buildings	66,618
Equipment and meters	6,942
Vehicles	<u>6,537</u>
Total Business – Type Activities	<u>\$ 462,827</u>

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

“Total fund balances” of the City’s governmental funds \$3,551,206 on the Governmental Funds Balance Sheet differs from “net assets” of governmental activities by \$11,238,831 as reported in the statement of net assets. The difference primarily results from the long-term economic focus of the statement of net assets versus the current resources focus of the governmental fund balance sheets. The following is a description of each difference found on the reconciliation of governmental funds balance sheet and statement of net assets:

1. When capital assets (land, buildings and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However the statement of net assets includes those assets among the assets of the City as a whole.

Cost of capital assets	\$ 50,247,500
Accumulated depreciation	(20,113,638)
	<u>\$ 30,133,862</u>

2. Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. The balance of long-term liabilities as of June 30, 2007 is \$18,666,990 and is recognized as a liability on the statement of net assets but not on the governmental funds balance sheet. In addition, unamortized bond cost of \$597,305 is recognized as a non-current asset on the statement of net assets but not on the governmental funds balance sheet.
3. The City provides employees with sick and vacation leave, which can be accumulated and redeemed for compensation at retirement. This leave is referred to as accumulated compensated absences. Leave not used within at the end of the fiscal year is not payable from current resources and is not recognized on the governmental funds balance sheet. The amount of \$825,346 is recognized as a long-term liability on the statement of net assets. The amount payable by fund is as follows:

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

Police	\$471,184
Public works	132,750
Fire	82,747
General government	57,025
Building and safety	20,851
Recreation	50,847
Library	<u>9,942</u>
	<u>\$825,346</u>

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

The "net change in fund balances" for governmental funds of \$(673,453) on the Statement of Revenues, Expenditures and Changes in Fund Balance differs from the "change in net assets" for governmental activities by \$289,385 as reported in the Statement of Activities. The difference arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The following is a description of each difference found on the reconciliation of statement of revenues, expenditures and changes in fund balance to the statement of activities:

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

Construction costs	\$ 800,970
Capital outlays as expenditures in fiscal year 2006-2007	458,677
Depreciation	<u>(1,604,967)</u>
	<u>\$ (345,320)</u>

2. Principal on long-term debt was decreased by \$868,598. The debt was originally issued to purchase and construct capital assets. Bond issuance cost and discounts in the amount of \$803,142 are amortized over the term of the related debt. The outstanding liability is reported as reduction on net assets. Decreasing the liability increases net assets.
3. Amortization of current year bond issuance cost and discounts and the change in the long-term expense for accumulated compensation absences reported in the statement of activities and not the statement of revenues, expenditures and changes in fund balance is as follows:

<u>Amortization expense</u>	<u>\$168,148</u>
<u>Compensation absences</u>	
Fire	\$11,826
General government	5,369
Public works	20,265
Police	16,163
Recreation	14,839
Library	914
Building and safety	<u>(3,631)</u>
	<u>\$65,745</u>

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

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

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

NOTE -7- PENSION PLAN: (continued)

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

Actuarial valuations of each participating municipality in the MERS are prepared annually to determine the actuarial condition of the Retirement System and the employer contribution rates required to fund MERS on an actual reserve basis. The calculated employer contribution rates derived from the actuarial valuation as of December 31, 2006, are based on the present provisions of the Municipal Retirement Act of 1984, as amended by 1996 Public Act 220, as embodied in the MERS Plan Document (as revised). A comprehensive annual financial report of MERS may be obtained from the office of the City of Flat Rock, Michigan.

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

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

Upon the effective date for each respective bargaining group, all full time employees of the City are eligible to participate in the plan. As of December 31, 2006, the latest valuation date, the City had 80 employees of which 80 were covered employees. In addition, 1 inactive vested member and 36 retirees were also covered. As of December 31, 2006, the assets of MERS allocated to The City of Flat Rock amounted to about \$10,600,811 at market value and \$10,454,562 at actuarial value.

Funding Policy:

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

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

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

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

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

Total covered payroll for the year ended December 31, 2006, was \$4,263,917 and the annual estimated contribution for the fiscal year beginning July 1, 2008, is \$601,548. During the fiscal year's ended June 30, 2007, 2006, and 2005, employer contributions totaling \$574,000, \$529,000, and \$536,000, respectively, were made.

Results of Actuarial Valuation:

The actuarial valuation of the liabilities and contribution rates resulting from the participation of the City of Flat Rock in MERS as of December 31, 2006, is based on the pension benefit provision of MERS, as governed by Act No. 220 of the Public Acts of 1996, as amended and the MERS plan document as revised, the characteristics of active and inactive MERS members, the assets attributable to MERS members of the City of Flat Rock and the actuarial assumptions and funding method, which include an investment yield rate of 8% and the entry age normal actuarial cost method.

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

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

Retirees and beneficiaries currently receiving benefits	\$ 8,533,593
Terminated employees not yet receiving benefits	36,316
Non-vested terminated employees (pending refunds of accumulated Member contributions)	30,503
Current employees ---	
Accumulated employee contributions including allocated investment income	2,119,384
Employer financed	<u>6,485,426</u>
Total Actuarial Accrued Liability	17,205,222
Net Assets Available for Benefits, at Actuarial Value (market value is \$10,600,811)	<u>10,454,562</u>
Unfunded Actuarial Accrued Liability	<u>\$ 6,750,660</u>

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

The actuarial accrued liability represents the difference between the present value of all future benefits and the present value of future normal costs. The unfunded actuarial accrued liability (i.e. the actuarial accrued liability less assets accumulated as of the valuation date), is then amortized as noted above. The components of the employer contribution rate (i.e. the normal cost and amortization payment) and the estimated dollar contributions for the fiscal year beginning July 1, 2008, are as follows:

Computed Employer Contributions to the Retirement System
For the Fiscal Year Beginning July 1, 2008

Employer Contributions
As Percentages of Payroll and Dollars

<u>Valuations Division</u>	<u>Normal Cost</u>	<u>Unfunded Accrued Liability</u>	<u>Totals</u>
<u>Cost of Percentage of Payroll</u>			
General – Cleric	6.11%	(1.65)%	4.46%
Police – POAM	5.41	3.39	8.80
General – DPW Union	5.24	7.96	13.20
Dept. Heads	9.16	31.26	40.42
Adm. Employees	6.73	.96	7.69
COAM	5.54	13.38	18.92
<u>Estimated Monthly Contributions*</u>			
General – Clerical	\$ 1,572	\$ (425)	\$ 1,147
Police – POAM	4,840	3,033	7,873
General – DPW Union	3,855	5,855	9,710
Dept. Heads	3,147	10,741	13,888
Adm. Employees	4,497	641	5,138
COAM	<u>3,623</u>	<u>8,750</u>	<u>12,373</u>
Total Municipality	<u>\$21,534</u>	<u>\$28,595</u>	<u>\$50,129</u>
<u>Estimated Annual Contributions*</u>			
Total Municipality	<u>\$258,408</u>	<u>\$343,140</u>	<u>\$601,548</u>

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

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

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

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

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

<u>Valuation Date December 31,</u>	<u>Accrued Liabilities</u>	<u>Valuation Assets</u>	<u>Funded Percent</u>	<u>Unfunded Actuarial Liability</u>	<u>UAL as Percent of Annual Payroll</u>
1992	4,124,955	4,831,241	117	(706,286)	0
1993	6,387,389	5,166,850	81	1,220,539	70
1994	7,164,146	5,291,598	74	1,872,548	98
1995	7,985,825	5,481,237	69	2,504,588	127
1996	9,468,660	5,723,546	60	3,745,114	181
1997	9,846,172	6,074,279	62	3,771,893	166
1998	10,463,586	6,654,032	64	3,809,554	150
1999	11,208,496	7,471,471	67	3,737,025	139
2000	12,517,271	8,088,957	65	4,428,314	157
2001	13,286,141	8,542,736	64	4,743,405	155
2002	14,063,800	8,558,105	61	5,505,695	166
2003	14,559,592	8,923,963	61	5,635,629	158
2004	15,927,160	9,377,358	59	6,549,802	162
2005	16,606,659	9,817,249	59	6,789,410	166
2006	17,205,222	10,454,562	61	6,750,660	158

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

NOTE -7- PENSION PLAN: (continued)

The following is a comparative schedule of termination liability and present value of accrued benefits as of December 31, 2006:

<u>Type of Member</u>	<u>Termination Liability</u>	<u>Present Value of Accrued Benefits</u>
Active Members		
General Clerical	\$ 312,042	\$ 270,980
Police POAM	473,915	546,265
General Union	917,570	808,961
Dept. Heads	1,455,421	1,260,827
Administrative Employee	294,142	259,679
COAM	<u>1,735,263</u>	<u>1,798,805</u>
Totals	5,188,353	4,945,517
Vested Former Members	36,316	36,316
Pending Refunds	30,503	30,503
Retired Members and Beneficiaries	<u>8,533,593</u>	<u>8,533,593</u>
Total Present Value of Benefits	13,788,765	13,545,929
Total Valuation Assets	<u>10,454,562</u>	<u>10,454,562</u>
Excess Value of Benefits Over Valuation Assets	<u>\$ 3,334,203</u>	<u>\$ 3,091,367</u>

Note -The termination liability represents the present value of benefits payable in the event that all active members terminate employment on December 31, 2006, based upon valuation interest and mortality assumptions. The present value of accrued benefits includes vested and non-vested benefits accrued as of December 31, 2006.

NOTE -8- LONG-TERM DEBT:

The following is a summary of the outstanding debt of the City of Flat Rock as of June 30, 2007:

	<u>TYPE OF DEBT</u>	<u>NO. OF ISSUES</u>	<u>INTEREST RATE</u>	<u>MATURING THROUGH</u>	<u>PRINCIPAL OUTSTANDING</u>
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GOVERNMENTAL ACTIVITIES:General and Taxable Obligation Bonds Payable:

2000 Special Assessment, Series B Limited Tax Bonds	General Obligation	1	6.75% to 7.75%	2010	\$ 60,000
1993 Michigan Transportation Fund Bonds	General Obligation	1	3.00% to 5.4%	2008	50,000
2000 Special Assessment, Series A Limited Tax Bonds	General Obligation	1	4.80% to 5.70%	2010	180,000
1997 Michigan Transportation Fund Bonds	General Obligation	1	4.00% to 5.20%	2013	400,000
Installment Purchase Agreement Series 1997	General Obligation	1	4.90% to 7.07%	2013	775,000

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

2004 Building Authority & Building Authority Refunding Bonds	General Obligation	1	2.00% to 4.40%	2017	\$ 1,425,000
Building Authority Bond Series 2000	General Obligation	1	5.92%	2020	850,000
2006 Building Authority Refunding Bonds	General Obligation	1	3.900% to 4.600%	2021	3,415,000
2005 Tax Increment Finance Authority Limited Tax Development Bonds	Taxable Obligation	1	5.375% to 5.875%	2025	1,700,000
Tax Increment Finance Authority Limited Tax Development Bonds 2006 Series A	Taxable Obligations	1	6.750% to 7.00%	2024	4,250,000
Tax Increment Finance Authority Limited Tax Development Bonds 2006 Series B	Tax Exempt Obligations	1	4.000% to 4.800%	2024	<u>5,485,000</u>
Total General and Taxable Obligation Bonds Payable					<u>18,590,000</u>
<u>Other Long-Term Obligations:</u>					
Equipment	Lease Purchase Agreement	1	6.10%	2009	36,615
Equipment	Lease Purchase Agreement	1	5.58%	2012	<u>40,375</u>
Total Other Long-Term Obligations					<u>76,990</u>
TOTAL GOVERNMENTAL ACTIVITIES					<u>18,666,990</u>
<u>BUSINESS TYPE ACTIVITIES:</u>					
Wayne County Sewage Disposal System	General Obligation	1	3.60% to 6.75%	2010	400,000
Wayne County Sewage Disposal Refunding Bonds	General Obligation	1	3.15% to 5.9%	2007	168,638
South Huron Valley Utility Authority Substitution Fund Bonds; 1991 Series	General Obligation	1	2.00%	2011	483,275
South Huron Valley Utility Authority 1998 Sewer System Plant Acquisition Bonds	General Obligation	1	2.25%	2020	2,407,036
South Huron Valley Utility Authority 2004 Sewer System Plant Expansion Bonds	General Obligation	1	2.125%	2026	<u>2,257,067</u>
TOTAL BUSINESS TYPE ACTIVITIES					<u>5,716,016</u>
TOTAL LONG-TERM DEBT OUTSTANDING					<u>\$24,383,006</u>

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

The following is a summary of debt transactions of the City for the year ended June 30, 2007:

	<u>ENTERPRISE FUND</u>	<u>GENERAL & TAXABLE OBLIGATIONS</u>	<u>TOTAL</u>
Balance at July 1, 2006	\$3,940,483	\$14,725,958	\$18,666,441
Debt issued	2,352,759	\$13,436,990	\$15,789,749
Debt retired	<u>(577,226)</u>	<u>(9,495,958)</u>	<u>(10,073,184)</u>
Balance at June 30, 2007	<u>\$5,716,016</u>	<u>\$18,666,990</u>	<u>\$24,383,006</u>

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

Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/08	\$ 1,651,137	\$ 1,249,412	\$ 2,900,549
6/30/09	1,712,498	1,180,677	2,893,175
6/30/10	1,736,941	1,102,477	2,839,418
6/30/11	1,499,598	1,025,599	2,525,197
6/30/12	1,432,163	955,366	2,387,529
6/30/13	1,474,392	883,034	2,357,426
6/30/14	1,295,018	813,345	2,108,363
6/30/15	1,336,257	741,583	2,077,840
6/30/16	1,388,112	665,782	2,053,894
6/30/17	1,443,075	584,981	2,028,056
6/30/18	1,494,930	499,187	1,994,117
6/30/19	1,391,783	412,597	1,804,380
6/30/20	1,454,913	324,803	1,779,716
6/30/21	1,512,030	232,127	1,744,157
6/30/22	956,418	159,195	1,115,613
6/30/23	1,003,970	106,823	1,110,793
6/30/24	1,046,521	51,648	1,098,169
6/30/25	270,349	18,063	288,412
6/30/26	<u>282,901</u>	<u>7,150</u>	<u>290,051</u>
	<u>\$24,383,006</u>	<u>\$11,013,849</u>	<u>\$35,396,855</u>

Interest is payable on all bond obligations semi-annually. Principal installments are made annually. Total interest expense for the City for the year ended June 30, 2007, approximated \$1,040,000.

NOTE -9- INTERFUND RECEIVABLES AND PAYABLES:

The following are the interfund receivables and payables of the City as of June 30, 2007:

<u>GOVERNMENTAL FUNDS</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
<u>GENERAL FUND</u> –		
Special Revenue Funds	\$ 548,867	\$ 110,000
Capital Projects Funds	-	11,000
Tax Collection	7,957	-
Enterprise Fund	<u>972</u>	<u>-</u>
TOTAL GENERAL FUND	<u>557,796</u>	<u>121,000</u>

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

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
<u>OTHER GOVERNMENTAL FUNDS:</u>		
<u>Special Revenue Funds</u>		
Recreation Center Operating Fund:		
General Fund	\$ -	\$484,445
Local Street Fund		
General Fund	20,000	-
Block Grant Fund		
General Fund	-	56,390
Library Fund		
General Fund	90,000	-
Historical District Fund		
General Fund	<u>-</u>	<u>8,032</u>
Total Special Revenue Funds	<u>110,000</u>	<u>548,867</u>
<u>Capital Project Funds</u>		
Sidewalk Construction Fund		
General Fund	<u>11,000</u>	<u>-</u>
Total Capital Project Funds	<u>11,000</u>	<u>-</u>
TOTAL OTHER GOVERNMENTAL FUNDS	<u>121,000</u>	<u>548,867</u>
TOTAL GOVERNMENTAL FUNDS	<u>678,796</u>	<u>669,867</u>
<u>ENTERPRISE FUND -</u>		
General Fund	<u>-</u>	<u>972</u>
TOTAL ENTERPRISE FUND	<u>-</u>	<u>972</u>
<u>FIDUCIARY FUNDS</u>		
General Fund	<u>-</u>	<u>7,957</u>
TOTAL ENTERPRISE FUND	<u>-</u>	<u>7,957</u>
TOTAL INTERFUND RECEIVABLES AND PAYABLES	<u>\$678,796</u>	<u>\$678,796</u>

NOTE -10- INTERFUND OPERATING TRANSFERS:

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

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
<u>GENERAL FUND -</u>		
Special Revenue Funds:		
Local Street Fund	\$ -	\$ 477,764
Recreation Center Operating Fund	-	-
Library Fund	-	90,000
Historical District	-	95,000
Debt Service Funds:		
Aspen Drive Fund	-	128,000
Capital Projects Funds:		
Sidewalk Fund	-	42,000
Greenway Grant	<u>-</u>	<u>2,630</u>
TOTAL GENERAL FUND	<u>-</u>	<u>835,394</u>
<u>TAX INCREMENT FINANCE AUTHORITY FUND -</u>		
TIFA Debt Service Fund	<u>-</u>	<u>986,232</u>

NOTE -10- INTERFUND OPERATING TRANSFERS: (continued)

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
<u>OTHER GOVERNEMENTAL FUNDS -</u>		
Special Revenue Funds:		
Major Street Fund:		
Local Street Fund	-	104,637
Local Street Fund:		
General Fund	477,764	-
Major Street Fund	104,637	-
Transportation Bond General Obligation Fund	-	23,307
Aspen Drive Debt Service Fund	-	96,490
Library Fund:		
General Fund	90,000	-
Historical District Fund		
General Fund	<u>95,000</u>	<u>-</u>
Total Special Revenue Funds	<u>767,401</u>	<u>224,434</u>
Debt Service Funds:		
Aspen Drive Debt Service Fund:		
General Fund	128,000	-
Local Street Fund	96,490	-
Transportation Bond General Obligation Fund:		
Local Street Fund	23,307	-
TIFA Debt Service Fund		
Tax Increment Finance Authority Fund	986,232	-
Special Assessment Sidewalks Fund:		
Sidewalk Replacement Construction Fund	<u>-</u>	<u>14,061</u>
Total Debt Service Funds	<u>1,234,029</u>	<u>14,061</u>
Capital Project Funds:		
Greenway Grant Fund:		
General Fund	2,630	-
Sidewalk Replacement Fund:		
General Fund	42,000	-
Special Assessment Debt Service Fund	<u>14,061</u>	<u>-</u>
Total Capital Project Funds	<u>58,691</u>	<u>-</u>
 TOTAL OTHER GOVERNMENTAL FUNDS	 <u>2,060,121</u>	 <u>238,495</u>
 TOTAL INTERFUND OPERATING TRANSFERS	 <u>\$2,060,121</u>	 <u>\$2,060,121</u>

NOTE -11- RISK MANAGEMENT:

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

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

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

NOTE -12- DEFERRED COMPENSATION PLAN:

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

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

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

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

NOTE -13- POST RETIREMENT BENEFITS:

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

The total cost to the City for health care benefits for the year ended June 30, 2007, was \$1,065,000 for approximately 80 active employees and 37 retirees.

NOTE -14- ADVANCE REFUND OF SEWAGE DISPOSAL BONDS:

On May 24, 1994, the City issued \$2,295,441 of Wayne County Sewage Disposal (Flat Rock System) Refunding Bonds with variable interest rates (3.15% to 5.19%) to advance refund \$2,175,000 of outstanding Wayne County Sewage Disposal (Flat Rock System) Bonds dated July 1, 1970, with variable interest rates (6% to 8%). The net proceeds of \$2,242,444 (after payment of \$52,997 in underwriting fees and issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1970 Series Bonds. As a result, the 1970 Series Bonds are considered to be nullified and the liability for those bonds has been removed from the Enterprise-Water and Sewer Fund. At June 30, 2007, the balance of the defeased 1970 Series Bonds was \$400,000.

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

NOTE -15- MICHIGAN TAX TRIBUNAL:

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

NOTE -16- JOINT VENTURES:

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

South Huron Valley Utility Authority - The City is a member of the South Huron Valley Utility Authority, which provides sanitary sewage disposal services. Each of the eight member communities appoints one member to the Board. The Authority receives its operating revenue through charges to the communities. The City's share of the debt of the joint venture is being financed by the City through debt service charges. During the year ended June 30, 2007, the City paid operating costs of \$849,000. In addition, the City paid \$577,000 in principal payments and \$158,000 in interest expense. Complete financial statements for the Authority can be obtained from the administrative offices at 34001 West Jefferson, Brownstown, MI 48173

NOTE -16- JOINT VENTURES: (continued)

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

NOTE -17- LONG TERM DEBT REFINANCING

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

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

REQUIRED SUPPLEMENTAL INFORMATION

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>REVENUES:</u>				
Property taxes	\$ 7,022,147	\$ 7,022,147	\$ 6,984,021	\$ (38,126)
Elections	4,500	4,500	3,503	(997)
General Government	59,000	59,000	89,876	30,876
Police Department	694,606	694,606	460,731	(233,875)
Fire Department	150,150	150,150	178,672	28,522
Building and Safety:				
Building permits	510,000	510,000	479,958	(30,042)
Electrical permits	55,000	55,000	22,721	(32,279)
Plumbing permits	45,000	45,000	7,960	(37,040)
Mechanical permits	43,750	43,750	12,040	(31,710)
Other revenues	35,500	35,500	15,665	(19,835)
Public Works	207,500	207,500	262,821	55,321
Recreation and culture	98,600	98,600	120,950	22,350
Community enrichment and development	94,900	94,900	121,503	26,603
State Shared Revenues	754,374	754,374	823,846	69,472
Contribution from water/sewer fund	400,000	400,000	-	(400,000)
Interest	231,724	231,724	258,878	27,154
TOTAL REVENUES	10,406,751	10,406,751	9,843,145	(563,606)
 <u>EXPENDITURES:</u>				
<u>GENERAL GOVERNMENT:</u>				
Legislative:				
Elected officials wages	10,000	10,000	10,000	-
Judicial:				
Legal fees	70,000	70,000	71,760	(1,760)
District court	383,000	383,000	398,397	(15,397)
Total Judicial	453,000	453,000	470,157	(17,157)
Elections:				
Supervisory	4,000	4,000	3,000	1,000
Clerical	15,000	15,000	10,655	4,345
Overtime	2,000	2,000	4,256	(2,256)
Payroll tax	1,680	1,680	1,317	363
Fees and per diem	4,000	4,000	8,035	(4,035)
Office supplies	500	500	2,286	(1,786)
Operating supplies	5,500	5,500	4,443	1,057
Meal allowance	250	250	245	5
Advertising	4,000	4,000	1,453	2,547
Insurance and bond	980	980	912	68
Equipment maintenance	3,000	3,000	3,953	(953)
Capital outlay	-	-	2,077	(2,077)
Total Elections	40,910	40,910	42,632	(1,722)

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
City Clerk and Treasurer:				
Supervisory	\$ 94,449	\$ 94,449	\$ 48,493	\$ 45,956
Mechanic	100	100	555	(455)
Janitor	46,687	46,687	70,416	(23,729)
Clerical	178,132	178,132	174,105	4,027
Temporary	-	-	4,487	(4,487)
Overtime	6,000	6,000	10,876	(4,876)
Overtime Dept. Heads	200	200	-	200
Overtime custodian	1,200	1,200	936	264
Overtime park maintenance	250	250	1,519	(1,269)
Payroll taxes	29,124	29,124	27,955	1,169
Hospitalization	85,936	85,936	79,848	6,088
Employee life insurance	1,890	1,890	2,005	(115)
Longevity pay	1,250	1,250	1,250	-
Retirement contribution	39,515	39,515	26,779	12,736
Sick and vacation pay	-	-	(2,540)	2,540
Office supplies	7,500	7,500	14,022	(6,522)
Bank charges	5,000	5,000	-	5,000
Gasoline and oil, etc.	2,000	2,000	1,518	482
Operating supplies	2,500	2,500	1,439	1,061
Medical expense	100	100	430	(330)
Computer expense	25,000	25,000	30,732	(5,732)
Clothing	1,000	1,000	943	57
Custodian supplies	2,750	2,750	4,569	(1,819)
Greenways Maintenance	-	-	65,035	(65,035)
Pond sprinklers	9,000	9,000	4,088	4,912
Audit fee	12,150	12,150	12,150	-
Tax roll preparation	10,900	10,900	8,840	2,060
Property Engineering Fees	-	-	12,850	(12,850)
Membership and dues	14,000	14,000	13,630	370
Telephone	16,000	16,000	17,311	(1,311)
Meal allowance	100	100	280	(180)
Public relations	5,000	5,000	7,979	(2,979)
Reimburse employee's Blue Cross	35,787	35,787	31,216	4,571
Advertising	1,500	1,500	8,993	(7,493)
Reading building	12,000	12,000	6,582	5,418
Education and training	1,500	1,500	207	1,293
Insurance and bonds	34,014	34,014	29,211	4,803
Insurance Claims Deductible	500	500	-	500
Utilities	47,867	47,867	51,643	(3,776)
Building maintenance	128,750	128,750	67,305	61,445
Equipment maintenance	5,000	5,000	13,158	(8,158)
Equipment lease	10,300	10,300	7,210	3,090
Civil defense	200	200	499	(299)
Ordinance Codification	25,000	25,000	5,100	19,900
Miscellaneous	5,000	5,000	19,068	(14,068)
Tax refunds	500	500	64,325	(63,825)
Capital Outlay	92,000	92,000	1,088	90,912
Interest	250	250	548	(298)
Total City Clerk and Treasurer	<u>997,901</u>	<u>997,901</u>	<u>948,653</u>	<u>49,248</u>

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
City Assessor:				
Assessor salary	\$ 11,500	\$ 11,500	\$ 11,000	\$ 500
Clerical	16,641	16,641	11,482	5,159
Overtime	500	500	536	(36)
Payroll taxes	1,371	1,371	915	456
Fees and per diem	1,200	1,200	1,100	100
Office supplies	100	100	255	(155)
Computer expense	500	500	-	500
Tax Roll Preparation	9,000	9,000	10,020	(1,020)
Membership & Dues	200	200	105	95
Meal allowance	100	100	10	90
Advertising	300	300	112	188
Education and training	100	100	-	100
Insurance & Bond	930	930	911	19
Miscellaneous	100	100	-	100
Capital Outlay	2,500	2,500	720	1,780
Total City Assessor	<u>45,042</u>	<u>45,042</u>	<u>37,166</u>	<u>7,876</u>
City Attorney:				
Retainer	22,000	22,000	22,000	-
Labor	25,000	25,000	46,373	(21,373)
Other matters	1,500	1,500	-	1,500
Total City Attorney	<u>48,500</u>	<u>48,500</u>	<u>68,373</u>	<u>(19,873)</u>
Economic Development				
Supervisory	52,249	52,249	52,249	-
Clerical	6,552	6,552	4,618	1,934
Payroll taxes	4,704	4,704	4,247	457
Employee life insurance	252	252	164	88
Retirement contribution	13,987	13,987	13,141	846
Sick & Vacation Pay	100	100	2,010	(1,910)
Office supplies	200	200	609	(409)
Operating supplies	500	500	-	500
Membership & Dues	150	150	40	110
Telephone	780	780	524	256
Reimburse employee's Blue Cross	1,800	1,800	1,800	-
Education and training	500	500	-	500
Insurance & Bond	900	900	892	8
Miscellaneous	100	100	448	(348)
Total Economic Development	<u>82,774</u>	<u>82,774</u>	<u>80,742</u>	<u>2,032</u>
City Engineer:				
Consulting fees	5,000	5,000	7,269	(2,269)
TOTAL GENERAL GOVERNMENT	<u>1,683,127</u>	<u>1,683,127</u>	<u>1,664,992</u>	<u>18,135</u>
<u>POLICE DEPARTMENT:</u>				
Supervisory	78,978	78,978	79,013	(35)
Lieutenants	323,374	323,374	385,911	(62,537)
Sergeants	305,076	305,076	358,878	(53,802)
Motor Carrier Officer	61,015	61,015	-	61,015

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

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>POLICE DEPARTMENT (continued):</u>				
Patrolmen	\$ 835,608	\$ 835,608	\$ 771,779	\$ 63,829
Dispatch	71,886	71,886	69,468	2,418
Ordinance officer	21,566	21,566	23,620	(2,054)
Administrative assistant	36,023	36,023	35,469	554
Downriver mutual aid	2,000	2,000	2,790	(790)
Mechanic wages	34,633	34,633	45,583	(10,950)
Custodian wages	26,840	26,840	25,203	1,637
Temporary wages	26,775	26,775	26,602	173
Shift differential	18,346	18,346	12,402	5,944
Overtime	135,000	135,000	114,382	20,618
Payroll taxes	174,076	174,076	166,654	7,422
Holiday pay premium	55,000	55,000	57,002	(2,002)
Hospitalization	468,266	468,266	441,692	26,574
Employee life insurance	8,094	8,094	7,329	765
Longevity pay	14,025	14,025	14,108	(83)
Retirement contribution	236,757	236,757	275,388	(38,631)
Sick and vacation pay	-	-	10,267	(10,267)
Office supplies	6,000	6,000	4,851	1,149
Postage	1,000	1,000	1,602	(602)
Dog expenses	8,000	8,000	6,387	1,613
Canine expenses	2,500	2,500	3,453	(953)
Gas and oil	35,000	35,000	42,380	(7,380)
Operating supplies	7,000	7,000	6,188	812
Photographic supplies	4,000	4,000	2,366	1,634
Medical expenses	8,000	8,000	6,479	1,521
Jail expenses	40,000	40,000	33,860	6,140
Prisoner medical	1,500	1,500	766	734
Computer expense	30,000	30,000	29,691	309
Clothing	40,000	40,000	37,447	2,553
Custodial supplies	6,500	6,500	5,715	785
Membership dues	2,000	2,000	790	1,210
Legal fees	5,000	5,000	209	4,791
Telephone	18,000	18,000	23,679	(5,679)
Meal allowance	2,000	2,000	2,386	(386)
Gun allowance	7,800	7,800	7,500	300
Gun range	7,000	7,000	7,263	(263)
Public relations	3,500	3,500	1,498	2,002
Reimburse employee's Blue Cross	84,000	84,000	99,250	(15,250)
Advertising	2,000	2,000	723	1,277
Education and training	20,000	20,000	16,092	3,908
Insurance and bonds	63,759	63,759	62,375	1,384
Insurance claims deductible	500	500	500	-
Utilities	42,319	42,319	41,022	1,297
Building maintenance	25,000	25,000	25,848	(848)
Equipment maintenance	15,000	15,000	22,136	(7,136)
Equipment lease	30,000	30,000	12,887	17,113
Auto maintenance	35,000	35,000	38,036	(3,036)
Equipment rental	7,500	7,500	3,682	3,818
Mutual aid	4,500	4,500	4,083	417
Miscellaneous	3,000	3,000	2,378	622

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>POLICE DEPARTMENT (continued):</u>				
Cops Grant Cameras	\$ 197,446	\$ 197,446	\$ -	\$ 197,446
Capital outlay	60,000	60,000	53,194	6,806
Interest	1,000	1,000	423	577
TOTAL POLICE DEPARTMENT	<u>3,759,162</u>	<u>3,759,162</u>	<u>3,530,679</u>	<u>228,483</u>
<u>FIRE DEPARTMENT</u>				
Chief salary	56,225	56,225	56,225	-
Assistant Chief salary	3,608	3,608	3,596	12
Mechanic	6,000	6,000	4,353	1,647
Custodian	10,000	10,000	6,220	3,780
Clerical	500	500	-	500
Overtime	60,000	60,000	52,447	7,553
Overtime Dept. Heads	500	500	-	500
Deputy chief	2,865	2,865	-	2,865
Full time employees	261,441	261,441	271,051	(9,610)
Part time employees	145,000	145,000	142,489	2,511
Payroll taxes	45,597	45,597	43,942	1,655
Holiday pay premium	15,000	15,000	12,661	2,339
Hospitalization	67,002	67,002	71,114	(4,112)
Employee Life Insurance	1,855	1,855	1,932	(77)
Longevity pay	750	750	900	(150)
Retirement contribution	32,201	32,201	36,973	(4,772)
Sick and vacation pay	-	-	3,881	(3,881)
Office supplies	4,500	4,500	1,222	3,278
Operating supplies	40,000	40,000	40,525	(525)
Gas and oil	7,000	7,000	6,611	389
Operating supplies	7,000	7,000	3,550	3,450
Medical expenses	6,000	6,000	2,041	3,959
Clothing	7,000	7,000	3,137	3,863
Custodial supplies	1,000	1,000	527	473
Ambulance billing service	15,000	15,000	17,415	(2,415)
Membership and dues	2,400	2,400	2,723	(323)
Legal fees	5,000	5,000	-	5,000
Telephone	6,500	6,500	7,305	(805)
Meal allowance	600	600	477	123
Public relation	2,000	2,000	2,409	(409)
Reimbursement blue cross	23,579	23,579	23,919	(340)
Advertising	600	600	500	100
Education and training	15,000	15,000	12,087	2,913
Educational Services	6,000	6,000	2,278	3,722
Insurance and bond	35,683	35,683	38,639	(2,956)
Utilities	29,094	29,094	28,202	892
Building maintenance	25,000	25,000	6,766	18,234
Equipment maintenance	25,000	25,000	39,168	(14,168)
Equipment lease	1,500	1,500	6,881	(5,381)
Mutual aid	2,000	2,000	1,560	440
TOTAL FIRE DEPARTMENT	<u>976,000</u>	<u>976,000</u>	<u>955,726</u>	<u>20,274</u>

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

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>BUILDING AND SAFETY:</u>				
Supervisory	\$ 56,225	\$ 56,225	\$ 56,290	\$ (65)
Ordinance officer	14,377	14,377	11,199	3,178
Mechanic	500	500	44	456
Clerical	51,324	51,324	55,824	(4,500)
Inspector	43,612	43,612	33,786	9,826
Dangerous building inspector	1,500	1,500	-	1,500
Overtime	1,200	1,200	520	680
Overtime Dept. Heads	500	500	-	500
Payroll taxes	14,012	14,012	12,557	1,455
Hospitalization	40,445	40,445	23,233	17,212
Employee life insurance	1,129	1,129	591	538
Longevity Pay	-	-	250	(250)
Retirement contribution	19,468	19,468	17,414	2,054
Sick and vacation pay	500	500	(3,780)	4,280
Fee per diem	500	500	-	500
Office supplies	2,000	2,000	1,054	946
Gas and oil	1,200	1,200	1,601	(401)
Operating supplies	3,500	3,500	617	2,883
Computer expense	3,500	3,500	1,494	2,006
Clothing	300	300	-	300
Membership and dues	750	750	845	(95)
Consultant fees	2,000	2,000	2,705	(705)
Inspections:				
Mechanical	35,000	35,000	9,919	25,081
Electrical	40,000	40,000	16,788	23,212
Plumbing	30,000	30,000	8,357	21,643
Telephone	8,000	8,000	7,755	245
Auto expense	3,000	3,000	2,118	882
Meal allowance	450	450	273	177
Reimburse employee's Blue Cross	6,411	6,411	6,411	-
Advertising	900	900	-	900
Education and training	1,500	1,500	1,122	378
Insurance and bond	7,295	7,295	5,874	1,421
Utilities	5,288	5,288	5,128	160
Miscellaneous	2,000	2,000	32	1,968
Capital Outlay	25,000	25,000	25,703	(703)
TOTAL BUILDING AND SAFETY	423,386	423,386	305,724	117,662
<u>PUBLIC WORKS:</u>				
Supervisory	87,807	87,807	85,331	2,476
Labor	260,023	260,023	253,498	6,525
Mechanic	44,622	44,622	55,438	(10,816)
Temporary	35,000	35,000	28,240	6,760
Overtime	20,000	20,000	8,577	11,423
Overtime department heads	4,000	4,000	2,740	1,260
Payroll taxes	40,383	40,383	38,379	2,004
Hospitalization	288,535	288,535	299,925	(11,390)
Employee life insurance	4,788	4,788	4,074	714
Longevity pay	6,885	6,885	6,095	790
Retirement contribution	109,293	109,293	104,644	4,649

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>PUBLIC WORKS (continued):</u>				
Sick and vacation pay	\$ 2,500	\$ 2,500	\$ (2,311)	\$ 4,811
Office supplies	2,000	2,000	2,033	(33)
Gas and oil	28,000	28,000	30,729	(2,729)
Operating supplies	20,000	20,000	15,511	4,489
Medical expenses	3,000	3,000	169	2,831
Clothing	13,500	13,500	12,285	1,215
Custodial supplies	1,500	1,500	1,557	(57)
Brick Pavers War Memorial	-	-	315	(315)
Membership and dues	500	500	278	222
Consulting fees	1,000	1,000	680	320
Garbage pick up	286,550	286,550	317,481	(30,931)
Hazardous waste pickup	15,000	15,000	14,685	315
Street lighting	210,000	210,000	188,453	21,547
Tree Removal	2,000	2,000	-	2,000
Telephone	9,800	9,800	8,836	964
Meal allowance	500	500	745	(245)
Reimburse employee's Blue Cross	32,951	32,951	25,876	7,075
Advertising	500	500	25	475
Education and training	5,000	5,000	2,337	2,663
Safety training	1,000	1,000	-	1,000
Insurance and bond	28,159	28,159	38,217	(10,058)
Utilities	33,067	33,067	21,032	12,035
Building maintenance	20,000	20,000	11,741	8,259
Cemetery maintenance	1,500	1,500	1,535	(35)
Equipment maintenance	55,000	55,000	43,617	11,383
Equipment lease	65,590	65,590	77,888	(12,298)
Park maintenance	25,000	25,000	33,215	(8,215)
Miscellaneous	1,000	1,000	10,619	(9,619)
Capital outlay	150,200	150,200	95,450	54,750
Interest	4,490	4,490	5,670	(1,180)
TOTAL PUBLIC WORKS	1,920,643	1,920,643	1,845,609	75,034

RECREATION AND CULTURE:

Recreation:

Supervisory	55,122	27,561	26,658	903
Contracted Instructors	-	-	220	(220)
Mechanic	2,500	2,500	2,086	414
Temporary	40,000	40,000	34,304	5,696
Bus transportation	15,000	15,000	15,559	(559)
Programmers	50,178	50,178	55,044	(4,866)
Consulting fees	10,000	10,000	-	10,000
Park improvements	50,000	50,000	11,752	38,248
Overtime	1,000	1,000	111	889
Payroll taxes	13,617	13,617	12,965	652
Hospitalization	14,037	14,037	14,258	(221)
Employee life insurance	504	504	525	(21)
Longevity pay	250	250	250	-
Retirement contribution	16,473	16,473	17,390	(917)
Sick and vacation pay	1,000	1,000	3,122	(2,122)

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
Recreation: (continued)				
Office supplies	\$ 1,500	\$ 1,500	\$ 2,304	\$ (804)
Postage	3,000	3,000	1,116	1,884
Gas and oil	4,000	4,000	3,337	663
Operating supplies	1,500	1,500	1,308	192
Playground Equipment	700	700	7	693
Computer expense	5,000	5,000	-	5,000
Membership and dues	1,000	1,000	713	287
Consulting fees	1,000	1,000	-	1,000
Telephone	7,200	7,200	4,858	2,342
Travel expense	30,000	30,000	51,132	(21,132)
Adult softball	9,000	9,000	3,175	5,825
Youth baseball	3,000	3,000	1,000	2,000
Safety town	500	500	300	200
Youth programs	15,000	15,000	10,270	4,730
Adult programs	12,000	12,000	5,427	6,573
Concession stand	-	-	19	(19)
MRPA programs	15,000	15,000	9,327	5,673
Meal allowance	400	400	233	167
Public relations	400	400	161	239
Reimburse employee's Blue Cross	6,411	6,411	6,411	-
Advertising	4,000	4,000	1,790	2,210
Education and training	1,000	1,000	1,104	(104)
Insurance and bond	9,915	9,915	8,753	1,162
Special Studies	12,000	12,000	-	12,000
Equipment maintenance	2,500	2,500	3,621	(1,121)
Miscellaneous	2,000	2,000	1,729	271
Arts Council	10,000	10,000	3,000	7,000
Total Recreation	<u>427,707</u>	<u>400,146</u>	<u>315,339</u>	<u>84,807</u>
Senior Citizens:				
Custodian	8,500	8,500	34	8,466
Payroll taxes	680	680	211	469
Operating supplies	100	100	-	100
Custodial supplies	100	100	122	(22)
Meal allowance	-	-	7	(7)
Telephone	900	900	907	(7)
Meals on Wheels	4,000	4,000	3,251	749
Insurance and bond	1,519	1,519	1,427	92
Utilities	7,500	7,500	7,410	90
Building maintenance	500	500	721	(221)
Miscellaneous	100	100	109	(9)
Total Senior Citizens	<u>23,899</u>	<u>23,899</u>	<u>14,199</u>	<u>9,700</u>
Youth Center:				
Payroll taxes	-	-	-	-
Telephone	750	750	225	525
Insurance and bond	1,344	1,344	1,279	65

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>Youth Center:</u> (continued)				
Utilities	\$ 2,000	\$ 2,000	\$ 1,985	\$ 15
Building maintenance	500	500	593	(93)
Total Youth Center	<u>4,594</u>	<u>4,594</u>	<u>4,082</u>	<u>512</u>
<u>Ball Field, Fountain & Ice Rink:</u>				
Ball field maintenance	42,000	42,000	56,515	(14,515)
Ice rink maintenance	32,000	32,000	9,297	22,703
Payroll taxes	5,920	5,920	4,995	925
Ball field material and supplies	25,000	25,000	22,072	2,928
Ice rink material and supplies	8,000	8,000	8,564	(564)
Meal allowance	150	150	20	130
Insurance and bonds	2,541	2,541	2,424	117
Ball field utilities	13,000	13,000	10,198	2,802
Ice rink utilities	25,000	25,000	9,337	15,663
Building rent	400,000	400,000	390,612	9,388
Total Ball Field, Fountain & Ice Rink	<u>553,611</u>	<u>553,611</u>	<u>514,034</u>	<u>39,577</u>
TOTAL RECREATION AND CULTURE	<u>1,009,811</u>	<u>982,250</u>	<u>847,654</u>	<u>134,596</u>
 <u>COMMUNITY ENRICHMENT AND DEVELOPMENT</u>				
<u>Planning Commission:</u>				
Clerical	2,000	2,000	573	1,427
Overtime	750	750	28	722
Payroll taxes	220	220	46	174
Fees and per diem	1,500	1,500	1,558	(58)
Special meetings	1,000	1,000	300	700
Office supplies	250	250	118	132
Consultant fees	10,000	10,000	5,183	4,817
Master plan	10,000	10,000	16,020	(6,020)
Special planning work	7,500	7,500	-	7,500
Advertising	1,500	1,500	470	1,030
Revision of ordinances	20,000	20,000	26	19,974
Education and training	250	250	-	250
Insurance and bond	958	958	865	93
Total Planning Commission	<u>55,928</u>	<u>55,928</u>	<u>25,187</u>	<u>30,741</u>
 <u>Zoning Board of Appeals:</u>				
Clerical	2,000	2,000	595	1,405
Overtime	400	400	-	400
Overtime Dept. Heads	200	200	-	200
Payroll taxes	208	208	45	163
Fees and per diem	500	500	345	155
Office supplies	100	100	100	-
Consultant	500	500	600	(100)
Advertising	2,000	2,000	2,025	(25)
Education and training	500	500	-	500
Insurance and bond	958	958	865	93
Total Zoning Board of Appeals	<u>7,366</u>	<u>7,366</u>	<u>4,575</u>	<u>2,791</u>

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, General Fund
For the Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>Beautification:</u>				
Clerical	\$ 500	\$ 500	\$ 32	\$ 468
Payroll taxes	40	40	2	38
Fees and per diem	1,260	1,260	1,140	120
Office supplies	100	100	40	60
Public relations	15,000	15,000	10,056	4,944
Advertising			118	(118)
Insurance and bond	891	891	808	83
Maintenance fee	5,000	5,000	3,498	1,502
Pole Decorations	7,000	7,000	7,000	-
Miscellaneous	3,000	3,000	200	2,800
Total Beautification	<u>32,791</u>	<u>32,791</u>	<u>22,894</u>	<u>9,897</u>
<u>Cable Commission:</u>				
Clerical	100	100	-	100
Payroll taxes	10	10	-	10
Fees and per diem	800	800	405	395
Public relations	500	500	453	47
Advertising	500	500	-	500
Insurance and bond	850	850	246	604
Equipment maintenance	500	500	-	500
Miscellaneous	500	500	67	433
Total Cable Commission	<u>3,760</u>	<u>3,760</u>	<u>1,171</u>	<u>2,589</u>
TOTAL COMMUNITY ENRICHMENT AND DEVELOPMENT	<u>99,845</u>	<u>99,845</u>	<u>53,827</u>	<u>46,018</u>
TOTAL EXPENDITURES	<u>9,871,974</u>	<u>9,844,413</u>	<u>9,204,211</u>	<u>640,202</u>
EXCESS REVENUES	<u>534,777</u>	<u>562,338</u>	<u>638,934</u>	<u>76,596</u>
 <u>OTHER FINANCING SOURCES (USES):</u>				
Interfund Transfers				
Special Revenue Funds	(683,000)	(683,000)	(662,764)	20,236
Debt Service Funds	(143,130)	(143,130)	(128,000)	15,130
Capital Project Funds	(40,000)	(40,000)	(44,630)	(4,630)
Total Interfund Transfers	<u>(866,130)</u>	<u>(866,130)</u>	<u>(835,394)</u>	<u>30,736</u>
		-		
EXCESS REVENUES AND OTHER SOURCES (USES) OVER EXPENDITURES	(331,353)	(303,792)	(196,460)	107,332
Fund Balance, July 1, 2006	<u>2,238,850</u>	<u>2,238,850</u>	<u>2,238,850</u>	<u>-</u>
Fund Balance, June 30, 2007	<u>\$ 1,907,497</u>	<u>\$ 1,935,058</u>	<u>\$ 2,042,390</u>	<u>\$ 107,332</u>

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, Tax Increment Finance Authority
For the Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
REVENUES				
Taxes captured	\$ 5,007,659	\$ 5,007,659	\$ 5,006,095	\$ (1,564)
Other	86,500	86,500	20,000	(66,500)
Interest	35,000	35,000	132,559	97,559
Total Revenues	<u>5,129,159</u>	<u>5,129,159</u>	<u>5,158,654</u>	<u>29,495</u>
EXPENDITURES				
Secretary	1,200	1,200	550	650
Bank charges	1,000	1,000	627	373
Bond expenses	10,000	10,000	-	10,000
Audit	2,000	2,000	2,000	-
Consultant			5,070	(5,070)
Street lighting	10,000	10,000	7,314	2,686
Maintenace Gateway	11,000	11,000	9,185	1,815
Legal	7,500	7,500	7,246	254
Advertising	1,000	1,000	12,677	(11,677)
Insurance and bond	1,000	1,000	657	343
Miscellaneous	200	200	6,928	(6,728)
Tax refund	4,757,276	4,757,276	4,358,770	398,506
Total Expenditures	<u>4,802,176</u>	<u>4,802,176</u>	<u>4,411,024</u>	<u>391,152</u>
EXCESS REVENUES	<u>326,983</u>	<u>326,983</u>	<u>747,630</u>	<u>420,647</u>
OTHER FINANCING USES				
Interfund Transfers:				
Debt Service Funds	(875,000)	(875,000)	(986,232)	(111,232)
Total Interfund Transfers	<u>(875,000)</u>	<u>(875,000)</u>	<u>(986,232)</u>	<u>(111,232)</u>
EXCESS REVENUES AND OTHER USES OVER EXPENDITURES	(548,017)	(548,017)	(238,602)	309,415
Fund Balance, July 1, 2006	<u>425,393</u>	<u>425,393</u>	<u>425,393</u>	<u>-</u>
Fund Balance, June 30, 2007	<u>\$ (122,624)</u>	<u>\$ (122,624)</u>	<u>\$ 186,791</u>	<u>\$ 309,415</u>

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, Recreation Center Operating Fund
For the Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
REVENUES				
Concession stand	\$ -	\$ -	\$ 5,919	\$ 5,919
Program fees	15,000	15,000	13,814	(1,186)
Membership fees	387,100	387,100	337,902	(49,198)
Daily passes	100,000	100,000	72,489	(27,511)
Day care fees	2,500	2,500	4,171	1,671
Pool	65,520	65,520	85,238	19,718
Fitness center	63,911	63,911	52,710	(11,201)
Banquets and meeting rooms	653,500	653,500	374,866	(278,634)
Other	30,000	30,000	16,537	(13,463)
Interest income	2,000	2,000	1,399	(601)
Total Revenues	1,319,531	1,319,531	965,045	(354,486)

EXPENDITURES

General Operations:

Supervisory	27,561	27,561	27,895	(334)
Managers	36,720	36,720	37,404	(684)
Administrative assistants	21,216	21,216	18,301	2,915
Attendants	88,800	88,800	23,999	64,801
Clerical	21,216	21,216	59,659	(38,443)
Overtime	1,500	1,500	940	560
Payroll taxes	10,457	10,457	10,705	(248)
Hospitalization	12,676	12,676	12,803	(127)
Employee life insurance	504	504	441	63
Retirement contribution	3,801	3,801	3,654	147
Sick and vacation pay	-	-	(608)	608
Office supplies	7,000	7,000	8,320	(1,320)
Bank charges	3,600	3,600	6,131	(2,531)
Postage	1,000	1,000	1,047	(47)
Operating supplies	7,000	7,000	3,088	3,912
Medical expense	500	500	-	500
Computer expense	9,000	9,000	5,719	3,281
Clothing	250	250	(257)	507
Daycare supplies	1,000	1,000	284	716
Custodian supplies	-	-	-	-
Membership and dues	400	400	-	400
Consultant fees	750	750	-	750
Sales tax	500	500	-	500
Telephone	5,500	5,500	7,687	(2,187)

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, Recreation Center Operating Fund
For the Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>General Operations (continued):</u>				
Concession stand	\$ -	\$ -	\$ 6,899	\$ (6,899)
Vending machine expenses	9,000	9,000	8,051	949
Public relations	1,000	1,000	196	804
Advertising	5,000	5,000	3,336	1,664
Education and training	100	100	213	(113)
Insurance and bonds	5,871	5,871	7,535	(1,664)
Utilities	34,000	34,000	55,482	(21,482)
Furnishings and equipment	3,000	3,000	1,041	1,959
Building maintenance	-	-	1,090	(1,090)
Equipment maintenance	-	-	2,732	(2,732)
Equipment lease	5,000	5,000	(17)	5,017
Miscellaneous	1,000	1,000	3,061	(2,061)
Capital outlay	5,000	5,000	1,888	3,112
Total General Operations	<u>329,922</u>	<u>329,922</u>	<u>318,719</u>	<u>11,203</u>
<u>Pool:</u>				
Managers	37,454	37,454	37,471	(17)
Life guards	66,300	66,300	75,452	(9,152)
Administrative assistants	9,547	9,547	151	9,396
Contracted instructors	-	-	3,213	(3,213)
Overtime	500	500	-	500
Payroll taxes	9,104	9,104	8,650	454
Hospitalization	20,376	20,376	16,943	3,433
Employee life insurance	252	252	252	-
Retirement contribution	2,457	2,457	2,457	-
Sick and vacation pay	-	-	(1,599)	1,599
Office supplies	300	300	210	90
Postage	1,000	1,000	1,009	(9)
Operating supplies	3,000	3,000	-	3,000
Medical expense	300	300	-	300
Clothing	300	300	194	106
Pool supplies	3,000	3,000	3,712	(712)
Merchandise sales	3,168	3,168	952	2,216
Membership and dues	150	150	-	150
Meal allowance	100	100	-	100
Public relations	1,000	1,000	-	1,000
Advertising	1,000	1,000	1,890	(890)
Education and training	400	400	729	(329)
Insurance and bonds	5,145	5,145	5,498	(353)
Utilities	100,000	100,000	55,482	44,518

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, Recreation Center Operating Fund
For the Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>Pool (continued):</u>				
Furnishings and equipment	\$ 1,000	\$ 1,000	\$ 853	\$ 147
Building maintenance	7,000	7,000	2,134	4,866
Miscellaneous	1,000	1,000	470	530
Total Pool	<u>273,853</u>	<u>273,853</u>	<u>216,123</u>	<u>57,730</u>
<u>Maintenance:</u>				
Managers	41,616	41,616	41,659	(43)
Janitor	155,726	155,726	151,466	4,260
Overtime	5,000	5,000	1,407	3,593
Payroll taxes	16,571	16,571	15,211	1,360
Hospitalization	30,630	30,630	29,165	1,465
Employee life insurance	756	756	756	-
Retirement contribution	9,413	9,413	7,964	1,449
Sick and vacation pay	-	-	(507)	507
Operating supplies	2,000	2,000	-	2,000
Medical expense	250	250	-	250
Clothing	2,200	2,200	413	1,787
Custodial supplies	14,000	14,000	21,229	(7,229)
Membership and dues	250	250	-	250
Meal allowance	250	250	-	250
Reimburse employee's Blue Cross	4,800	4,800	4,300	500
Education and training	500	500	980	(480)
Insurance and bonds	3,281	3,281	3,978	(697)
Utilities	33,000	33,000	55,697	(22,697)
Furnishings and equipment	2,000	2,000	920	1,080
Building maintenance	15,000	15,000	49,294	(34,294)
Equipment maintenance	1,500	1,500	3,262	(1,762)
Maintenance fee grounds	4,000	4,000	6,029	(2,029)
Miscellaneous	1,000	1,000	1,238	(238)
Total Maintenance	<u>343,743</u>	<u>343,743</u>	<u>394,461</u>	<u>(50,718)</u>
<u>Fitness Center:</u>				
Managers	37,454	37,454	37,454	-
Contracted instructors	15,000	15,000	8,064	6,936
Attendants and part time employees+A162	43,600	43,600	44,005	(405)
Overtime	1,500	1,500	-	1,500
Payroll taxes	8,188	8,188	6,682	1,506
Employee life insurance	252	252	252	-
Retirement contribution	2,457	2,457	2,665	(208)
Sick and vacation pay	-	-	(831)	831
Office supplies	-	-	755	(755)

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, Recreation Center Operating Fund
For the Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>Fitness Center (continued):</u>				
Postage	\$ 1,000	\$ 1,000	\$ 1,009	\$ (9)
Operating supplies	2,500	2,500	1,150	1,350
Medical expense	250	250	-	250
Clothing	500	500	-	500
Membership and dues	250	250	-	250
Youth programs	2,500	2,500	4,692	(2,192)
Adult programs	1,000	1,000	2,205	(1,205)
Meal allowance	250	250	-	250
Public relations	1,000	1,000	-	1,000
Reimburse employee's Blue Cross	4,800	4,800	4,800	-
Advertising	5,000	5,000	3,409	1,591
Education and training	800	800	-	800
Insurance and bonds	4,971	4,971	3,978	993
Utilities	35,000	35,000	56,122	(21,122)
Furnishings and equipment	2,000	2,000	2,058	(58)
Equipment maintenance	2,500	2,500	373	2,127
Equipment lease	9,375	9,375	18,801	(9,426)
Miscellaneous	1,000	1,000	163	837
Interest	3,600	3,600	2,665	935
Total Fitness Center	<u>186,747</u>	<u>186,747</u>	<u>200,471</u>	<u>(13,724)</u>
<u>Banquet and Meeting Rooms:</u>				
Managers	10,820	10,820	31,704	(20,884)
Attendants and part time employees	21,570	21,570	18,737	2,833
Overtime	1,000	1,000	-	1,000
Payroll taxes	2,671	2,671	3,455	(784)
Hospitalization	-	-	15,301	(15,301)
Employee life insurance	-	-	197	(197)
Retirement contribution	-	-	1,999	(1,999)
Sick and vacation pay	-	-	416	(416)
Fees and per diem	500	500	289	211
Office supplies	2,400	2,400	675	1,725
Postage	2,500	2,500	1,367	1,133
Operating supplies	-	-	1,174	(1,174)
Medical expense	-	-	195	(195)
Linen expense	1,700	1,700	1,446	254
Catering expense	400,000	400,000	205,833	194,167
Bar expense	5,000	5,000	17,150	(12,150)
Bartender expense	-	-	1,995	(1,995)
Clothing	500	500	460	40
Membership and dues	250	250	700	(450)

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

Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual, Recreation Center Operating Fund
For the Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	Original Budgeted Amounts	Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget
<u>Banquet and Meeting Rooms (continued):</u>				
Advertising	\$ 5,000	\$ 5,000	\$ 6,626	\$ (1,626)
Education and training	150	150	400	(250)
Insurance and bonds	5,681	5,681	8,666	(2,985)
Utilities	33,000	33,000	55,763	(22,763)
Furnishings and equipment	4,500	4,500	14,658	(10,158)
Miscellaneous	2,100	2,100	1,015	1,085
Total Banquet and Meeting Rooms	<u>499,342</u>	<u>499,342</u>	<u>390,221</u>	<u>109,121</u>
Total Expenditures	<u>1,633,607</u>	<u>1,633,607</u>	<u>1,519,995</u>	<u>113,612</u>
EXCESS REVENUES AND OTHER SOURCES (USES) OVER EXPENDITURES	(314,076)	(314,076)	(554,950)	(468,098)
Fund Balance, July 1, 2006	<u>1,204</u>	<u>1,204</u>	<u>1,204</u>	<u>-</u>
Fund Balance, June 30, 2007	<u><u>\$ (312,872)</u></u>	<u><u>\$ (312,872)</u></u>	<u><u>\$ (553,746)</u></u>	<u><u>\$ (468,098)</u></u>

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

SUPPLEMENTARY INFORMATION

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,265,555	\$ 116,792	\$ 431,847	\$ 1,814,194
Accounts receivable	28,208	535	-	28,743
Due from other funds	110,000	-	11,000	121,000
Due from other governmental units	56,390	-	-	56,390
TOTAL ASSETS	<u>\$ 1,460,153</u>	<u>\$ 117,327</u>	<u>\$ 442,847</u>	<u>\$ 2,020,327</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 69,384	\$ -	\$ 10,750	\$ 80,134
Due to other funds	64,422	-	-	64,422
Total Liabilities	<u>133,806</u>	<u>-</u>	<u>10,750</u>	<u>144,556</u>
<u>FUND BALANCE</u>				
Reserved for debt service	-	117,327	-	117,327
Reserved for capital projects	-	-	432,097	432,097
Unreserved	1,326,347	-	-	1,326,347
Total Fund Balances	<u>1,326,347</u>	<u>117,327</u>	<u>432,097</u>	<u>1,875,771</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,460,153</u>	<u>\$ 117,327</u>	<u>\$ 442,847</u>	<u>\$ 2,020,327</u>

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

Combining Statements of Revenues, Expenditures,
and Changes in Fund Balance
Non-major Governmental Funds
Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
<u>REVENUES</u>				
Property taxes	\$ 1,142,269	\$ -	\$ -	\$ 1,142,269
Federal shared revenue	241,681	-	-	241,681
State-shared revenue	461,133	-	-	461,133
Rental income	-	547,613	-	547,613
Special assessments	-	1,071	-	1,071
Other	229,514	-	-	229,514
Interest	53,705	29,571	29,375	112,651
Total Revenues	<u>2,128,302</u>	<u>578,255</u>	<u>29,375</u>	<u>2,735,932</u>
<u>EXPENDITURES</u>				
Road maintenance and repair	858,487	-	-	858,487
Community enrichment and development	728,813	-	192,309	921,122
Library	554,206	-	-	554,206
Debt Service:				
Principal	-	909,630	-	909,630
Interest	-	880,451	-	880,451
Miscellaneous	-	117,103	-	117,103
Total Expenditures	<u>2,141,506</u>	<u>1,907,184</u>	<u>192,309</u>	<u>4,240,999</u>
Excess Expenditures	<u>(13,204)</u>	<u>(1,328,929)</u>	<u>(162,934)</u>	<u>(1,505,067)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in	767,401	1,234,029	58,691	2,060,121
Operating transfers out	(224,434)	(14,061)	-	(238,495)
Total Other Financing Sources	<u>542,967</u>	<u>1,219,968</u>	<u>58,691</u>	<u>1,821,626</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	529,763	(108,961)	(104,243)	316,559
FUND BALANCE, JULY 1, 2006	<u>796,584</u>	<u>226,288</u>	<u>536,340</u>	<u>1,559,212</u>
FUND BALANCE, JUNE 30, 2007	<u>\$ 1,326,347</u>	<u>\$ 117,327</u>	<u>\$ 432,097</u>	<u>\$ 1,875,771</u>

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

	Downtown Development Authority	Federal Grant Fund	Block Grant Fund	Major Street Fund	Local Street Fund	Historical District Fund	Concession Stand Fund	Library Fund	Other Funds	Total
ASSETS										
Cash and cash equivalents	\$ 926,921	\$ 415	\$ -	\$ 53,813	\$ 3,444	\$ 3,724	\$ 18,524	\$ 215,541	\$ 43,173	\$ 1,265,555
Accounts receivable	-	-	-	-	-	5,434	-	22,774	-	28,208
Due from other funds	-	-	-	-	20,000	-	-	90,000	-	110,000
Due from other governmental units	-	-	56,390	-	-	-	-	-	-	56,390
TOTAL ASSETS	\$ 926,921	\$ 415	\$ 56,390	\$ 53,813	\$ 23,444	\$ 9,158	\$ 18,524	\$ 328,315	\$ 43,173	\$ 1,460,153
LIABILITIES										
Accounts payable	\$ 5,184	\$ -	\$ -	\$ 10,021	\$ 22,124	\$ 524	\$ -	\$ 19,130	\$ 12,401	\$ 69,384
Due to other funds	-	-	56,390	-	-	8,032	-	-	-	64,422
TOTAL LIABILITIES	5,184	-	56,390	10,021	22,124	8,556	-	19,130	12,401	133,806
FUND BALANCE	921,737	415	-	43,792	1,320	602	18,524	309,185	30,772	1,326,347
TOTAL LIABILITIES AND FUND BALANCE	\$ 926,921	\$ 415	\$ 56,390	\$ 53,813	\$ 23,444	\$ 9,158	\$ 18,524	\$ 328,315	\$ 43,173	\$ 1,460,153

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

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-major Governmental Funds
Special Revenue Funds
For the Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	Downtown Development Authority	Federal Grant Fund	Block Grant Fund	Major Street Fund	Local Street Fund	Historical District Fund	Concession Stand Fund	Library Fund	Other Funds	Total
REVENUES										
Property taxes	\$ 574,864	\$ -	\$ -	\$ -	\$ -	\$ 113,500	\$ -	\$ 453,905	\$ -	\$ 1,142,269
Federal shared revenue	-	163,123	78,558	-	-	-	-	-	-	241,681
State shared revenue	-	-	-	318,930	133,144	-	-	9,059	-	461,133
Other	-	-	-	79,659	-	-	7,383	107,145	35,327	229,514
Interest	36,302	415	-	4,442	1,375	2,706	308	6,165	1,992	53,705
Total Revenues	<u>611,166</u>	<u>163,538</u>	<u>78,558</u>	<u>403,031</u>	<u>134,519</u>	<u>116,206</u>	<u>7,691</u>	<u>576,274</u>	<u>37,319</u>	<u>2,128,302</u>
EXPENDITURES										
Road maintenance and repair	-	-	-	254,922	603,565	-	-	-	-	858,487
Community enrichment and development	112,127	163,123	78,558	-	-	328,652	5,618	-	40,735	728,813
Library	-	-	-	-	-	-	-	554,206	-	554,206
Total Expenditures	<u>112,127</u>	<u>163,123</u>	<u>78,558</u>	<u>254,922</u>	<u>603,565</u>	<u>328,652</u>	<u>5,618</u>	<u>554,206</u>	<u>40,735</u>	<u>2,141,506</u>
Excess Revenues (Expenditures)	<u>499,039</u>	<u>415</u>	<u>-</u>	<u>148,109</u>	<u>(469,046)</u>	<u>(212,446)</u>	<u>2,073</u>	<u>22,068</u>	<u>(3,416)</u>	<u>(13,204)</u>
OTHER FINANCING SOURCES (USES)										
Operating transfers in	-	-	-	-	582,401	95,000	-	90,000	-	767,401
Operating transfers out	-	-	-	(104,637)	(119,797)	-	-	-	-	(224,434)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(104,637)</u>	<u>462,604</u>	<u>95,000</u>	<u>-</u>	<u>90,000</u>	<u>-</u>	<u>542,967</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>499,039</u>	<u>415</u>	<u>-</u>	<u>43,472</u>	<u>(6,442)</u>	<u>(117,446)</u>	<u>2,073</u>	<u>112,068</u>	<u>(3,416)</u>	<u>529,763</u>
FUND BALANCE, July 1, 2006	<u>422,698</u>	<u>-</u>	<u>-</u>	<u>320</u>	<u>7,762</u>	<u>118,048</u>	<u>16,451</u>	<u>197,117</u>	<u>34,188</u>	<u>796,584</u>
FUND BALANCE, June 30, 2007	<u>\$ 921,737</u>	<u>\$ 415</u>	<u>\$ -</u>	<u>\$ 43,792</u>	<u>\$ 1,320</u>	<u>\$ 602</u>	<u>\$ 18,524</u>	<u>\$ 309,185</u>	<u>\$ 30,772</u>	<u>\$ 1,326,347</u>

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

	Aspen Drive Debt Service Fund	Building Authority Debt Service Fund	Transport- ation Bond General Obligation	Building Authority Ball Field Debt Service Fund	Huron Woods Series A Reitment Fund	Huron Woods Series B Reitment Fund	Speical Assessment Sidwalk Fund	TIFA Debt Service Fund	Total
<u>ASSETS</u>									
Cash and cash equivalents	\$ 3,015	\$ 663	\$ 105	\$ 6,513	\$ 76,827	\$ 28,139	\$ 391	\$ 1,139	\$ 116,792
Accounts receivable	-	-	-	-	-	-	535	-	535
TOTAL ASSETS	\$ 3,015	\$ 663	\$ 105	\$ 6,513	\$ 76,827	\$ 28,139	\$ 926	\$ 1,139	\$ 117,327
<u>FUND BALANCE</u>	\$ 3,015	\$ 663	\$ 105	\$ 6,513	\$ 76,827	\$ 28,139	\$ 926	\$ 1,139	\$ 117,327
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,015	\$ 663	\$ 105	\$ 6,513	\$ 76,827	\$ 28,139	\$ 926	\$ 1,139	\$ 117,327

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

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-major Governmental Funds
Debt Service Funds
For the Year Ended June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

	Aspen Drive Debt Service Fund	Building Authority Debt Service Fund	Transport- ation Bond General Obligation	Building Authority Ballfield Debt Service Fund	Huron Woods Series A Retirement Fund	Huron Woods Series B Retirement Fund	Speical Assessment Sidwalk Fund	TIFA Debt Service Fund	Total
REVENUES									
Rental income	\$ -	\$ 157,000	\$ -	\$ 390,613	\$ -	\$ -	\$ -	\$ -	\$ 547,613
Special assessment	-	-	-	-	-	-	1,071	-	1,071
Interest and other	216	79	16	1,445	4,030	1,494	363	21,928	29,571
Total Revenues	<u>216</u>	<u>157,079</u>	<u>16</u>	<u>392,058</u>	<u>4,030</u>	<u>1,494</u>	<u>1,434</u>	<u>21,928</u>	<u>578,255</u>
EXPENDITURES									
Debt Service									
Principal	160,000	105,000	20,000	190,000	55,000	20,000	-	359,630	909,630
Interest	65,436	52,839	3,195	204,270	11,575	5,380	-	537,756	880,451
Miscellaneous	300	-	150	1,050	137	137	-	115,329	117,103
Total Expenditures	<u>225,736</u>	<u>157,839</u>	<u>23,345</u>	<u>395,320</u>	<u>66,712</u>	<u>25,517</u>	<u>-</u>	<u>1,012,715</u>	<u>1,907,184</u>
Excess Revenues (Expenditures)	<u>(225,520)</u>	<u>(760)</u>	<u>(23,329)</u>	<u>(3,262)</u>	<u>(62,682)</u>	<u>(24,023)</u>	<u>1,434</u>	<u>(990,787)</u>	<u>(1,328,929)</u>
OTHER FINANCING SOURCES (USES)									
Operating transfers in	224,490	-	23,307	-	-	-	-	986,232	1,234,029
Operating transfers out	-	-	-	-	-	-	(14,061)	-	(14,061)
Total Other Financing Sources (Uses)	<u>224,490</u>	<u>-</u>	<u>23,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,061)</u>	<u>986,232</u>	<u>1,219,968</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(1,030)</u>	<u>(760)</u>	<u>(22)</u>	<u>(3,262)</u>	<u>(62,682)</u>	<u>(24,023)</u>	<u>(12,627)</u>	<u>(4,555)</u>	<u>(108,961)</u>
FUND BALANCE, July 1, 2006	<u>4,045</u>	<u>1,423</u>	<u>127</u>	<u>9,775</u>	<u>139,509</u>	<u>52,162</u>	<u>13,553</u>	<u>5,694</u>	<u>226,288</u>
FUND BALANCE, June 30, 2007	<u>\$ 3,015</u>	<u>\$ 663</u>	<u>\$ 105</u>	<u>\$ 6,513</u>	<u>\$ 76,827</u>	<u>\$ 28,139</u>	<u>\$ 926</u>	<u>\$ 1,139</u>	<u>\$ 117,327</u>

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

	<u>Playscape Fund</u>	<u>Building Authority</u>	<u>Greenway Grant Fund</u>	<u>Sidewalk Fund</u>	<u>Recreation Center Fund</u>	<u>Total</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 1,724	\$ 289,998	\$ -	\$ 628	\$ 139,497	\$ 431,847
Due from other funds	-	-	-	11,000	-	11,000
TOTAL ASSETS	<u>\$ 1,724</u>	<u>\$ 289,998</u>	<u>\$ -</u>	<u>\$ 11,628</u>	<u>\$ 139,497</u>	<u>\$ 442,847</u>
<u>LIABILITIES</u>						
Accounts payable	\$ 488	\$ -	\$ -	\$ 10,262	\$ -	\$ 10,750
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	488	-	-	10,262	-	10,750
<u>FUND BALANCE</u>	<u>1,236</u>	<u>289,998</u>	<u>-</u>	<u>1,366</u>	<u>139,497</u>	<u>432,097</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,724</u>	<u>\$ 289,998</u>	<u>\$ -</u>	<u>\$ 11,628</u>	<u>\$ 139,497</u>	<u>\$ 442,847</u>

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

	<u>Playscape Fund</u>	<u>Building Authority</u>	<u>Greenway Grant Fund</u>	<u>Sidewalk Fund</u>	<u>Recreation Center Fund</u>	<u>Total</u>
REVENUES						
Interest	\$ 235	\$ 21,114	\$ 30	\$ 43	\$ 7,953	\$ 29,375
Total Revenues	<u>235</u>	<u>21,114</u>	<u>30</u>	<u>43</u>	<u>7,953</u>	<u>29,375</u>
EXPENDITURES						
Community enrichment and development	3,804	-	2,660	55,973	129,872	192,309
Total Expenditures	<u>3,804</u>	<u>-</u>	<u>2,660</u>	<u>55,973</u>	<u>129,872</u>	<u>192,309</u>
Excess Revenues (Expenditures)	<u>(3,569)</u>	<u>21,114</u>	<u>(2,630)</u>	<u>(55,930)</u>	<u>(121,919)</u>	<u>(162,934)</u>
OTHER FINANCING SOURCES						
Operating transfers in	-	-	2,630	56,061	-	58,691
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>2,630</u>	<u>56,061</u>	<u>-</u>	<u>58,691</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(3,569)</u>	<u>21,114</u>	<u>-</u>	<u>131</u>	<u>(121,919)</u>	<u>(104,243)</u>
FUND BALANCE, July 1, 2006	<u>4,805</u>	<u>268,884</u>	<u>-</u>	<u>1,235</u>	<u>261,416</u>	<u>536,340</u>
FUND BALANCE, June 30, 2007	<u>\$ 1,236</u>	<u>\$ 289,998</u>	<u>\$ -</u>	<u>\$ 1,366</u>	<u>\$ 139,497</u>	<u>\$ 432,097</u>

OTHER SUPPLEMENTARY INFORMATION

GENERAL OBLIGATION BONDS PAYABLE

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
07-08	\$2,310	\$1,545	\$3,855	\$20,000	\$23,855
08-09	1,545	775	2,320	20,000	22,320
09-10	<u>775</u>	<u>-</u>	<u>775</u>	<u>20,000</u>	<u>20,775</u>
	<u>\$4,630</u>	<u>\$2,320</u>	<u>\$6,950</u>	<u>\$60,000</u>	<u>\$66,950</u>

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
07-08	\$1,338	\$675	\$2,013	\$25,000	\$27,013
08-09	<u>675</u>	<u>-</u>	<u>675</u>	<u>25,000</u>	<u>25,675</u>
	<u>\$2,013</u>	<u>\$675</u>	<u>\$2,688</u>	<u>\$50,000</u>	<u>\$52,688</u>

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
07-08	\$ 5,044	\$3,532	\$ 8,576	\$ 55,000	\$ 63,576
08-09	3,534	1,852	5,386	60,000	65,386
09-10	<u>1,852</u>	<u>-</u>	<u>1,852</u>	<u>65,000</u>	<u>66,852</u>
	<u>\$10,430</u>	<u>\$5,384</u>	<u>\$15,814</u>	<u>\$180,000</u>	<u>\$195,814</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

General Obligation Bonds
June 30, 2007

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG. 1</u>	<u>INTEREST DUE FEB. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
07-08	\$10,143	\$ 8,643	\$18,786	\$ 60,000	\$ 78,786
08-09	8,643	7,127	15,770	60,000	75,770
09-10	7,127	5,503	12,630	65,000	77,630
10-11	5,503	3,735	9,238	70,000	79,238
11-12	3,735	1,950	5,685	70,000	75,685
12-13	<u>1,950</u>	<u>-</u>	<u>1,950</u>	<u>75,000</u>	<u>76,950</u>
	<u>\$37,101</u>	<u>\$26,958</u>	<u>\$64,059</u>	<u>\$400,000</u>	<u>\$464,059</u>

City of Flat Rock, County of Wayne, State of Michigan, Certificates of Participation, Series 1997 (City of Flat Rock Installment Purchase)
Dated May 8, 1998
Amount of Bond \$1,500,000
Principal Due September 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE SEPT</u>	<u>INTEREST DUE MARCH</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
07-08	\$17,742	\$14,435	\$32,177	\$110,000	\$142,177
08-09	14,674	11,154	25,828	115,000	140,828
09-10	11,339	7,611	18,950	125,000	143,950
10-11	7,737	3,937	11,674	135,000	146,674
11-12	4,002	-	4,002	140,000	144,002
12-13	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
	<u>\$55,494</u>	<u>\$37,137</u>	<u>\$92,631</u>	<u>\$775,000</u>	<u>\$867,631</u>

See accountant's report

CITY OF FLAT ROCK, MICHIGAN

General Obligation Bonds
June 30, 2007

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE SEPT</u>	<u>INTEREST DUE MARCH</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
07-08	\$ 25,829	\$ 24,516	\$ 50,345	\$ 105,000	\$ 155,345
08-09	24,516	23,021	47,537	115,000	162,537
09-10	23,021	21,354	44,375	115,000	159,375
10-11	21,354	19,571	40,925	115,000	155,925
11-12	19,571	17,446	37,017	125,000	162,017
12-13	17,446	15,074	32,520	130,000	162,520
13-14	15,074	12,571	27,645	130,000	157,645
14-15	12,571	9,736	22,307	140,000	162,307
15-16	9,736	6,691	16,427	145,000	161,427
16-17	6,691	3,410	10,101	150,000	160,101
17-18	<u>3,410</u>	<u>-</u>	<u>3,410</u>	<u>155,000</u>	<u>158,410</u>
	<u>\$179,219</u>	<u>\$153,390</u>	<u>\$332,609</u>	<u>\$1,425,000</u>	<u>\$1,757,609</u>

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG 1</u>	<u>INTEREST DUE FEB 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
07-08	\$22,342	\$17,370	\$39,712	\$195,000	\$234,712
08-09	17,369	12,040	29,409	205,000	234,409
09-10	12,039	6,190	18,229	220,000	238,229
10-11	<u>6,189</u>	<u>-</u>	<u>6,189</u>	<u>230,000</u>	<u>236,189</u>
	<u>\$57,939</u>	<u>\$35,600</u>	<u>\$93,539</u>	<u>\$850,000</u>	<u>\$943,539</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

General Obligation
June 30, 2007

Building Authority Refunding Bond Series 2006
Dated September 6, 2006
Amount of Bond - \$3,415,000
Principal Due August 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE AUG 1</u>	<u>INTEREST DUE FEB 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
07-08	\$ 73,983	\$ 73,203	\$ 147,186	\$ 40,000	\$ 187,186
08-09	73,203	72,703	145,906	25,000	170,906
09-10	72,703	72,103	144,806	30,000	174,806
10-11	72,103	71,503	143,606	30,000	173,606
11-12	71,503	66,003	137,506	275,000	412,506
12-13	66,003	60,403	126,406	280,000	406,406
13-14	60,403	54,282	114,685	295,000	409,685
14-15	54,282	47,801	102,083	305,000	407,083
15-16	47,801	40,921	88,722	320,000	408,722
16-17	40,921	33,593	74,514	335,000	409,514
17-18	33,593	25,830	59,423	345,000	404,423
18-19	25,830	17,730	43,560	360,000	403,560
19-20	17,730	9,085	26,815	380,000	406,815
20-21	<u>9085</u>	<u>-</u>	<u>9,085</u>	<u>395,000</u>	<u>404,085</u>
	<u>\$719,143</u>	<u>\$645,160</u>	<u>\$1,364,303</u>	<u>\$3,415,000</u>	<u>\$4,779,303</u>

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
07-08	\$ 48,534	\$ 47,057	\$ 95,591	\$ 55,000	\$ 150,591
08-09	47,056	45,578	92,634	55,000	147,634
09-10	45,578	43,966	89,544	60,000	149,544
10-11	43,965	42,219	86,184	65,000	151,184
11-12	42,219	40,472	82,691	65,000	147,691
12-13	40,472	38,591	79,063	70,000	149,063
13-14	38,591	36,575	75,166	75,000	150,166
14-15	36,575	34,513	71,088	75,000	146,088
15-16	34,512	32,313	66,825	80,000	146,825
16-17	32,312	29,816	62,128	85,000	147,128
17-18	29,816	27,172	56,988	90,000	146,988
18-19	27,172	24,381	51,553	95,000	146,553
19-20	24,381	21,444	45,825	100,000	145,825
20-21	21,444	18,359	39,803	105,000	144,803
21-22	18,359	15,128	33,487	110,000	143,487
22-23	15,128	11,603	26,731	120,000	146,731
23-24	11,603	7,931	19,534	125,000	144,534
24-25	7,931	4,113	12,044	130,000	142,044
25-26	<u>4,113</u>	<u>-</u>	<u>4,113</u>	<u>140,000</u>	<u>144,113</u>
	<u>\$569,761</u>	<u>\$521,231</u>	<u>\$1,090,992</u>	<u>\$1,700,000</u>	<u>\$2,790,992</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

General Obligation
June 30, 2007

City of Flat Rock Tax Increment Finance Authority
Limited Tax Development Bonds Series 2006A (Taxable Obligation)
Dated August 3, 2006
Amount of Bond - \$4,270,000
Principal Due October 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
07-08	\$ 146,335	\$ 141,435	\$ 287,770	\$ 140,000	\$ 427,770
08-09	141,435	136,185	277,620	150,000	427,620
09-10	136,185	130,585	266,770	160,000	426,770
10-11	130,585	124,848	255,433	170,000	425,433
11-12	124,848	118,772	243,620	180,000	423,620
12-13	118,772	112,191	230,963	195,000	425,963
13-14	112,191	105,104	217,295	210,000	427,295
14-15	105,104	97,678	202,782	220,000	422,782
15-16	97,678	89,748	187,426	235,000	422,426
16-17	89,748	81,141	170,889	255,000	425,889
17-18	81,141	71,759	152,900	270,000	422,900
18-19	71,759	61,681	133,440	290,000	423,440
19-20	61,681	50,909	112,590	310,000	422,590
20-21	50,909	39,441	90,350	330,000	420,350
21-22	39,441	27,105	66,546	355,000	421,546
22-23	27,105	14,074	41,179	375,000	416,179
23-24	<u>14,074</u>	<u>-</u>	<u>14,074</u>	<u>405,000</u>	<u>419,074</u>
	<u>\$1,548,991</u>	<u>\$1,402,656</u>	<u>\$2,951,647</u>	<u>\$4,250,000</u>	<u>\$7,201,647</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

General Obligation
June 30, 2007

City of Flat Rock Tax Increment Finance Authority
Limited Tax Development Bonds Series 2006B (Tax Exempt Obligation)
Dated August 3, 2006
Amount of Bond - \$5,675,000
Principal Due October 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
07-08	\$ 120,361	\$ 114,561	\$ 234,922	\$ 290,000	\$ 524,922
08-09	114,561	108,861	223,422	285,000	508,422
09-10	108,861	103,061	211,922	290,000	501,922
10-11	103,061	97,261	200,322	290,000	490,322
11-12	97,261	91,073	188,334	300,000	488,334
12-13	91,073	84,886	175,959	300,000	475,959
13-14	84,886	78,404	163,290	305,000	468,290
14-15	78,404	71,817	150,221	310,000	460,221
15-16	71,817	64,926	136,743	315,000	451,743
16-17	64,926	57,726	122,652	320,000	442,652
17-18	57,726	50,301	108,027	330,000	438,027
18-19	50,301	42,764	93,065	335,000	428,065
19-20	42,764	34,786	77,550	345,000	422,550
20-21	34,786	26,576	61,362	355,000	416,362
21-22	26,576	18,026	44,602	360,000	404,602
22-23	18,026	9,120	27,146	375,000	402,146
23-24	<u>9,120</u>	<u>-</u>	<u>9,120</u>	<u>380,000</u>	<u>389,120</u>
	<u>\$1,174,510</u>	<u>\$1,054,149</u>	<u>\$2,228,659</u>	<u>\$5,485,000</u>	<u>\$7,713,659</u>

See accountant's report.

Equipment Loans – General Obligation
June 30, 2007

EQUIPMENT LOANS - GENERAL OBLIGATION

Equipment Loan
Dated: July 20, 2004
Amount of Lease - \$69,140
Principal Due: July 20

<u>FISCAL YEAR</u>	<u>INTEREST DUE ANNUALLY</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
07-08	\$2,234	\$2,234	\$17,765	\$19,999
08-09	<u>1,149</u>	<u>1,149</u>	<u>18,850</u>	<u>19,999</u>
	<u>\$3,383</u>	<u>\$3,383</u>	<u>\$36,615</u>	<u>\$39,998</u>

Equipment Loan
Dated September 26, 2006
Amount of Loan - \$40,375
Principal Due: October 1

<u>FISCAL YEAR</u>	<u>INTEREST DUE ANNUALLY</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
07-08	\$2,354	\$2,354	\$ 7,173	\$ 9,527
08-09	1,909	1,909	7,618	9,527
09-10	1,471	1,471	8,056	9,527
10-11	1,008	1,008	8,519	9,527
11-12	<u>518</u>	<u>518</u>	<u>9,009</u>	<u>9,527</u>
	<u>\$7,260</u>	<u>\$7,260</u>	<u>\$40,375</u>	<u>\$47,635</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

Water and Sewer Fund – General Obligation Bonds
June 30, 2007

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
06-07	\$24,000	\$24,000	\$ -	\$ 24,000
07-08	24,000	24,000	-	24,000
08-09	24,000	24,000	200,000	224,000
09-10	<u>12,000</u>	<u>12,000</u>	<u>200,000</u>	<u>212,000</u>
	<u>\$60,000</u>	<u>\$60,000</u>	<u>\$400,000</u>	<u>\$460,000</u>

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

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
07-08	\$4,975	-----	\$4,975	\$168,638	\$173,613
	<u>\$4,975</u>		<u>\$4,975</u>	<u>\$168,638</u>	<u>\$173,613</u>

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

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

Water and Sewer – General Obligation Bonds
June 30, 2007

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
07-08	\$ 4,833	\$ 4,833	\$ 9,666	\$117,473	\$127,139
08-09	3,658	3,658	7,316	119,704	127,020
09-10	2,461	2,461	4,922	121,934	126,856
10-11	<u>1,242</u>	<u>1,242</u>	<u>2,484</u>	<u>124,164</u>	<u>126,648</u>
	<u>\$12,194</u>	<u>\$12,194</u>	<u>\$24,388</u>	<u>\$483,275</u>	<u>\$507,663</u>

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

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
07-08	\$ 27,079	\$ 25,413	\$ 52,492	\$ 148,119	\$ 200,611
08-09	25,413	23,705	49,118	151,806	200,924
09-10	23,705	21,963	45,668	154,879	200,547
10-11	21,963	20,179	42,142	158,567	200,709
11-12	20,179	18,353	38,532	162,254	200,786
12-13	18,353	16,487	34,840	165,942	200,782
13-14	16,487	14,585	31,072	169,015	200,087
14-15	14,585	12,642	27,227	172,702	199,929
15-16	12,642	10,651	23,293	177,005	200,298
16-17	10,651	8,618	19,269	180,692	199,961
17-18	8,618	6,537	15,155	184,995	200,150
18-19	6,537	4,407	10,944	189,297	200,241
19-20	4,407	2,229	6,636	193,599	200,235
20-21	<u>2,229</u>	<u>-</u>	<u>2,229</u>	<u>198,164</u>	<u>200,393</u>
	<u>\$212,848</u>	<u>\$185,769</u>	<u>\$398,617</u>	<u>\$2,407,036</u>	<u>\$2,805,653</u>

See accountant's report.

CITY OF FLAT ROCK, MICHIGAN

Water and Sewer – General Obligation Bonds
 June 30, 2007

South Huron Valley Utility Authority
 2004 Sewer System Plant Expansion
 Amount Issued \$2,352,760 Flat Rock Share of \$9,220,000

<u>FISCAL YEAR</u>	<u>INTEREST DUE OCT. 1</u>	<u>INTEREST DUE APRIL 1</u>	<u>TOTAL INTEREST</u>	<u>PRINCIPAL AMOUNT</u>	<u>TOTAL REQUIREMENT</u>
07-08	\$ 23,981	\$ 23,981	\$ 47,962	\$ 96,968	\$ 144,930
08-09	22,951	22,951	45,902	99,520	145,422
09-10	21,893	21,893	43,786	102,072	145,858
10-11	20,809	20,809	41,618	103,348	144,966
11-12	19,711	19,711	39,422	105,900	145,322
12-13	18,587	18,587	37,174	108,451	145,625
13-14	17,434	17,434	34,868	111,003	145,871
14-15	16,254	16,254	32,508	113,555	146,063
15-16	15,048	15,048	30,096	116,107	146,203
16-17	13,814	13,814	27,628	117,383	145,011
17-18	12,567	12,567	25,134	119,935	145,069
18-19	11,293	11,293	22,586	122,486	145,072
19-20	9,994	9,994	19,988	126,314	146,302
20-21	8,649	8,649	17,298	128,866	146,164
21-22	7,280	7,280	14,560	131,418	145,978
22-23	5,883	5,883	11,766	133,970	145,736
23-24	4,460	4,460	8,920	136,521	145,441
24-25	3,010	3,010	6,020	140,349	146,369
25-26	<u>1,518</u>	<u>1,518</u>	<u>3,036</u>	<u>142,901</u>	<u>145,937</u>
	<u>\$255,136</u>	<u>\$255,136</u>	<u>\$510,272</u>	<u>\$2,257,067</u>	<u>\$2,767,337</u>

See accountant's report.

Tax Levies in Millage
 Last Twenty Three Years
 June 30, 2007

CITY OF FLAT ROCK, MICHIGAN

<u>FISCAL YEAR</u>	<u>GENERAL FUND</u>	<u>MUNICIPAL BUILDING FUND</u>	<u>LIBRARY FUND</u>	<u>SEWER DEBT</u>	<u>HISTORICAL DISTRICT</u>	<u>TOTAL MILLAGE</u>
1985	11.08	2.07	0.00	3.60	0.00	16.75
1986	11.50	2.25	0.00	4.00	0.00	17.75
1987	11.50	2.25	0.00	4.00	0.00	17.75
1988	11.50	2.20	0.00	4.05	0.00	17.75
1989	15.50	2.25	0.00	0.00	0.00	17.75
1990	15.50	1.75	0.00	0.00	0.00	17.25
1991	15.25	1.65	0.00	0.00	0.00	16.90
1992	14.48	2.10	0.00	0.00	0.00	16.58
1993	14.30	2.00	0.00	0.00	0.00	16.30
1994	13.14	0.00	0.00	2.86	0.00	16.00
1995	13.14	0.00	0.00	2.86	0.00	16.00
1996	13.15	0.00	1.00	2.85	0.00	17.00
1997	13.15	0.00	1.00	2.85	0.00	17.00
1998	13.15	0.00	1.00	2.85	0.00	17.00
1999	13.15	0.00	1.00	2.85	0.00	17.00
2000	13.15	0.00	1.00	2.85	0.00	17.00
2001	16.00	0.00	1.00	0.00	0.00	17.00
2002	16.00	0.00	1.00	0.00	0.25	17.25
2003	16.00	0.00	1.00	0.00	0.25	17.25
2004	16.00	0.00	1.00	0.00	0.25	17.25
2005	16.00	0.00	1.00	0.00	0.25	17.25
2006	16.00	0.00	1.00	0.00	0.25	17.25
2007	16.00	0.00	1.00	0.00	0.25	17.25

<u>FISCAL YEAR</u>	<u>RESIDENTIAL RATE</u>	<u>NON-RESIDENTIAL RATE</u>
1985	3.80	3.80
1986	4.29	4.29
1987	4.29	4.29
1988	4.29	4.29
1989	4.29	4.29
1990	4.01	4.01
1991	4.01	4.01
1992	4.01	4.01
1993	4.01	4.01
1994	4.00	4.00
1995	4.00	4.00
1996	4.00	4.00
1997	4.00	4.00
1998	4.00	4.50
1999	4.00	4.50
2000	4.00	4.50
2001	3.60	4.25
2002	4.00	4.50
2003	4.00	4.50
2004	4.00	4.50
2005	4.00	4.50
2006	4.50	5.00
2007	4.50	5.00

Jocks & Associates, PC

CERTIFIED PUBLIC ACCOUNTANTS

3630 West Road
Trenton, MI 48183

Phone 734/675-0266
Fax 734/675-3359

November 26, 2007

To the Honorable Mayor and
Members of the City Council
City of Flat Rock, Michigan
25500 Gibraltar Road
Flat Rock, Michigan 48134

Dear Honorable Mayor and Members of the City Council:

During the course of our audit of the City of Flat Rock's General Purpose Financial Statements for the year ended June 30, 2007, we developed a list of comments and recommendations. They are as follows:

GENERAL FUND

General Fund expenditures were \$196,460 greater than revenues. This excess decreased fund balance in the General Fund to \$2,042,390 as of June 30, 2007.

Budgeted General Fund revenues of \$10,406,751 exceeded actual revenues by \$563,606. Budgeted General Fund expenditures of \$9,844,413 were greater than actual expenditures by \$640,202.

Favorable Revenue Budget variances occurred in General Government, Fire, Public Works, Recreation and Culture, Community Enrichment and Development and State Shared Revenue. Unfavorable Revenue budget variances occurred in Police and Building and Safety.

The budgeted contribution of funds from the Water and Sewer Fund to the General Fund was not made.

Favorable expenditure budget variances City Clerk and Treasurer, City Assessor, Economic Development, Police, Fire, Building and Safety, Public Works, Recreation, Senior Citizens, Youth Center, Ball Field, Fountain & Ice Rink, Planning, Zoning Board of Appeals and Beautification and Cable Commission

Unfavorable expenditure budget variances occurred in the Judicial, Elections, City Attorney and City Engineer Departments.

SPECIAL REVENUE FUNDS

Major Street Fund revenues exceeded expenditures by \$43,472 increasing Fund Balance to \$43,792. Local Street expenditures exceeded revenues by \$6,442 decreasing Fund Balance to \$1,320.

The Recreation Center Operating Fund expenditures exceeded revenues by \$554,950. The ending Fund Balance is a deficit of \$553,746. Accordingly, a deficit elimination plan will be required to be filed with the State of Michigan.

BLENDED COMPONENT UNITS

As described in Note 1 of the Annual Report, the Assets, Liabilities, Revenues and Expenditures for the Tax Increment Finance Authority (TIFA), Downtown Development Authority (DDA) and Building Authority (BA) have been included in the City's Basic Financial Statements.

ENTERPRISE FUND

The Water and Sewer Enterprise Fund reported net loss of \$234,368 decreasing the net assets to \$7,499,940.

We will be happy to assist the City in implementing any recommendations contained in this letter. If you have any questions regarding the comments and recommendations outlined in this letter or any other questions, please do not hesitate to ask during our presentation, or contact our office.

Very truly yours,



JOCKS & ASSOCIATES, PC
Certified Public Accountants