

**City of St. Clair
St. Clair County, Michigan**

FINANCIAL STATEMENTS

September 30, 2014



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

City of St. Clair

St. Clair County, Michigan

September 30, 2014

CITY COUNCIL AND ADMINISTRATION

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Tom Foley	Council Member
Mitch Kuffa	Council Member
Mike LaPorte	Council Member
Tom McCartney	Council Member
Ed Kindsvater Jr.	Council Member
Jane Krebs	Council Member
Michael Booth	City Superintendent/ Finance Director
Russ Mollan	City Treasurer
Annette Sturdy	City Clerk

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City of St. Clair

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

2601 Cambridge Court
Suite 201
Auburn Hills, MI 48326
(248) 844-2550
FAX: (248) 844-2551

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of St. Clair, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Clair, Michigan (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statement of the St. Clair Area Fire Authority, which represents 2.6 percent, 3.7 percent, and 1.0 percent of the assets, net position, and revenues of the governmental activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the St. Clair Area Fire Authority, is based solely on the report of the other auditors. 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 from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Clair, Michigan, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 30, 2015

This section of the City of St. Clair annual report presents our discussion and analysis of the City's financial performance during the year ended September 30, 2014. Please read it in conjunction with the City's financial statements, which immediately follow this section.

The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the City management's viewpoint on the financial results for the fiscal year ended September 30, 2014.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed and what remains for future spending. The fund financial statements look at the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds - the General Fund, Major Street (Special Revenue Fund), 2005 Road Construction Bond (Debt Service Fund), and other smaller funds collectively as non-major governmental funds.

Government-Wide Financial Statements

One of the most important questions asked about the City is, "As a whole, what is the City's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the basic financial statements, report information on the City as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets, deferred inflows of resources, liabilities, and deferred outflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position (page 1) presents all of the City's assets, deferred inflows of resources, liabilities, and deferred outflows of resources, with the net difference being shown as the "net position". Over time, increases or decreases in net position measure whether the City's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods.

Both statements report the following activities:

- **Governmental Activities** - Most of the City's basic services are reported under this category. Property taxes, intergovernmental revenue, and charges for services primarily fund these services. This also includes the activities such as the major and local street maintenance, and debt service.
- **Business-type Activities** - These activities operate like private businesses. The City charges fees to recover the cost of the services provided. The City Water and Sewer Systems are examples of such activities.
- **Discretely Presented Component Units** - Discretely presented component units are legally separate organizations for which the City Council appoints a majority of the organization's policy board. The City also has a degree of financial accountability for each of these separate organizations. The Downtown Development Authority (DDA) and Local Development Finance Authority (LDFA) are discretely presented component units of the City.

As stated previously, the government-wide financial statements are full accrual basis statements. However, the governmental funds report on a modified accrual basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources. Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 of the financial statements present reconciliations between the two statement types.

Fund Financial Statements

The fund level financial statements are reported on the modified accrual basis. Only those assets that are "measurable" and "available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include internal service funds such as the Equipment Pool fund and enterprise funds such as the Water and Sewer Funds.

In the governmental fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded as liabilities.

The City's funds are divided into three categories (governmental, proprietary, and fiduciary) and each uses different accounting approaches:

- **Governmental Funds** - Most of the City's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year, and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or less funds available to finance the City's programs. Governmental funds include the General Fund, as well as special revenue, capital project, debt service, and permanent funds.
- **Proprietary Funds** - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same accrual basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. Enterprise funds report activities that provide supplies and/or services to the public (Water/Sewer). The second type of proprietary fund is the internal service fund. These internal service funds report activities that provide supplies and/or services to the City's other operations (Equipment Pool Fund). Internal service funds are reported as governmental activities on the government-wide statements.
- **Fiduciary Funds** - The City acts as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, that can only be used for the trust beneficiaries. The City's fiduciary activities are reported in separate statements because these assets are not available to the City to fund its operations.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes begin on page 20 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes budgetary comparison schedules for the General Fund and the Major Street Fund.

Other Supplementary Information

Other Supplementary Information includes the detailed schedule of revenues and expenditures for the general fund and the combining financial statements for non-major governmental funds. These funds are added together by fund type and presented, in a single aggregate column, in the basic financial statements.

Summary of Net Position:

The following summarizes the net position as of September 30, 2014 and 2013.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$ 9,575,130	\$ 9,228,708	\$ 2,488,820	\$ 2,319,634	\$ 12,063,950	\$ 11,548,342
Capital assets, net	10,313,610	10,586,079	18,433,634	18,940,716	28,747,244	29,526,795
Total assets	19,888,740	19,814,787	20,922,454	21,260,350	40,811,194	41,075,137
Deferred Outflows of Resources	-	-	9,779	10,849	9,779	10,849
Liabilities						
Current	982,355	953,389	667,878	735,400	1,650,233	1,688,789
Noncurrent	1,725,928	2,449,728	4,469,631	4,425,698	6,195,559	6,875,426
Total liabilities	2,708,283	3,403,117	5,137,509	5,161,098	7,845,792	8,564,215
Deferred Inflows of Resources	3,119,079	3,113,602	-	86,658	3,119,079	3,200,260
Net Position						
Net investment in capital assets	8,488,610	8,191,079	13,772,815	14,213,441	22,261,425	22,404,520
Restricted	2,190,244	1,735,659	341,491	493,228	2,531,735	2,228,887
Unrestricted	3,382,524	3,371,330	1,680,418	1,316,774	5,062,942	4,688,104
Total net position	\$ 14,061,378	\$ 13,298,068	\$ 15,794,724	\$ 16,023,443	\$ 29,856,102	\$ 29,321,511

**Management's Discussion and Analysis
For Fiscal Year Ended September 30, 2014**

Results of Operations:

For the fiscal years ended September 30, 2014 and 2013, the government-wide results of operations were:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenue:						
Charges for services	\$ 388,036	\$ 385,530	\$ 3,213,634	\$ 3,501,901	\$ 3,601,670	\$ 3,887,431
Operating grants and contributions	671,131	609,190	-	-	671,131	609,190
Capital grants and contributions	7,760	9,037	-	-	7,760	9,037
General revenues:						
Property taxes	3,129,594	3,119,313	86,658	251,500	3,216,252	3,370,813
State revenue sharing	460,796	449,209	-	2,111	460,796	451,320
Increase in equity interest in investments	53,922	49,420	-	-	53,922	49,420
Investment earnings	62,345	(41,382)	151	29,744	62,496	(11,638)
Franchise fees	116,040	115,354	-	-	116,040	115,354
Miscellaneous	238,786	198,656	42,467	106,512	281,253	305,168
Transfers	(7,849)	(7,849)	7,849	7,849	-0-	-0-
Total revenues and transfers	5,120,561	4,886,478	3,350,759	3,899,617	8,471,320	8,786,095
Expenses						
General government	797,228	922,914	-	-	797,228	922,914
Public safety	1,522,835	1,489,655	-	-	1,522,835	1,489,655
Public works	1,259,459	1,281,230	-	-	1,259,459	1,281,230
Health and welfare	26,289	23,199	-	-	26,289	23,199
Community and economic development	23,420	22,707	-	-	23,420	22,707
Recreation and culture	675,411	682,627	-	-	675,411	682,627
Interest on long-term debt	52,609	75,522	-	-	52,609	75,522
Sewer	-	-	1,362,892	1,262,587	1,362,892	1,262,587
Water	-	-	972,827	855,969	972,827	855,969
Harbor	-	-	721,089	733,975	721,089	733,975
Municipal golf course	-	-	197,886	205,270	197,886	205,270
Rubbish and garbage	-	-	324,784	393,285	324,784	393,285
Total expenses	4,357,251	4,497,854	3,579,478	3,451,086	7,936,729	7,948,940
Change in net position	763,310	388,624	(228,719)	448,531	534,591	837,155
Net position, beginning of year	13,298,068	12,909,444	16,023,443	15,574,912	29,321,511	28,484,356
Net position, end of year	\$ 14,061,378	\$ 13,298,068	\$ 15,794,724	\$ 16,023,443	\$ 29,856,102	\$ 29,321,511

Analysis of Results of Operations:

During fiscal year ended September 30, 2014, the City's net position increased by \$534,591. Several factors which contributed to this increase are discussed in the following sections.

A. Governmental Activities Operating Results

The City's revenues from governmental activities operations exceeded expenditures by \$763,310 for the fiscal year ended September 30, 2014.

B. Business-Type Activities Operating Results

The City's expenditures from business-type activities operations exceeded revenues by \$228,719 for the fiscal year ended September 30, 2014.

C. Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,769,569, an increase of \$364,622 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, the unassigned fund balance of the General Fund was \$614,521. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance as of September 30, 2014, represented 16.90% of total General Fund expenditures and other financing uses.

During the current fiscal year, the fund balance of the City's General Fund, increased by \$44,205. This increase, in fund balance is primarily due to cost savings in the following departments: Accounting (approximately \$5,700), Cemetery (approximately \$5,300), City General (approximately \$6,500), and the Department of Public Works (approximately \$5,000). Budgetary responsibility in Recreation produced operating results that beat budget by roughly \$11,000.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Sewer Fund at the end of the year amounted to \$1,039,586. The most recent fiscal year's activities increased the unrestricted net position of the Sewer Fund by \$232,375. Sewer revenues were down 13.2% while operating expenses were up by 10.6%. The net cash position increased by \$231,932.

Unrestricted net position of the Water Fund at the end of the year amounted to \$207,256. This is an improvement in unrestricted net position of \$35,635 over the previous year. Water revenues were down \$20,869 or (2.3%). Expenses were up \$116,858 or 13.7%. The increase in operating expenses is primarily the result of an increase of \$58,866 in fringe benefit costs and an increase to Repairs and Maintenance of \$37,754. During the year the funds' cash position increased by \$53,399.

Unrestricted net position of the Harbor Fund at the end of the year amounted to \$329,298. The most recent fiscal year's activities increased the unrestricted net position of the Harbor Fund by \$70,404.

D. General Fund Budgetary Highlights

Over the course of the fiscal year, the City's management monitored and City Council approved amendments to the budget for 2013-2014.

Total revenues were a favorable \$22,945 more than the final amended budget. Total expenditures were also favorable coming in at \$15,207 less than the final amended budget. Drivers in the reduction to actual expenditures can be attributed to small savings in multiple departments.

E. Long-Term Debt Activities

The City made bond and loan principal payments of \$1,030,000 during the 2013-2014 fiscal year to end with outstanding long-term debt of \$6,745,702 at the fiscal year end. See Note F to the financial statements for more information on long-term debt.

The City made principal payments on long-term debt obligations that reduced the amount of the City's long-term liabilities as follows:

	Balance Sept. 30, 2013	Net Additions/ Deletions	Balance Sept. 30, 2014
Primary Government			
Governmental Activities			
1999 Building Authority Bonds	\$ 170,000	\$ (85,000)	\$ 85,000
2004 Community Dev. Block Grant Loan Payable	500,000	(100,000)	400,000
2005 G/O Unlimited Tax Bonds	1,725,000	(385,000)	1,340,000
Compensated absences	273,609	(69,272)	204,337
Total Governmental Activities	2,668,609	(639,272)	2,029,337
Business-type Activities			
2002 State Revolving Fund Bonds	2,758,287	(250,000)	2,508,287
2002 Capital Improvement Bonds	245,000	(25,000)	220,000
2004 G/O Refunding Bonds	85,000	(85,000)	-0-
2007 Capital Improvement Bonds	495,000	(30,000)	465,000
2012 State Revolving Fund Bonds	1,143,988	323,544	1,467,532
Compensated absences	112,491	(56,945)	55,546
Total Business-type Activities	4,839,766	(123,401)	4,716,365
Total Primary Government	\$ 7,508,375	\$ (762,673)	\$ 6,745,702

F. Net Investment in Capital Assets

The City's net investment in capital assets of the primary government decreased by \$143,095 during the fiscal year. Asset changes are summarized as follows:

Major capital asset expenditures during the fiscal year included the following:

- Floating Docks (for personal watercraft)
- Sewer Line Repairs
- Chemical Feed Pumps (at Water Plant)
- Dodge Charger (SCPD)
- Dump/Salt Truck

Depreciation expense of the primary government was \$1,264,789 for the 2013-2014 fiscal year. See Note E to the financial statements for more information on capital assets.

**Management's Discussion and Analysis
For Fiscal Year Ended September 30, 2014**

F. Net Investment in Capital Assets - continued

	Balance Sep. 30, 2013	Net Additions/ Deletions	Balance Sep. 30, 2014
Governmental Activities			
Capital assets (depreciated)	\$ 15,637,458	\$ 160,551	\$ 15,798,009
Less: accumulated depreciation	(7,830,957)	(433,020)	(8,263,977)
	7,806,501	(272,469)	7,534,032
Add: Land (not depreciated)	2,779,578	-	2,779,578
Net investment in capital assets	\$ 10,586,079	\$ (272,469)	\$ 10,313,610
	Balance Sep. 30, 2013	Net Additions/ Deletions	Balance Sep. 30, 2014
Business-type Activities			
Capital assets (depreciated)	\$ 32,682,540	\$ 347,072	\$ 33,029,612
Less: accumulated depreciation	(14,396,460)	(806,524)	(15,202,984)
	18,286,080	(459,452)	17,826,628
Add: Land (not depreciated)	581,764	-	581,764
Construction in progress (not depreciated)	72,872	(47,630)	25,242
	654,636	(47,630)	607,006
Net investment in capital assets	\$ 18,940,716	\$ (507,082)	\$ 18,433,634

G. Economic Factors

Revenues

The major sources of revenue for the City are property taxes, State-shared revenue, and charges for services. These sources have certain limitations, outside the control of the City, and have continued to be impacted negatively. To illustrate, consider that since 2008-9 property tax revenues have decreased \$786,173 while State revenue sharing has decreased \$9,083.

Negative changes in taxable value, as a result of the most recent economic downturn (residential, industrial and commercial), are starting to ease. A turn in State of Michigan revenues has started to reverse the negative impact to revenue-sharing payments. They are nearly back to 2008-9 levels. Further, the State of Michigan is making changes to taxes on personal property which are likely to have a negative impact on tax collection.

Expenditures

Cost controls have been initiated and proven effective. The results are apparent in budgets being met. Going forward the City will continue with established cost controls. Additionally, two of the City's larger expenditures which include healthcare and pensions will draw additional attention. Health care costs paid for active and retirees have increased, since 2009-10, by \$161,056 while pension obligations during the same time-frame increased by \$115,920. Changes will be required to control these expenses and deliver services desired by residents.

Other

The City's second phase of the industrial park remains vacant. The City continues, with the assistance of the Economic Development Alliance of St. Clair County, continues to market the property. A funding agreement with the Michigan Economic Development Corporation gave the City a grant to develop the park. The balance on this obligation was \$400,000 at the end of 2014. Repayment by the City continues at an annual rate of \$100,000.

We are committed to making financially strong decisions. Progress has been made to control costs. Evidence of these results can be witnessed by viewing the current year results for the General Fund, Local & Major Street Funds, and the Golf Course where the deficit has now been eliminated. Moving forward the City's management will continue to control the finances of the City while striving to provide residents with the same or higher levels of service.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances for citizens of the City and other interested parties. If you have questions about this report or need additional information, contact the St. Clair City Hall, 547 N. Carney Drive, St. Clair, Michigan, 48079.

BASIC FINANCIAL STATEMENTS

City of St. Clair

STATEMENT OF NET POSITION

September 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,000,069	\$ 1,713,965	\$ 5,714,034	\$ 4,660
Investments	1,376,678	-	1,376,678	-
Receivables	1,841,497	367,576	2,209,073	-
Due from other governmental units	308,851	175,951	484,802	-
Prepays	292,135	18,643	310,778	-
Inventories	-	13,085	13,085	-
Total current assets	7,819,230	2,289,220	10,108,450	4,660
Noncurrent assets				
Investments	1,440,088	-	1,440,088	-
Internal balances	(199,600)	199,600	-0-	-
Capital assets not being depreciated	2,779,578	607,006	3,386,584	-
Capital assets, net of accumulated depreciation	7,534,032	17,826,628	25,360,660	-
Investment in Fire Authority	515,412	-	515,412	-
Total noncurrent assets	12,069,510	18,633,234	30,702,744	-0-
TOTAL ASSETS	19,888,740	20,922,454	40,811,194	4,660
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized bond discount	-	9,779	9,779	-
LIABILITIES				
Current liabilities				
Accounts payable	92,291	106,159	198,450	4,479
Accrued liabilities	125,730	35,891	161,621	-
Deposits payable	17,465	3,750	21,215	-
Due to other governmental units	-	89,523	89,523	-
Accrued interest payable	21,206	-	21,206	-
Unearned revenue	-	1,865	1,865	-
Current portion of compensated absences	125,663	45,690	171,353	-
Current portion of long-term debt	600,000	385,000	985,000	-
Total current liabilities	982,355	667,878	1,650,233	4,479
Noncurrent liabilities				
Noncurrent portion of compensated absences	78,674	9,856	88,530	-
Noncurrent portion of long-term debt	1,225,000	4,275,819	5,500,819	-
Net other post-employment benefits obligation	422,254	183,956	606,210	-
Total noncurrent liabilities	1,725,928	4,469,631	6,195,559	-0-
TOTAL LIABILITIES	2,708,283	5,137,509	7,845,792	4,479
DEFERRED INFLOWS OF RESOURCES				
Taxes levied for subsequent period	3,119,079	-	3,119,079	-
NET POSITION				
Net investment in capital assets	8,488,610	13,772,815	22,261,425	-
Restricted	2,190,244	341,491	2,531,735	-
Unrestricted	3,382,524	1,680,418	5,062,942	181
TOTAL NET POSITION	\$ 14,061,378	\$ 15,794,724	\$ 29,856,102	\$ 181

See accompanying notes to financial statements.

City of St. Clair

STATEMENT OF ACTIVITIES

Year Ended September 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 797,228	\$ 209,105	\$ 17,057	\$ 7,760	\$ (563,306)	\$ -	\$ (563,306)	\$ -
Public safety	1,522,835	44,389	47,657	-	(1,430,789)	-	(1,430,789)	-
Public works	1,259,459	20,500	553,701	-	(685,258)	-	(685,258)	-
Health and welfare	26,289	18,593	-	-	(7,696)	-	(7,696)	-
Community and economic development	23,420	3,750	-	-	(19,670)	-	(19,670)	-
Recreation and cultural	675,411	91,899	52,716	-	(530,996)	-	(530,996)	-
Interest on long-term debt	52,609	-	-	-	(52,609)	-	(52,609)	-
Total governmental activities	4,357,251	388,036	671,131	7,760	(3,290,324)	-0-	(3,290,324)	-0-
Business-type activities								
Sewer system	1,362,892	1,197,974	-	-	-	(164,918)	(164,918)	-
Water system	972,827	887,895	-	-	-	(84,932)	(84,932)	-
Harbor	721,089	638,712	-	-	-	(82,377)	(82,377)	-
Municipal golf course	197,886	228,707	-	-	-	30,821	30,821	-
Rubbish and garbage	324,784	260,346	-	-	-	(64,438)	(64,438)	-
Total business-type activities	3,579,478	3,213,634	-0-	-0-	-0-	(365,844)	(365,844)	-0-
Total primary government	\$ 7,936,729	\$ 3,601,670	\$ 671,131	\$ 7,760	(3,290,324)	(365,844)	(3,656,168)	-0-
Component units								
Downtown Development Authority	\$ 42,159	\$ -	\$ -	\$ -	-	-	-0-	(42,159)
Local Development Finance Authority	-	-	-	-	-	-	-0-	-
Total component units	\$ 42,159	\$ -0-	\$ -0-	\$ -0-	-0-	-0-	-0-	(42,159)
General revenues								
Property taxes, levied for general purposes					2,465,521	86,658	2,552,179	-
Property taxes, levied for special purposes					664,073	-	664,073	-
State grants - unrestricted					460,796	-	460,796	-
Increase in equity interest in investment					53,922	151	53,922	34
Investment earnings					62,345	-	62,345	-
Franchise fees					116,040	-	116,040	-
Miscellaneous					238,786	42,467	281,253	12,512
Transfers					(7,849)	7,849	-0-	-
Total general revenues and transfers					4,053,634	137,125	4,190,759	12,546
Change in net position					763,310	(228,719)	534,591	(29,613)
Net position, beginning of the year					13,298,068	16,023,443	29,321,511	29,794
Net position, end of the year					\$ 14,061,378	\$ 15,794,724	\$ 29,856,102	\$ 181

City of St. Clair
Governmental Funds
BALANCE SHEET
September 30, 2014

	General	Major Street	2005 Road Construction Bond
ASSETS			
Cash and cash equivalents	\$ 1,346,798	\$ 281,974	\$ 421,700
Investments	2,816,350	-	-
Receivables			
Accounts	22,179	-	-
Taxes	1,442,359	-	264,158
Accrued interest	3,928	-	-
Due from other governmental units	102,094	51,967	-
Prepays	278,920	6,206	-
TOTAL ASSETS	\$ 6,012,628	\$ 340,147	\$ 685,858
LIABILITIES			
Accounts payable	\$ 40,321	\$ 690	\$ -
Accrued liabilities	108,871	1,050	-
Deposits payable	10,765	-	-
Advances from other funds	199,600	-	-
TOTAL LIABILITIES	359,557	1,740	-0-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	4,528	-	-
Taxes levied for subsequent period	2,480,776	-	454,481
TOTAL DEFERRED INFLOWS OF RESOURCES	2,485,304	-0-	454,481
FUND BALANCES			
Nonspendable	278,920	6,206	-
Restricted	-	332,201	231,377
Assigned	2,274,326	-	-
Unassigned	614,521	-	-
TOTAL FUND BALANCES	3,167,767	338,407	231,377
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 6,012,628	\$ 340,147	\$ 685,858

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,107,420	\$ 3,157,892
416	2,816,766
2,027	24,206
106,843	1,813,360
3	3,931
58,803	212,864
6,807	291,933
<u>\$ 1,282,319</u>	<u>\$ 8,320,952</u>
\$ 43,970	\$ 84,981
15,809	125,730
6,700	17,465
-	199,600
<u>66,479</u>	<u>427,776</u>
-	4,528
183,822	3,119,079
<u>183,822</u>	<u>3,123,607</u>
209,065	494,191
917,189	1,480,767
-	2,274,326
(94,236)	520,285
<u>1,032,018</u>	<u>4,769,569</u>
<u>\$ 1,282,319</u>	<u>\$ 8,320,952</u>

City of St. Clair

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

September 30, 2014

Total fund balances - governmental funds **\$ 4,769,569**

Amounts reported for the governmental activities in the statement of net position are different because:

Investments in joint ventures are not financial resources and are not reported in governmental funds. 515,412

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 17,136,505	
Accumulated depreciation is	(7,119,320)	

Capital assets, net 10,017,185

An Internal Service Fund is used by management to charge the costs of certain activities to various funds. The assets and liabilities of internal service fund is included in governmental activities in the government-wide statement of net position: 1,227,481

Long-term receivables are not available to pay for current period expenditures and, therefore, are considered unavailable in the funds. These consist of:

Unavailable revenue		4,528
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Bonds payable	(1,825,000)	
Other post-employment benefit obligation	(422,254)	
Accrued interest payable	(21,206)	
Compensated absences	(204,337)	

(2,472,797)

Net position of governmental activities **\$ 14,061,378**

City of St. Clair

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2014

	General	Major Street	2005 Road Construction Bond
REVENUES			
Taxes	\$ 2,465,521	\$ 451,478	\$ -
Licenses and permits	126,257	-	-
Intergovernmental			
Federal/State	474,870	356,834	-
Local	-	4,668	-
Charges for services	295,877	-	-
Fines and forfeits	7,202	-	-
Investment earnings and rents	115,005	42	-
Net (decrease) in fair value of investments	-	-	-
Other	157,256	50,000	-
TOTAL REVENUES	3,641,988	863,022	-0-
EXPENDITURES			
Current			
General government	732,579	-	-
Public safety	1,107,185	-	-
Public works	231,917	234,899	-
Health and welfare	24,153	-	-
Community and economic development	21,511	-	-
Recreation and cultural	404,579	-	-
Other	425,859	-	-
Debt service	100,000	438,965	-
Capital outlay	-	1,918	-
TOTAL EXPENDITURES	3,047,783	675,782	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	594,205	187,240	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	38,586	75,000	-
Transfers out	(588,586)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(550,000)	75,000	-0-
NET CHANGE IN FUND BALANCES	44,205	262,240	-0-
Fund balances, beginning of year	3,123,562	76,167	231,377
Fund balances, end of year	<u>\$ 3,167,767</u>	<u>\$ 338,407</u>	<u>\$ 231,377</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 212,595	\$ 3,129,594
158,480	284,737
178,182	1,009,886
-	4,668
22,343	318,220
-	7,202
-	115,047
(456)	(456)
4,429	211,685
<hr/>	<hr/>
575,573	5,080,583
42,762	775,341
251,845	1,359,030
472,716	939,532
-	24,153
-	21,511
117,172	521,751
-	425,859
90,897	629,862
9,155	11,073
<hr/>	<hr/>
984,547	4,708,112
(408,974)	372,471
471,651	585,237
(4,500)	(593,086)
<hr/>	<hr/>
467,151	(7,849)
58,177	364,622
973,841	4,404,947
<hr/>	<hr/>
\$ 1,032,018	\$ 4,769,569

City of St. Clair

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2014

Net change in fund balances - total governmental funds		\$ 364,622
Amounts reported for governmental activities in the statement of activities are different because:		
Changes in equity interest in the St. Clair Area Fire Authority are not reported in the governmental funds.		53,922
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 11,612	
Depreciation expense	<u>(413,530)</u>	
Excess of depreciation expense over capital outlay		(401,918)
Internal service funds are used by management to charge the costs of certain activities to individual funds.		
Increase in net position of Internal Service Funds		73,225
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
(Decrease) in unavailable revenue		(6,095)
Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:		
Long-term debt principal retirements		570,000
Some items 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. These activities consist of:		
Decrease in other post-employment benefits obligation	33,029	
Decrease in accrued interest payable	7,253	
Decrease in accrued compensated absences	<u>69,272</u>	
		<u>109,554</u>
Change in net position of governmental activities		\$ 763,310

See accompanying notes to financial statements.

City of St. Clair

Proprietary Funds

STATEMENT OF NET POSITION

September 30, 2014

	Business-type		
	Sewer	Water	Harbor
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,269,512	\$ 204,812	\$ 147,032
Accounts receivable	172,656	142,578	1,301
Due from other governmental units	-	-	175,951
Prepays	7,945	10,698	-
Inventory	-	-	13,085
Total current assets	1,450,113	358,088	337,369
Noncurrent assets			
Advances to other funds	199,600	-	-
Capital assets not being depreciated	147,500	16,483	170,311
Capital assets, net of accumulated depreciation	12,241,736	2,498,573	2,789,636
Total noncurrent assets	12,588,836	2,515,056	2,959,947
TOTAL ASSETS	14,038,949	2,873,144	3,297,316
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized bond discount	-	-	9,779
LIABILITIES			
Current liabilities			
Accounts payable	54,399	13,335	6,893
Accrued liabilities	6,120	12,839	10,957
Deposits payable	3,000	750	-
Due to other governmental units	89,523	-	-
Unearned revenue	-	-	-
Current portion of compensated absences	22,407	23,283	-
Current portion of long-term debt	355,000	-	30,000
Total current liabilities	530,449	50,207	47,850
Noncurrent liabilities			
Noncurrent portion of compensated absences	2,700	7,156	-
Noncurrent portion of long-term debt	3,840,819	-	435,000
Net other post-employment benefits obligation	91,978	91,978	-
Total noncurrent liabilities	3,935,497	99,134	435,000
TOTAL LIABILITIES	4,465,946	149,341	482,850
NET POSITION			
Net investment in capital assets	8,193,417	2,515,056	2,494,947
Restricted	340,000	1,491	-
Unrestricted	1,039,586	207,256	329,298
TOTAL NET POSITION	\$ 9,573,003	\$ 2,723,803	\$ 2,824,245

See accompanying notes to financial statements.

Activities		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service (Equipment Pool)
\$ 92,609	\$ 1,713,965	\$ 842,177
51,041	367,576	-
-	175,951	95,987
-	18,643	202
-	13,085	-
143,650	2,289,220	938,366
-	199,600	-
272,712	607,006	-
296,683	17,826,628	296,425
569,395	18,633,234	296,425
713,045	20,922,454	1,234,791
-	9,779	-
31,532	106,159	7,310
5,975	35,891	-
-	3,750	-
-	89,523	-
1,865	1,865	-
-	45,690	-
-	385,000	-
39,372	667,878	7,310
-	9,856	-
-	4,275,819	-
-	183,956	-
-0-	4,469,631	-0-
39,372	5,137,509	7,310
569,395	13,772,815	296,425
-	341,491	-
104,278	1,680,418	931,056
\$ 673,673	\$ 15,794,724	\$ 1,227,481

City of St. Clair

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended September 30, 2014

	Business-type		
	Sewer	Water	Harbor
OPERATING REVENUES			
Charges for services	\$ 1,186,156	\$ 868,776	\$ 2,727
Penalties	11,818	19,119	-
Rentals	-	-	269,416
Sales	-	-	366,569
Other	-	17,736	24,351
TOTAL OPERATING REVENUES	1,197,974	905,631	663,063
OPERATING EXPENSES			
Personnel	192,170	300,254	76,855
Fringe benefits	221,899	248,817	11,463
Supplies	46,391	49,075	308,259
Contractual services	56,579	28,129	7,828
Administrative expense	45,000	30,000	18,900
Telephone	2,175	1,486	2,208
Dues and membership fees	13,934	1,195	1,510
Insurance	6,084	5,992	2,314
Utilities	110,774	55,370	26,748
Repairs and maintenance	87,364	65,501	22,665
Equipment rental	3,398	41,247	-
Other services and supplies	2,640	6,088	38,927
Depreciation	457,053	139,673	180,899
TOTAL OPERATING EXPENSES	1,245,461	972,827	698,576
OPERATING (LOSS)	(47,487)	(67,196)	(35,513)
NONOPERATING REVENUES (EXPENSES)			
Property taxes	86,658	-	-
Intergovernmental - State	-	-	-
Interest income	(78)	-	9
Rental income	-	-	-
Amortization expense	-	-	(1,070)
Interest expense and fees	(117,431)	-	(21,443)
TOTAL NONOPERATING REVENUES (EXPENSES)	(30,851)	-0-	(22,504)
INCOME (LOSS) BEFORE TRANSFERS	(78,338)	(67,196)	(58,017)
TRANSFERS			
Transfers in	-	-	-
Transfers out	(17,043)	(17,043)	-
TOTAL TRANSFERS	(17,043)	(17,043)	-0-
CHANGE IN NET POSITION	(95,381)	(84,239)	(58,017)
Net position, beginning of year	9,668,384	2,808,042	2,882,262
Net position, end of year	<u>\$ 9,573,003</u>	<u>\$ 2,723,803</u>	<u>\$ 2,824,245</u>

See accompanying notes to financial statements.

Activities		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service (Equipment Pool)
\$ 450,794	\$ 2,508,453	\$ -
6,664	37,601	-
-	269,416	189,847
-	366,569	-
380	42,467	-
<u>457,838</u>	<u>3,224,506</u>	<u>189,847</u>
90,469	659,748	1,840
7,231	489,410	15,172
30,688	434,413	31,986
333,686	426,222	1,515
-	93,900	-
1,442	7,311	-
436	17,075	-
1,397	15,787	6,238
12,977	205,869	11,630
11,424	186,954	39,493
2,650	47,295	-
1,371	49,026	60,001
28,899	806,524	44,735
<u>522,670</u>	<u>3,439,534</u>	<u>212,610</u>
(64,832)	(215,028)	(22,763)
-	86,658	-
-	-0-	95,987
220	151	1
31,595	31,595	-
-	(1,070)	-
-	(138,874)	-
<u>31,815</u>	<u>(21,540)</u>	<u>95,988</u>
(33,017)	(236,568)	73,225
41,935	41,935	-
-	(34,086)	-
<u>41,935</u>	<u>7,849</u>	<u>-0-</u>
8,918	(228,719)	73,225
<u>664,755</u>	<u>16,023,443</u>	<u>1,154,256</u>
<u>\$ 673,673</u>	<u>\$ 15,794,724</u>	<u>\$ 1,227,481</u>

City of St. Clair
Proprietary Funds
STATEMENT OF CASH FLOWS
Year Ended September 30, 2014

	Business-type		
	Sewer	Water	Harbor
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 1,333,640	\$ 911,947	\$ 557,156
Cash received from interfund services	-	-	-
Cash paid to suppliers	(344,820)	(281,191)	(431,887)
Cash paid for employee benefits	(400,282)	(540,515)	(87,325)
	588,538	90,241	37,944
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
State grant received	-	-	-
Proceeds from issuance of debt	393,544	-	-
Capital purchases	(244,578)	(19,799)	(22,478)
Principal payments	(430,000)	-	(30,000)
Interest paid and fees	(118,635)	-	(21,443)
	(399,669)	(19,799)	(73,921)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipt from/(payment to) other funds	43,141	(17,043)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	(78)	-	9
Rent received	-	-	-
	(78)	-0-	9
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	231,932	53,399	(35,968)
Cash and cash equivalents, beginning of year	1,037,580	151,413	183,000
Cash and cash equivalents, end of year	\$ 1,269,512	\$ 204,812	\$ 147,032

See accompanying notes to financial statements.

<u>Activities</u>		<u>Governmental Activities</u>
<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Internal Service (Equipment Pool)</u>
\$ 453,638	\$ 3,256,381	\$ -
-	-0-	93,847
(412,504)	(1,470,402)	(145,491)
<u>(90,469)</u>	<u>(1,118,591)</u>	<u>(17,012)</u>
(49,335)	667,388	(68,656)
-	-0-	95,987
-	393,544	-
(12,587)	(299,442)	(174,184)
-	(460,000)	-
-	<u>(140,078)</u>	-
(12,587)	(505,976)	(78,197)
(18,249)	7,849	-
220	151	1
<u>31,595</u>	<u>31,595</u>	-
<u>31,815</u>	<u>31,746</u>	<u>1</u>
(48,356)	201,007	(146,852)
<u>140,965</u>	<u>1,512,958</u>	<u>989,029</u>
<u>\$ 92,609</u>	<u>\$ 1,713,965</u>	<u>\$ 842,177</u>

City of St. Clair

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended September 30, 2014

	Business-type		
	Sewer	Water	Harbor
Reconciliation of operating (loss) to net cash provided (used) by operating activities			
Operating (loss)	\$ (47,487)	\$ (67,196)	\$ (35,513)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities			
Depreciation	457,053	139,673	180,899
(Increase) decrease in:			
Accounts receivable	70,070	8,704	(1,080)
Taxes receivable	63,888	-	-
Due from other governmental units	-	-	(122,251)
Prepays	1,708	(2,388)	-
Inventories	-	-	17,424
Increase (decrease) in:			
Accounts payable	(60,004)	2,642	(2,528)
Accrued liabilities	(2,485)	2,069	993
Deposits payable	-	250	-
Due to other governmental units	89,523	-	-
Unearned revenue	-	-	-
Compensated absences	(23,580)	(33,365)	-
Net other post-employment benefits obligation	39,852	39,852	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 588,538	\$ 90,241	\$ 37,944

Activities		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service (Equipment Pool)
\$ (64,832)	\$ (215,028)	\$ (22,763)
28,899	806,524	44,735
(4,254)	73,440	-
-	63,888	-
-	(122,251)	(95,987)
-	(680)	(13)
-	17,424	-
(3,929)	(63,819)	5,372
(5,273)	(4,696)	-
-	250	-
-	89,523	-
54	54	-
-	(56,945)	-
-	79,704	-
<u>\$ (49,335)</u>	<u>\$ 667,388</u>	<u>\$ (68,656)</u>

City of St. Clair

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

September 30, 2014

	<u>Current Tax Collection</u>
ASSETS	
Cash and cash equivalents	<u>\$ 4,492,867</u>
LIABILITIES	
Undistributed collections payable	\$ 3,788,910
Due to individuals and agencies	<u>703,957</u>
TOTAL LIABILITIES	<u>\$ 4,492,867</u>

City of St. Clair

Component Units

COMBINING STATEMENT OF NET POSITION

September 30, 2014

	<u>Local Development Finance Authority</u>	<u>Downtown Development Authority</u>	<u>Total Component Units</u>
ASSETS			
Cash and cash equivalents	\$ 181	\$ 4,479	\$ 4,660
LIABILITIES			
Accounts payable	-	4,479	4,479
NET POSITION			
Unrestricted	<u>\$ 181</u>	<u>\$ -0-</u>	<u>\$ 181</u>

City of St. Clair

Component Units

COMBINING STATEMENT OF NET ACTIVITIES

Year Ended September 30, 2014

Functions/Programs	Expenses	Net (Expenses) Revenues and Changes in Net Position		
		Local Development Finance Authority	Downtown Development Authority	Total Component Units
Local Development Finance Authority	\$ -	\$ -	\$ -	\$ -0-
Downtown Development Authority	42,159	-	(42,159)	(42,159)
TOTAL	\$ 42,159	-0-	(42,159)	(42,159)
General revenues				
Investment earnings		34	-	34
Miscellaneous		-	12,512	12,512
Total general revenues		34	12,512	12,546
CHANGE IN NET POSITION		34	(29,647)	(29,613)
Net position, beginning of year		147	29,647	29,794
Net position, end of year		<u>\$ 181</u>	<u>\$ -0-</u>	<u>\$ 181</u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of St. Clair, Michigan (the City), operates under an elected City Council, which consists of the Mayor and six (6) council members, with daily activities operated by the City Superintendent, City Clerk, and City Treasurer. The City provides services to its more than 5,000 residents in many areas including law enforcement, fire protection, water, sewer, transportation, and parks and recreation.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the City (primary government) and its component units, entities for which the primary government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

2. Blended Component Unit

The Building Authority is governed by a board appointed by the City Council. Its purpose is to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities, and the necessary site or sites maintained for the use of the City.

3. Discretely Presented Component Units

These units are reported in a separate column to emphasize that, while legally separate, the City remains financially accountable for these entities or the nature and significance of the relationships between these entities and the City is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Local Development Finance Authority (LDFA) was created for the improvement of future industrial property and for non-motorized pathways, traffic control, and safety improvements. Although a separate legal entity, the LDFA's governing board is appointed by the City Council. Additionally, the LDFA's budget is subject to approval by the City Council, the City temporarily relinquishes a part of its tax base to the LDFA (tax increment revenues), and the full faith and credit of the City may be given for the debt of the LDFA.

The Downtown Development Authority (DDA) was created in 2003 to promote economic growth and revitalization, to encourage historic preservation, to address problems of urban decline, and to strengthen existing areas and encourage new private development within the downtown district. Although a separate legal entity, the DDA's governing board is appointed by the City Council. Additionally, the DDA's budget is subject to approval by the City Council, the City temporarily relinquishes a part of its tax base to the DDA (tax increment revenues), and the full faith and credit of the City may be given for the debt of the DDA. The City also has the ability to significantly influence operations of the DDA.

The governing body of the Economic Development Corporation (EDC) is appointed by the City Council. This component unit was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to residents. The EDC currently has no financial activity.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Joint Venture

The City is a member of the St. Clair Area Fire Authority (the Authority), which is a joint venture between the City and the Townships of China, East China, and St. Clair. The Authority was established in 2002 in accordance with *Michigan Public Act No. 33 of 1951* for the purpose of forming a joint fire authority for uniform and orderly control of fire protection, fire department functions (including purchases, leases, and insurance coverage), and financing within the territorial limits of the City and the surrounding townships. Complete financial statements for the Authority can be obtained from the City Accountant. The City's fire department assets are being leased to the Fire Authority for \$1 per year. The City has an equity interest in the Authority's net position of approximately \$515,412 as of September 30, 2014. This amount has been reported as restricted net position in the Governmental Activities on the Statement of Net Position.

5. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, unrestricted State revenue sharing payments, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

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

The major governmental funds of the City are:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Street Fund is used to account for maintenance and improvement activities for major streets in the City. Funding is provided primarily through state-shared gas and weight tax.
- c. The 2005 Road Construction Bond Fund is used to account for the debt service related to the 2005 General Obligation Limited Tax Bonds.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The major enterprise funds of the City are:

- a. The Sewer Fund is used to account for all financial resources that are used for the operation of a sewer system.
- b. The Water Fund is used to account for the financial resources that are used for the operation of a water system.
- c. The Harbor Fund is used to account for the financial resources that are used for the operation of the harbor.

Additionally, the City reports an internal service fund to account for the management of equipment pool services provided to other departments on a cost reimbursement basis.

The City also reports a fiduciary fund to account for assets held by the City as the agent (Agency Funds) for others. Fiduciary Funds are not included in the government-wide financial statements.

6. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for agency funds since assets equal liabilities.

7. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is sixty (60) days. Revenues that are considered measurable but not available are recorded as receivable and unavailable revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and agency funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Basis of Accounting - continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the City's procedure to use restricted resources first, then unrestricted resources as they are needed.

8. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown, as required supplementary information, were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The City Superintendent submits to the City Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means for financing them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to October 1, the budget is legally enacted by adoption for the City Council.
- d. Any revision that alters the total expenditures of any fund must be approved by the City Council.
- e. Formal budgetary integration is employed as a management control device during the year for all funds.
- f. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
- g. All annual appropriations lapse at fiscal year end.

9. Cash, Cash Equivalents, and Investments

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and pooled investment accounts. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit and U.S. government securities with original maturities of ninety (90) days or less.

Investments include certificates of deposit and U.S. government securities with original maturities of greater than ninety (90) days from the date of purchase. All certificates of deposit are stated at cost, which approximates market value. U.S. government securities and other temporary investments are stated at market value.

10. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the City from special assessments, amount due related to grant programs, and taxes levied that have not been collected.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Due from Other Governmental Units

Due from other governmental units consist of amounts due from the State of Michigan for various payments and grants and receivables for charges for services provided to local governmental units.

12. Inventories

The cost of inventory items in the primary government governmental funds is recorded as an expenditure at the time of purchase. Inventories are valued at cost on a first-in, first-out basis.

13. Prepaid Expenditures/Expenses

Prepays consist of amounts paid in the current year that pertain to the following fiscal year. Nonspendable fund balances have been recorded in the applicable funds to indicate that prepaids are not currently available, spendable components of fund balance.

14. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The Internal Service Fund records charges for services to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

15. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one (1) year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Distribution systems	15 - 50 years
Machinery, furniture, and equipment	4 - 20 years
Infrastructure	50 years
Site improvements	5 - 20 years
Vehicles	3 - 10 years

16. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

16. Long-Term Obligations - continued

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

17. Compensated Absences

In accordance with the City's policy, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave.

The cost of the accumulated vacation and sick leave, including related payroll taxes, is recorded entirely in the government-wide financial statements.

18. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

The City has only one (1) type of item that qualifies for reporting in this category. It is deferred amounts on refunding reported in the government-wide financial statement of net position. The deferred amounts on refunding results from unamortized original issue premiums and discounts associated with bond issuance. This amount is deferred and amortized over the life of the related bonds.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position/fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City has only two (2) types of items, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, unavailable revenues are reported only on the governmental funds balance sheet for revenues collected subsequent to sixty (60) days after year end. The governmental funds balance sheet also reports the deferral of property taxes that have been levied on August 1 to support the following year's budget and will be recognized in the following year (in both the government-wide and fund financial statements). These amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available.

19. Property Tax

The City bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are assessed as of December 31, and the related property taxes become a lien on that date. These taxes are billed by the City the following August 1, are due and payable without penalty through September 30, with the final collection date of February 28 before they are added to the county tax rolls.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

19. Property Tax - continued

The 2013 taxable valuation of the City totaled \$181,647,425, on which ad valorem taxes levied consisted of 13.0581 mills (\$13.0581 per \$1,000 of taxable valuation) for general governmental services; 1.0000 mills (\$1.00 per \$1,000 of taxable valuation) for pension cost; 2.3842 mills (\$2.3842 per \$1,000 of taxable valuation) for debt service; and 0.4698 (\$0.4698 per \$1,000 of taxable valuation) for storm water.

Property taxes billed during the month of August will be used to finance the following year's operations. As such, these taxes are recorded as a deferred inflow of resources in each respective fund at September 30.

20. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City's cash, cash equivalents, and investments consist of a common checking account, various savings and checking accounts, pooled investment accounts, certificates of deposit maintained by individual funds, and investments in U.S. government securities and are reported as cash and cash equivalents or investments on the basic financial statements.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State of the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the City Council is in accordance with the above mentioned requirements. The City's deposits and investments have been made in accordance with statutory authority.

City of St. Clair

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Deposits

As of September 30, 2014, the carrying amounts and bank balances for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 4,833,222	\$ 4,868,183
Certificates of deposit	814,411	814,411
FIDUCIARY FUNDS		
Checking	4,492,867	4,119,430
COMPONENT UNIT		
Checking	<u>4,660</u>	<u>4,660</u>
TOTAL REPORTING ENTITY	<u><u>\$ 10,145,160</u></u>	<u><u>\$ 9,806,684</u></u>

The primary government cash and cash equivalents caption on the basic financial statements included \$1,300 of imprest cash.

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of September 30, 2014, the City accounts were insured by the FDIC for \$1,232,926 and the amount of \$8,573,758 was uninsured and uncollateralized.

Investments

As of September 30, 2014, the City had the following investments:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>S&P/ Moody Rating</u>	<u>Weighted Average Maturity</u>
Uninsured and unregistered for which the securities are held by the counterparty, or by the counterparty's trust department or agent, in the City's name				
Uncategorized pooled investment funds	\$ 879,928	\$ 879,928	AAAm	51 days
U.S. Government securities				
Federal National Mortgage Association	416	416	AA+/AAA	5.71 years
Federal Home Loan Bank	1,221,485	1,221,485	AA+/AAA	9.49 years
Corporate bonds				
General Electric	749,359	749,359	A1+/P1	0.5 years
Taxable municipal bonds				
Michigan State	<u>30,679</u>	<u>30,679</u>	AA-/AA2	1.09 years
	<u><u>\$ 2,881,867</u></u>	<u><u>\$ 2,881,867</u></u>		

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of September 30, 2014, rating information on the City's investments is presented above.

Interest Rate Risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements. The City's investment policy does not restrict investment maturities, other than commercial paper which is limited to no more than a 270 day maturity. The average maturities of investments are noted above.

Concentration of Credit Risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Council and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business in accordance with Council approved policy.

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the basic financial statements, based on criteria disclosed in Note A. The following summarizes the categorization of these amounts as of September 30, 2014.

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 5,714,034	\$ 4,660	\$ 4,492,867	\$ 10,211,561
Investments - current	1,376,678	-	-	1,376,678
Investments - noncurrent	1,440,088	-	-	1,440,088
	<u>\$ 8,530,800</u>	<u>\$ 4,660</u>	<u>\$ 4,492,867</u>	<u>\$ 13,028,327</u>

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

City of St. Clair

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE C: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and enterprise funds have been eliminated.

Transfers to General Fund from:	
Nonmajor governmental funds	\$ 4,500
Sewer Fund	17,043
Water Fund	<u>17,043</u>
	<u>\$ 38,586</u>
Transfers to Major Street Fund from:	
General Fund	<u>\$ 75,000</u>
Transfer to nonmajor governmental funds from:	
General Fund	<u>\$ 471,651</u>
Transfers to nonmajor enterprise funds from:	
General Fund	<u>\$ 41,935</u>

Transfers were used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE D: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between funds of the primary government at September 30, 2014.

Advance from Sewer Fund to:	
General Fund	<u>\$ 199,600</u>

The advances were made to finance capital acquisitions.

City of St. Clair

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

Primary Government

	Balance Oct. 1, 2013	Additions	Deletions	Balance Sept. 30, 2014
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,779,578	\$ -	\$ -	\$ 2,779,578
Capital assets being depreciated				
Buildings and improvements	4,882,844	5,340	-	4,888,184
Equipment	2,211,864	14,521	-	2,226,385
Furniture and fixtures	347,173	-	-	347,173
Infrastructure	4,093,849	-	-	4,093,849
Site improvements	2,776,938	-	-	2,776,938
Vehicles	1,324,790	165,935	(25,245)	1,465,480
Total capital assets being depreciated	15,637,458	185,796	(25,245)	15,798,009
Less accumulated depreciation for:				
Buildings and improvements	(2,264,776)	(92,455)	-	(2,357,231)
Equipment	(1,945,196)	(78,057)	-	(2,023,253)
Furniture and fixtures	(334,545)	(9,643)	-	(344,188)
Infrastructure	(618,252)	(107,887)	-	(726,139)
Site improvements	(1,496,598)	(121,770)	-	(1,618,368)
Vehicles	(1,171,590)	(41,879)	18,671	(1,194,798)
Total accumulated depreciation	(7,830,957)	(451,691)	18,671	(8,263,977)
Net capital assets being depreciated	7,806,501	(265,895)	(6,574)	7,534,032
Capital assets, net	\$ 10,586,079	\$ (265,895)	\$ (6,574)	\$ 10,313,610
	Balance Oct. 1, 2013	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Sept. 30, 2014
Business-type activities				
Capital assets not being depreciated				
Land	\$ 581,764	\$ -	\$ -	\$ 581,764
Construction in process	72,872	25,242	(72,872)	25,242
Total capital assets not being depreciated	654,636	25,242	(72,872)	607,006
Capital assets being depreciated				
Buildings and improvements	8,766,071	6,455	-	8,772,526
Equipment	1,069,566	25,929	-	1,095,495
Sewer	14,261,605	292,210	-	14,553,815
Site improvements	4,062,627	22,478	-	4,085,105
Vehicles	35,040	-	-	35,040
Water system	4,487,631	-	-	4,487,631
Total capital assets being depreciated	32,682,540	347,072	-0-	33,029,612

City of St. Clair

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - Continued

	Balance Oct. 1, 2013	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Sept. 30, 2014
Business-type activities - continued				
Less accumulated depreciation for:				
Buildings and improvements	\$ (5,207,469)	\$ (182,866)	\$ -	\$ (5,390,335)
Equipment	(763,209)	(50,188)	-	(813,397)
Sewer	(4,385,057)	(336,446)	-	(4,721,503)
Site improvements	(1,356,612)	(154,913)	-	(1,511,525)
Vehicles	(35,040)	-	-	(35,040)
Water system	(2,649,073)	(82,111)	-	(2,731,184)
	<u>(14,396,460)</u>	<u>(806,524)</u>	<u>-0-</u>	<u>(15,202,984)</u>
Total accumulated depreciation				
Net capital assets being depreciated	<u>18,286,080</u>	<u>(459,452)</u>	<u>-0-</u>	<u>17,826,628</u>
Capital assets, net	<u>\$ 18,940,716</u>	<u>\$ (434,210)</u>	<u>\$ (72,872)</u>	<u>\$ 18,433,634</u>

The current depreciation expense of the governmental activities of \$451,691 has been adjusted by \$6,574 for the loss on disposal of capital assets during the period, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Depreciation expense for the governmental and business-type activities was charged to the following functions and activities of the primary government:

	Governmental Activities	Business-type Activities
General government	\$ 71,471	\$ -
Public safety	43,052	-
Public works	236,448	-
Recreation and culture	107,294	-
Sewer	-	457,053
Water	-	139,673
Harbor	-	180,899
Municipal golf course	-	28,899
	<u>\$ 458,265</u>	<u>\$ 806,524</u>

City of St. Clair

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended September 30, 2014.

	Balance Oct. 1, 2013	Additions	Deletions	Balance Sept. 30, 2014	Amounts Due Within One Year
Primary Government					
Governmental Activities					
1999 Building Authority Bonds	\$ 170,000	\$ -	\$ (85,000)	\$ 85,000	\$ 85,000
2004 Community Dev. Block Grant Loan Payable	500,000	-	(100,000)	400,000	100,000
2005 G/O Unlimited Tax Bonds	1,725,000	-	(385,000)	1,340,000	415,000
Compensated absences	273,609	98,992	(168,264)	204,337	125,663
Total Governmental Activities	2,668,609	98,992	(738,264)	2,029,337	725,663
Business-type Activities					
2002 State Revolving Fund Bonds	2,758,287	-	(250,000)	2,508,287	255,000
2002 Capital Improvement Bonds	245,000	-	(25,000)	220,000	25,000
2004 G/O Refunding Bonds	85,000	-	(85,000)	-0-	-
2007 Capital Improvement Bonds	495,000	-	(30,000)	465,000	30,000
2012 State Revolving Fund Bonds	1,143,988	393,544	(70,000)	1,467,532	75,000
Compensated absences	112,491	35,586	(92,531)	55,546	45,690
Total Business-type Activities	4,839,766	429,130	(552,531)	4,716,365	430,690
Total Primary Government	\$ 7,508,375	\$ 528,122	\$ (1,290,795)	\$ 6,745,702	\$ 1,156,353

Significant details regarding outstanding long-term debt (including current portion) are presented below:

General Obligation Bonds

GOVERNMENTAL ACTIVITIES

\$995,000 Building Authority Bonds, Series 1999, dated June 1, 1999, due in an annual installments of \$85,000 through November 1, 2014, with interest ranging of 4.625 percent, payable semi-annually.	\$ 85,000
\$1,000,000 Community Development Block Grant dated September 30, 2004. Grant was converted to a loan in October 2008, due in quarterly installments of \$25,000 starting November 1, 2008 through August 1, 2018, with no interest.	400,000
\$3,455,000 Unlimited Tax Bonds dated June 6, 2005, due in annual installments ranging from \$415,000 to \$480,000 through November 1, 2016, with interest ranging from 3.40 to 3.60 percent, payable semi-annually.	1,340,000
Total governmental activities	1,825,000

City of St. Clair

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE F: LONG-TERM DEBT - CONTINUED

General Obligation Bonds - Continued

BUSINESS-TYPE ACTIVITIES

\$4,948,287 State Revolving Fund Bonds dated October 1, 2002, due in annual installments ranging from \$250,000 to \$308,287 through October 1, 2023, with interest of 2.50 percent, payable semi-annually.	\$ 2,508,287
\$410,000 Capital Improvement Bonds dated October 1, 2002, due in annual installments ranging from \$25,000 to \$30,000 through October 1, 2022, with interest ranging from 3.90 to 4.70 percent, payable semi-annually.	220,000
\$650,000 Refunding Water Bonds dated January 1, 2007, due in annual installments ranging from \$30,000 to \$50,000 through October 1, 2026, with interest ranging from 4.00 to 4.50 percent, payable semi-annually.	465,000
\$1,845,000 State Revolving Fund Bonds dated September 18, 2012, due in annual installments ranging from \$75,000 to \$115,000 through April 1, 2033, with interest of 2.50 percent on the outstanding balance, payable semi-annually. The City draws on the bonds as project expenditures are submitted and a maturity schedule will be set upon the projects completion.	<u>1,467,532</u>
Total business-type activities	<u>4,660,819</u>
	<u>\$ 6,485,819</u>

Annual Requirements for Bonded Debt and Installment Loans

The annual requirement to pay the debt principal and interest outstanding for the following bonds and loans is as follows:

Primary Government

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 600,000	\$ 41,875	\$ 310,000	\$ 90,910
2016	545,000	25,068	315,000	82,346
2017	580,000	8,640	320,000	73,628
2018	100,000	-	330,000	64,631
2019	-	-	340,000	55,240
2020-2024	-	-	1,478,287	126,747
2025-2026	-	-	100,000	4,475
	<u>\$ 1,825,000</u>	<u>\$ 75,583</u>	<u>\$ 3,193,287</u>	<u>\$ 497,977</u>

Outstanding principal and interest on the 2012 State Revolving Fund Bonds have been excluded from the schedules above because the periodic principal maturities are not specific other than the final due date and/or the interest is variable and calculated through the date of payment.

City of St. Clair

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE G: RETIREMENT PLAN

Plan Description

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the City Council and by negotiations with the City collective bargaining units. The plan requires employee contributions based on the employee division.

Annual Pension Cost

For year ended September 30, 2014, the City's annual pension cost of \$509,431 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return (b) projected salary increases of 4.5 percent per year plus a percentage based on an age-related scale to reflect merit, longevity, and promotional pay increases (c) 2.5 percent per year cost of living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a ten (10) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of twenty-five (25) years.

Three (3) year trend information

	As of December 31,		
	2011	2012	2013
Actuarial value of assets	\$ 11,952,482	\$ 12,304,714	\$ 12,708,574
Actuarial accrued liability (AAL) (entry age)	17,412,701	18,008,127	19,172,728
Unfunded AAL	5,460,219	5,703,413	6,464,154
Funded ratio	69%	68%	66%
Covered payroll	\$ 1,894,114	\$ 1,750,090	\$ 1,593,354
UAAL as a percentage of covered payroll	288%	326%	406%

	Year Ended September 30,		
	2012	2013	2014
Annual pension cost	\$ 503,248	\$ 505,980	\$ 509,431
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

This trend information was obtained from the most recently issued actuarial reports.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE H: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City provides post-employment health care benefits in accordance with labor contracts and personnel policies of the City to administrative and AFL-CIO employees who retire on or after age 55 with at least 25 years of service, to police employees who retire on or after age 50 with at least 25 years of service. Otherwise, all employees are eligible within each division if they retire on or before the age of 60 with 10 years of service. The City pays 100% of the health insurance premiums for police and 80% of all others. Expenditures for the premiums are paid and recognized as they become due. Currently, the plan has 26 active members and 25 retirees and beneficiaries receiving benefits. The plan does not issue a separate stand-alone financial statement.

Funding Policy and Funding Progress

The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (i.e., may be financed on a "pay-as-you-go" basis). The only current contributions being made are to pay the actual current premiums of the retirees. That amount was less than the annual required contribution and is reflected in the schedule below.

For the year ended September 30, 2014, the City has determined an estimated cost of providing retiree post-employment benefits through an actuarial valuation as of September 30, 2013. The annual required contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. For the year ended September 30, 2014, the City made payments for retiree health benefit premiums of \$265,268.

The County's computed contribution and actual funding is summarized as follows:

Annual required contribution (ARC)	\$ 306,058
Interest on net OPEB obligation	25,179
Adjustment to annual required contribution	<u>(19,294)</u>
Annual OPEB cost (expense)	311,943
Amounts contributed:	
Payments of current premiums (gross of employee reimbursement)	<u>265,268</u>
Increase in net OPEB obligation	46,675
OPEB obligation - beginning of year	<u>559,535</u>
OPEB obligation - end of year	<u>\$ 606,210</u>

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the year ended September 30, 2014, was as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Annual OPEB cost	\$ 341,654	\$ 311,789	\$ 311,943
Percentage contributed	60%	78%	85%
Net OPEB obligation	\$ 491,222	\$ 559,535	\$ 606,210

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

The current funding progress of the plan as of September 30, 2013, the most recent valuation date, is as follows:

	<u>2009</u>	<u>2013</u>
Actuarial value of assets	\$ -	\$ -
Actuarial accrued liability (AAL)	4,482,757	3,948,012
Unfunded AAL (UAAL)	4,482,757	3,948,012
Funded ratio	0%	0%
Annual covered payroll	\$ 2,153,061	\$ 2,233,523
Ratio of UAAL to covered payroll	208%	177%

Actuarial Methods and Assumptions

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

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

In the September 30, 2013, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8 percent initially, reduced by increments to an ultimate rate of 4.5 percent after 10 years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a four-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2013, was 30 years.

NOTE I: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal League Liability and Property Pool, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessment being required.

The City also participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of that specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessment being required.

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE J: FUND DEFICITS

The following fund had fund balance deficit at September 30, 2014:

Nonmajor Governmental Funds	
Reserved Pension Tax Levy Fund	<u>\$ 94,236</u>

NOTE K: RESTRICTED NET POSITION

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net position restrictions as of September 30, 2014.

PRIMARY GOVERNMENT	
Governmental activities	
Nonexpendable cemetery principal	\$ 202,258
Streets	591,698
Expendable library trust	45,254
Building department	24,964
Debt service	233,283
Capital projects	357,454
Equity interest in joint venture	515,412
Other	<u>219,921</u>
	<u>\$ 2,190,244</u>
Business-type activities	
Debt service	\$ 1,491
Asset replacement	<u>340,000</u>
	<u>\$ 341,491</u>

NOTE L: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following is the five classifications under this standard.

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

City of St. Clair

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE L: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the City's highest level of decision-making authority is the City Council. The formal action that is required to be taken to establish a fund balance commitment is a council resolution.

For assigned fund balance, the City Council is authorized to assign amounts to a specific purpose. The authorization is delegated by the City Council to the City's Superintendent.

For the classification of fund balances, the City considers restricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the City considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

	General Fund	Major Street	2005 Road Construction Bond	Nonmajor Governmental Funds	Total
Fund balances					
Nonspendable					
Prepays	\$ 278,920	\$ 6,206	\$ -	\$ 6,807	\$ 291,933
Cemetery trust	-	-	-	202,258	202,258
Restricted					
Streets	-	332,201	-	216,090	548,291
Trunkline maintenance	-	-	-	30,394	30,394
Library trust	-	-	-	45,254	45,254
Building department	-	-	-	24,964	24,964
Urban development action grant	-	-	-	60,448	60,448
Cable programming	-	-	-	159,473	159,473
Debt service	-	-	231,377	23,112	254,489
Capital projects	-	-	-	357,454	357,454
Assigned					
Debt service	86,966	-	-	-	86,966
Industrial Park debt	400,000	-	-	-	400,000
Pension benefits	90,698	-	-	-	90,698
Other post-employment benefits	888,679	-	-	-	888,679
Compensated absences	259,884	-	-	-	259,884
County tax project	91,538	-	-	-	91,538
Historical Commission	18,672	-	-	-	18,672
MacDonald Memorial	20,000	-	-	-	20,000
Police	6,811	-	-	-	6,811
Recreation	29,303	-	-	-	29,303
Capital projects	381,775	-	-	-	381,775
Unassigned	614,521	-	-	(94,236)	520,285
TOTAL FUND BALANCES	\$ 3,167,767	\$ 338,407	\$ 231,377	\$ 1,032,018	\$ 4,769,569

City of St. Clair

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE M: CONTRACT COMMITMENTS

The City has entered into contracts related to sewer projects throughout the City that were not completed at September 30, 2014. The total contractual commitments outstanding at September 30, 2014, totaled \$196,558. The City's fund balances, along with future anticipated investment earnings, are expected to be sufficient to cover these commitments.

NOTE N: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the City's 2014-2015 fiscal year.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. The statement addresses an issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of GASB Statement No. 68. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2014-2015 fiscal year.

In March 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the 2015-16 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

City of St. Clair

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes				
Property taxes	\$ 2,402,739	\$ 2,402,739	\$ 2,363,021	\$ (39,718)
Penalties and interest	27,000	27,000	23,326	(3,674)
Administration fees	84,738	84,738	79,174	(5,564)
Total taxes	2,514,477	2,514,477	2,465,521	(48,956)
Licenses and permits				
Business licenses and permits	3,555	3,555	3,845	290
Nonbusiness licenses and permits	4,740	4,740	6,372	1,632
CATV franchise fees	108,610	108,610	116,040	7,430
Total licenses and permits	116,905	116,905	126,257	9,352
State grants				
Liquor license fees	4,500	4,500	4,589	89
State revenue sharing - sales tax	459,017	459,017	460,796	1,779
Police	2,000	2,000	5,684	3,684
Other	-	-	3,801	3,801
Total state grants	465,517	465,517	474,870	9,353
Charges for services				
Cemetery	22,966	22,966	21,489	(1,477)
Copies	190	190	25	(165)
Police services and reports	500	500	849	349
Charges to other funds	174,500	174,500	171,644	(2,856)
Other fees	18,200	18,200	9,608	(8,592)
Total charges for services	216,356	216,356	203,615	(12,741)
Fines and forfeits				
Court fines	8,237	8,237	7,102	(1,135)
Other	2,185	2,185	100	(2,085)
Total fines and forfeits	10,422	10,422	7,202	(3,220)
Investment earnings and rents				
Investment earnings	45,020	45,020	62,759	17,739
Rents	40,678	40,678	50,441	9,763
Total investment earnings and rents	85,698	85,698	113,200	27,502

City of St. Clair

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES - CONTINUED				
Other revenue				
Sales of historical books	\$ 1,200	\$ 1,200	\$ 874	\$ (326)
Cemetery lots/perpetual care	13,525	13,525	11,100	(2,425)
Contribution and donations	29,600	29,600	57,464	27,864
Reimbursements	27,987	27,987	41,123	13,136
Miscellaneous	7,956	7,958	11,364	3,406
Total other revenue	80,268	80,270	121,925	41,655
TOTAL REVENUES	3,489,643	3,489,645	3,512,590	22,945
EXPENDITURES				
Current				
General government				
City council	40,366	39,367	35,955	3,412
Superintendent	19,389	18,999	17,291	1,708
Elections	19,395	15,896	15,010	886
Accounting	100,740	98,741	93,044	5,697
Assessor	48,003	68,003	64,379	3,624
Clerk	81,251	135,500	131,638	3,862
Board of review	3,000	1,600	1,580	20
General administration	57,943	40,000	37,583	2,417
Treasurer	64,804	68,804	67,856	948
Cemetery	80,646	66,000	60,747	5,253
Community forestry and tree maintenance	37,072	27,072	25,212	1,860
Beautification	15,500	26,000	24,617	1,383
Community promotion	17,550	17,050	16,982	68
Building and grounds	182,400	140,300	139,865	435
Charging stations	250	820	820	-0-
Total general government	768,309	764,152	732,579	31,573
Public safety				
Police	855,069	854,643	854,684	(41)
Fire	255,645	252,391	252,501	(110)
Total public safety	1,110,714	1,107,034	1,107,185	(151)
Public works				
Public works	121,572	116,572	111,549	5,023
Street lighting	122,000	122,000	120,368	1,632
Total public works	243,572	238,572	231,917	6,655

City of St. Clair

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Health and welfare				
Senior citizens	\$ 27,723	\$ 24,223	\$ 24,153	\$ 70
Community and economic development				
Economic development	17,750	12,000	11,970	30
Planning	18,277	10,900	9,541	1,359
Total community and economic development	36,027	22,900	21,511	1,389
Recreation and cultural				
Parks	158,131	160,131	156,086	4,045
Library	9,565	8,415	7,281	1,134
Community center	19,900	19,900	23,349	(3,449)
Total recreational and cultural	187,596	188,446	186,716	1,730
Other				
Fringe benefits	309,429	330,700	362,784	(32,084)
Insurance	46,500	48,000	47,925	75
Other	12,000	21,100	15,150	5,950
Total other	367,929	399,800	425,859	(26,059)
Debt service	100,000	100,000	100,000	-0-
TOTAL EXPENDITURES	2,841,870	2,845,127	2,829,920	15,207
EXCESS OF REVENUES OVER EXPENDITURES	647,773	644,518	682,670	38,152
OTHER FINANCING SOURCES (USES)				
Transfers in	4,500	4,500	4,500	-0-
Transfers out	(652,273)	(658,527)	(658,527)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	(647,773)	(654,027)	(654,027)	-0-
Net change in fund balance (prior to adjustment for GASB Statement No. 54)	\$ -0-	\$ (9,509)	28,643	\$ 38,152
Adjustment for GASB Statement No. 54			15,562	
Net change in fund balance, end of year			\$ 44,205	

City of St. Clair

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 453,517	\$ 453,517	\$ 451,478	\$ (2,039)
Intergovernmental				
Federal/State	246,562	246,562	356,834	110,272
Local	37,705	37,705	4,668	(33,037)
Interest	-	-	42	42
Other revenue	-	-	50,000	50,000
TOTAL REVENUES	737,784	737,784	863,022	125,238
EXPENDITURES				
Current				
Public works	262,953	262,954	234,899	28,055
Debt Service				
Principal	385,000	385,000	385,000	-0-
Interest	53,928	53,928	53,965	(37)
Capital outlay	105,000	105,000	1,918	103,082
TOTAL EXPENDITURES	806,881	806,882	675,782	131,100
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(69,097)	(69,098)	187,240	256,338
OTHER FINANCING SOURCES				
Transfers in	75,000	75,000	75,000	-0-
NET CHANGE IN FUND BALANCE	5,903	5,902	262,240	256,338
Fund balance, beginning of year	76,167	76,167	76,167	-0-
Fund balance, end of year	<u>\$ 82,070</u>	<u>\$ 82,069</u>	<u>\$ 338,407</u>	<u>\$ 256,338</u>

City of St. Clair

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended September 30, 2014

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the body of the required supplementary financial statements, the City's budgeted expenditures in the General Fund have been adopted and reported at the functional classification level, and the City's budgeted expenditures in the Special Revenue Funds have been adopted and reported at the total fund level. During the year ended September 30, 2014 the City incurred expenditures in the General Fund and Reserved Pension Tax Levy Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Public safety	\$ 1,107,034	\$ 1,107,185	\$ 151
Other	399,800	425,859	26,059
Reserved Pension Tax Levy Fund	332,848	403,489	70,641

NOTE B: BUDGET/GAAP RECONCILIATION

The City of St. Clair budgets the activities of the Recreation and OPEB Funds separately from the General Fund. For financial reporting purposes and the GAAP-basis basic financial statements, however, the activities of the above mentioned funds are combined with the General Fund as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The budgetary perspective difference shown on the General Fund Budgetary Comparison Schedule (Non-GAAP budgetary basis) reconciles the change in fund balance to the GAAP-basis basic financial statements and the detail related to these amounts are as follows:

Net change in fund balance (Budgetary Basis)	\$ 28,643
Net change in fund balance related to:	
Recreation Fund	(21,933)
OPEB Fund	<u>37,495</u>
Net actual change in fund balance (GAAP Basis)	<u>\$ 44,205</u>

OTHER SUPPLEMENTARY INFORMATION

City of St. Clair
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 September 30, 2014

	Special		
	Local Street Fund	Trunkline Maintenance Fund	Library Fund
ASSETS			
Cash and cash equivalents	\$ 200,635	\$ 1,418	\$ 45,254
Investments	-	-	-
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Accrued interest receivable	-	-	-
Due from other governmental units	17,558	41,245	-
Prepays	6,807	-	-
TOTAL ASSETS	\$ 225,000	\$ 42,663	\$ 45,254
LIABILITIES			
Accounts payable	\$ 484	\$ 751	\$ -
Accrued liabilities	1,619	11,518	-
Deposits payable	-	-	-
TOTAL LIABILITIES	2,103	12,269	-0-
DEFERRED INFLOWS OF RESOURCES			
Taxes levied for subsequent period	-	-	-
FUND BALANCES (DEFICITS)			
Nonspendable	6,807	-	-
Restricted	216,090	30,394	45,254
Unassigned	-	-	-
TOTAL FUND BALANCES (DEFICITS)	222,897	30,394	45,254
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 225,000	\$ 42,663	\$ 45,254

Revenue				Debt Service	
Building Department Fund	Urban Development Action Grant Fund	Cable Programming Fund	Reserved Pension Tax Levy Fund	1999 Building Authority Bond Fund	1994 Road Construction Bond Fund
\$ 36,640	\$ 60,448	\$ 160,870	\$ 19,711	\$ 1,550	\$ 13,543
-	-	-	-	-	-
-	-	2,000	-	-	-
-	-	-	106,843	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 36,640</u>	<u>\$ 60,448</u>	<u>\$ 162,870</u>	<u>\$ 126,554</u>	<u>\$ 1,550</u>	<u>\$ 13,543</u>
\$ 2,304	\$ -	\$ 3,397	\$ 36,968	\$ -	\$ -
2,672	-	-	-	-	-
6,700	-	-	-	-	-
11,676	-0-	3,397	36,968	-0-	-0-
-	-	-	183,822	-	-
-	-	-	-	-	-
24,964	60,448	159,473	-	1,550	13,543
-	-	-	(94,236)	-	-
<u>24,964</u>	<u>60,448</u>	<u>159,473</u>	<u>(94,236)</u>	<u>1,550</u>	<u>13,543</u>
<u>\$ 36,640</u>	<u>\$ 60,448</u>	<u>\$ 162,870</u>	<u>\$ 126,554</u>	<u>\$ 1,550</u>	<u>\$ 13,543</u>

City of St. Clair
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET - CONTINUED
 September 30, 2014

	<u>Debt Service</u>		<u>Capital</u>
	<u>1997 Road Construction Bond Fund</u>	<u>2004 Building Authority Bond Fund</u>	<u>Special Assessment Revolving Fund</u>
ASSETS			
Cash and cash equivalents	\$ 7,927	\$ 92	\$ 355,063
Investments	-	-	-
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Accrued interest receivable	-	-	-
Due from other governmental units	-	-	-
Prepays	-	-	-
TOTAL ASSETS	<u>\$ 7,927</u>	<u>\$ 92</u>	<u>\$ 355,063</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Deposits payable	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
DEFERRED INFLOWS OF RESOURCES			
Taxes levied for subsequent period	-	-	-
FUND BALANCES (DEFICITS)			
Nonspendable	-	-	-
Restricted	7,927	92	355,063
Unassigned	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>7,927</u>	<u>92</u>	<u>355,063</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	<u>\$ 7,927</u>	<u>\$ 92</u>	<u>\$ 355,063</u>

Projects	Permanent Fund	Total Nonmajor Governmental Funds
1994 Special Assessment Fund	Cemetery Perpetual Care Fund	
\$ 2,430	\$ 201,839	\$ 1,107,420
-	416	416
27	-	2,027
-	-	106,843
-	3	3
-	-	58,803
-	-	6,807
<u>\$ 2,457</u>	<u>\$ 202,258</u>	<u>\$ 1,282,319</u>
\$ 66	\$ -	\$ 43,970
-	-	15,809
-	-	6,700
66	-0-	66,479
-	-	183,822
-	202,258	209,065
2,391	-	917,189
-	-	(94,236)
<u>2,391</u>	<u>202,258</u>	<u>1,032,018</u>
<u>\$ 2,457</u>	<u>\$ 202,258</u>	<u>\$ 1,282,319</u>

City of St. Clair

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended September 30, 2014

	Special		
	Local Street Fund	Trunkline Maintenance Fund	Library Fund
REVENUES			
Property taxes	\$ 29,133	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	111,151	59,271	-
Charges for services	-	-	-
Net (decrease) in the fair value of investments	-	-	-
Other revenue	3,607	-	170
TOTAL REVENUES	143,891	59,271	170
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	248,083	57,828	-
Recreation and cultural	-	-	352
Debt service			
Principal	-	-	-
Interest and fiscal fees	-	-	-
Capital outlay	5,107	-	-
TOTAL EXPENDITURES	253,190	57,828	352
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(109,299)	1,443	(182)
OTHER FINANCING SOURCES (USES)			
Transfers in	180,000	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	180,000	-0-	-0-
NET CHANGE IN FUND BALANCES	70,701	1,443	(182)
Fund balances (deficits), beginning of year	152,196	28,951	45,436
Fund balances (deficits), end of year	<u>\$ 222,897</u>	<u>\$ 30,394</u>	<u>\$ 45,254</u>

Revenue				Debt Service	
Building Department Fund	Urban Development Action Grant Fund	Cable Programming Fund	Reserved Pension Tax Levy Fund	1999 Building Authority Bond Fund	1994 Road Construction Bond Fund
\$ -	\$ -	\$ -	\$ 183,462	\$ -	\$ -
46,511	-	111,969	-	-	-
-	-	7,760	-	-	-
3,753	-	18,590	-	-	-
-	-	-	-	-	-
427	-	-	-	-	-
50,691	-0-	138,319	183,462	-0-	-0-
-	-	-	42,464	-	-
73,290	-	-	178,555	-	-
-	-	-	166,400	-	-
-	-	100,750	16,070	-	-
-	-	-	-	85,000	-
-	-	-	-	5,897	-
-	-	4,048	-	-	-
73,290	-0-	104,798	403,489	90,897	-0-
(22,599)	-0-	33,521	(220,027)	(90,897)	-0-
28,500	-	14,000	158,254	90,897	-
-	-	-	-	-	-
28,500	-0-	14,000	158,254	90,897	-0-
5,901	-0-	47,521	(61,773)	-0-	-0-
19,063	60,448	111,952	(32,463)	1,550	13,543
<u>\$ 24,964</u>	<u>\$ 60,448</u>	<u>\$ 159,473</u>	<u>\$ (94,236)</u>	<u>\$ 1,550</u>	<u>\$ 13,543</u>

City of St. Clair

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - CONTINUED

Year Ended September 30, 2014

	Debt Service		Capital
	1997 Road Construction Bond Fund	2004 Building Authority Bond Fund	Special Assessment Revolving Fund
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Net (decrease) in the fair value of investments	-	-	-
Other revenue	-	-	-
TOTAL REVENUES	-0-	-0-	-0-
EXPENDITURES			
Current			
General government	-	-	298
Public safety	-	-	-
Public works	-	-	-
Recreation and cultural	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal fees	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	-0-	-0-	298
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	(298)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	-0-	-0-	(298)
Fund balances (deficits), beginning of year	7,927	92	355,361
Fund balances (deficits), end of year	\$ 7,927	\$ 92	\$ 355,063

<u>Projects</u>	<u>Permanent Fund</u>	
1994 Special Assessment Fund	Cemetery Perpetual Care Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 212,595
-	-	158,480
-	-	178,182
-	-	22,343
-	(456)	(456)
-	225	4,429
-0-	(231)	575,573
-	-	42,762
-	-	251,845
405	-	472,716
-	-	117,172
-	-	85,000
-	-	5,897
-	-	9,155
405	-0-	984,547
(405)	(231)	(408,974)
-	-	471,651
-	(4,500)	(4,500)
-0-	(4,500)	467,151
(405)	(4,731)	58,177
2,796	206,989	973,841
<u>\$ 2,391</u>	<u>\$ 202,258</u>	<u>\$ 1,032,018</u>

City of St. Clair

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION

September 30, 2014

	Municipal Golf Course Fund	Rubbish and Garbage Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 19,823	\$ 72,786	\$ 92,609
Accounts receivable	-	51,041	51,041
Total current assets	19,823	123,827	143,650
Noncurrent assets			
Capital assets not being depreciated	272,712	-	272,712
Capital assets, net of accumulated depreciation	296,683	-	296,683
Total noncurrent assets	569,395	-0-	569,395
TOTAL ASSETS	589,218	123,827	713,045
LIABILITIES			
Current liabilities			
Accounts payable	4,271	27,261	31,532
Accrued liabilities	5,975	-	5,975
Unearned revenue	1,865	-	1,865
TOTAL LIABILITIES	12,111	27,261	39,372
NET POSITION			
Investment in capital assets	569,395	-	569,395
Unrestricted	7,712	96,566	104,278
TOTAL NET POSITION	\$ 577,107	\$ 96,566	\$ 673,673

City of St. Clair

Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended September 30, 2014

	Municipal Golf Course Fund	Rubbish and Garbage Fund	Total
OPERATING REVENUES			
Charges for services	\$ 197,112	\$ 253,682	\$ 450,794
Penalties	-	6,664	6,664
Other revenue	380	-	380
TOTAL OPERATING REVENUES	197,492	260,346	457,838
OPERATING EXPENSES			
Personnel	90,469	-	90,469
Fringe benefits	7,231	-	7,231
Supplies	30,057	631	30,688
Contractual services	9,533	324,153	333,686
Telephone	1,442	-	1,442
Dues and membership fees	436	-	436
Insurance	1,397	-	1,397
Utilities	12,977	-	12,977
Repair and maintenance	11,424	-	11,424
Equipment rental	2,650	-	2,650
Other	1,371	-	1,371
Depreciation	28,899	-	28,899
TOTAL OPERATING EXPENSES	197,886	324,784	522,670
OPERATING (LOSS)	(394)	(64,438)	(64,832)
NONOPERATING REVENUES			
Interest income	220	-	220
Rental income	31,595	-	31,595
TOTAL NONOPERATING REVENUES	31,815	-0-	31,815
INCOME (LOSS) BEFORE TRANSFERS	31,421	(64,438)	(33,017)
TRANSFERS			
Transfers in	41,935	-	41,935
CHANGE IN NET POSITION	73,356	(64,438)	8,918
Net position, beginning of year	503,751	161,004	664,755
Net position, end of year	<u>\$ 577,107</u>	<u>\$ 96,566</u>	<u>\$ 673,673</u>

City of St. Clair

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2014

	Municipal Golf Course Fund	Rubbish and Garbage Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 197,546	\$ 256,092	\$ 453,638
Cash paid to suppliers	(88,233)	(324,271)	(412,504)
Cash paid for employee benefits	(90,469)	-	(90,469)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	18,844	(68,179)	(49,335)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital purchases	(12,587)	-	(12,587)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
(Payment to) other funds	(18,249)	-	(18,249)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	220	-	220
Rent received	31,595	-	31,595
NET CASH PROVIDED BY INVESTING ACTIVITIES	31,815	-0-	31,815
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,823	(68,179)	(48,356)
Cash and cash equivalents, beginning of year	-	140,965	140,965
Cash and cash equivalents, end of year	<u>\$ 19,823</u>	<u>\$ 72,786</u>	<u>\$ 92,609</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities			
Operating (loss)	\$ (394)	\$ (64,438)	\$ (64,832)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities			
Depreciation	28,899	-	28,899
(Increase) in:			
Accounts receivable	-	(4,254)	(4,254)
Increase (decrease) in:			
Accounts payable	(4,442)	513	(3,929)
Accrued liabilities	(5,273)	-	(5,273)
Unearned revenue	54	-	54
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 18,844	\$ (68,179)	\$ (49,335)

City of St. Clair

Component Unit Funds

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

September 30, 2014

	<u>Governmental Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 181</u>
LIABILITIES	\$ -
FUND BALANCE	
Unassigned	<u> 181</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 181</u></u>

Note: Reconciliation of the governmental fund balance sheet to the statement of net position for this component unit is not required as the fund balance was equal to the net position at September 30, 2014.

City of St. Clair

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended September 30, 2014

	<u>Governmental Fund</u>
REVENUES	
Interest	\$ 34
EXPENDITURES	<u> -</u>
NET CHANGE IN FUND BALANCE	34
Fund balance, beginning of year	<u>147</u>
Fund balance, end of year	<u><u>\$ 181</u></u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of the governmental fund to the statement of activities for the component unit is not required as the net change in fund balance was equal to the change in net position for the year ended September 30, 2014.

City of St. Clair

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

September 30, 2014

	<u>Governmental Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 4,479</u>
LIABILITIES	
Accounts payable	\$ 4,479
FUND BALANCE	
Unassigned	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,479</u>

Note: Reconciliation of the governmental fund balance sheet to the statement of net position for this component unit is not required as the fund balance was equal to the net position at September 30, 2014.

City of St. Clair

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended September 30, 2014

	<u>Governmental Fund</u>
REVENUES	
Other	\$ 12,512
EXPENDITURES	
Current	
Community and economic development	<u>42,159</u>
NET CHANGE IN FUND BALANCE	(29,647)
Fund balance, beginning of year	<u>29,647</u>
Fund balance, end of year	<u>\$ -0-</u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of the governmental fund to the statement of activities for the component unit is not required as the net change in fund balance was equal to the change in net position for the year ended September 30, 2014.

City of St. Clair

Governmental Activities

SCHEDULE OF INDEBTEDNESS

September 30, 2014

1999 BUILDING AUTHORITY BONDS

Issue dated June 1, 1999, in the amount of	\$ 995,000
Less: Principal paid in prior years	(825,000)
Principal paid in current year	<u>(85,000)</u>
Balance payable at September 30, 2014	<u>\$ 85,000</u>

Balance payable as follows:

<u>Fiscal Year Ended</u>	<u>Interest Rate</u>	<u>Principal Due Nov. 1</u>	<u>Interest Due Nov. 1</u>	<u>Interest Due May 1</u>	<u>Total Annual Requirement</u>
2015	4.625%	<u>\$ 85,000</u>	<u>\$ 1,966</u>	<u>\$ -</u>	<u>\$ 86,966</u>

Note: This obligation is paid by the 1999 Building Authority Bond Fund.

2004 COMMUNITY DEVELOPMENT BLOCK GRANT

Issue dated September 30, 2004, in the amount of	\$ 1,000,000
Less: Principal paid in prior years	(500,000)
Principal paid in current year	<u>(100,000)</u>
Balance payable at September 30, 2014	<u>\$ 400,000</u>

Balance payable as follows:

<u>Fiscal Year Ended</u>	<u>Principal Due Nov. 1</u>	<u>Principal Due Feb. 1</u>	<u>Principal Due May 1</u>	<u>Principal Due Aug. 1</u>	<u>Total Annual Requirement</u>
2015	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 100,000
2016	25,000	25,000	25,000	25,000	100,000
2017	25,000	25,000	25,000	25,000	100,000
2018	25,000	25,000	25,000	25,000	100,000
	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 400,000</u>

Note: This obligation is paid by the General Fund.

City of St. Clair

Governmental Activities

SCHEDULE OF INDEBTEDNESS - CONTINUED

September 30, 2014

GENERAL OBLIGATION UNLIMITED TAX BONDS, SERIES 2005

Issue dated June 6, 2005, in the amount of	\$ 3,455,000
Less: Principal paid in prior years	(1,730,000)
Principal paid in current year	<u>(385,000)</u>
Balance payable at September 30, 2014	<u>\$ 1,340,000</u>

Balance payable as follows:

<u>Fiscal Year Ended</u>	<u>Interest Rate</u>	<u>Principal Due Nov. 1</u>	<u>Interest Due Nov. 1</u>	<u>Interest Due May 1</u>	<u>Total Annual Requirement</u>
2015	3.40%	\$ 415,000	\$ 23,482	\$ 16,427	\$ 454,909
2016	3.50%	445,000	16,428	8,640	470,068
2017	3.60%	480,000	8,640	-	488,640
		<u>\$ 1,340,000</u>	<u>\$ 48,550</u>	<u>\$ 25,067</u>	<u>\$ 1,413,617</u>

Note: This obligation is paid by the Major Street Fund.

City of St. Clair

Business-Type Activities

SCHEDULE OF INDEBTEDNESS - CONTINUED

September 30, 2014

STATE REVOLVING FUND BONDS, SERIES 2002

Issue dated October 1, 2002, in the amount of	\$ 4,948,287
Less: Principal paid in prior years	(2,190,000)
Principal paid in current year	<u>(250,000)</u>
Balance payable at September 30, 2014	<u>\$ 2,508,287</u>

Balance payable as follows:

Fiscal Year Ended	Interest Rate	Principal Due Oct. 1	Interest Due Oct. 1	Interest Due Apr. 1	Total Annual Requirement
2016	2.50%	\$ 255,000	\$ 31,354	\$ 31,354	\$ 317,708
2017	2.50%	260,000	28,166	28,166	316,332
2018	2.50%	265,000	24,916	24,916	314,832
2019	2.50%	270,000	21,604	21,604	313,208
2020	2.50%	275,000	18,229	18,229	312,458
2021	2.50%	285,000	14,791	14,791	314,582
2022	2.50%	290,000	11,229	11,229	312,458
2023	2.50%	300,000	7,604	7,604	315,208
2024	2.50%	308,287	3,854	3,854	315,995
		<u>\$ 2,508,287</u>	<u>\$ 161,747</u>	<u>\$ 161,747</u>	<u>\$ 2,832,781</u>

City of St. Clair

Business-Type Activities

SCHEDULE OF INDEBTEDNESS - CONTINUED

September 30, 2014

GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS, SERIES 2002A

Issue dated October 1, 2002, in the amount of	\$ 410,000
Less: Principal paid in prior years	(165,000)
Principal paid in current year	<u>(25,000)</u>
Balance payable at September 30, 2014	<u>\$ 220,000</u>

Balance payable as follows:

<u>Fiscal Year Ended</u>	<u>Interest Rate</u>	<u>Principal Due Oct. 1</u>	<u>Interest Due Oct. 1</u>	<u>Interest Due Apr. 1</u>	<u>Total Annual Requirement</u>
2016	3.90%	\$ 25,000	\$ 4,774	\$ 4,286	\$ 34,060
2017	4.00%	25,000	4,286	3,786	33,072
2018	4.15%	25,000	3,786	3,268	32,054
2019	4.30%	25,000	3,268	2,730	30,998
2020	4.40%	30,000	2,730	2,070	34,800
2021	4.50%	30,000	2,070	1,395	33,465
2022	4.60%	30,000	1,395	705	32,100
2023	4.70%	30,000	705	-	30,705
		<u>\$ 220,000</u>	<u>\$ 23,014</u>	<u>\$ 18,240</u>	<u>\$ 261,254</u>

2004 GENERAL OBLIGATION REFUNDING BONDS (UNLIMITED TAX)

Issue dated February 10, 2004, in the amount of	\$ 830,000
Less: Principal paid in prior years	(745,000)
Principal paid in current year	<u>(85,000)</u>
Balance payable at September 30, 2014	<u>\$ -0-</u>

City of St. Clair

Business-Type Activities

SCHEDULE OF INDEBTEDNESS - CONTINUED

September 30, 2014

GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS, SERIES 2007

Issue dated January 1, 2007, in the amount of	\$ 650,000
Less: Principal paid in prior years	(155,000)
Principal paid in current year	<u>(30,000)</u>
Balance payable at September 30, 2014	<u>\$ 465,000</u>

Balance payable as follows:

Fiscal Year Ended	Interest Rate	Principal Due Oct. 1	Interest Due Oct. 1	Interest Due Apr. 1	Total Annual Requirement
2016	4.00%	\$ 30,000	\$ 9,871	\$ 9,271	\$ 49,142
2017	4.00%	30,000	9,271	8,671	47,942
2018	4.00%	30,000	8,671	8,071	46,742
2019	4.10%	35,000	8,071	7,354	50,425
2020	4.15%	35,000	7,354	6,628	48,982
2021	4.50%	35,000	6,628	5,893	47,521
2022	4.25%	40,000	5,893	5,043	50,936
2023	4.30%	40,000	5,043	4,183	49,226
2024	4.30%	45,000	4,183	3,215	52,398
2025	4.40%	45,000	3,215	2,225	50,440
2026	4.40%	50,000	2,225	1,125	53,350
2027	4.50%	<u>50,000</u>	<u>1,125</u>	<u>-</u>	<u>51,125</u>
		<u>\$ 465,000</u>	<u>\$ 71,550</u>	<u>\$ 61,679</u>	<u>\$ 598,229</u>

STATE REVOLVING FUND BONDS, SERIES 2012

Issued through September 30, 2013, in the amount of	\$ 1,143,988
Plus: Issued in current year	393,544
Less: Principal paid in prior years	-
Principal paid in current year	<u>(70,000)</u>
Balance payable at September 30, 2014	<u>\$ 1,467,532</u>

Note: Outstanding principal and interest on the 2012 State Revolving Fund Bonds have been excluded from the schedules above because the periodic principal maturities are not specific other than the final due date and/or the interest is variable and calculated through the date of payment.

