

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

**FINANCIAL STATEMENTS**

**September 30, 2013**

City of St. Clair  
St. Clair County, Michigan  
September 30, 2013

CITY COUNCIL AND ADMINISTRATION

Bill Cedar Jr.	Mayor
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
Janice Winn	City Clerk

City of St. Clair

TABLE OF CONTENTS

September 30, 2013

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-x
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	5
Statement of Revenues, Expenditures, and Changes in Fund Balances	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Proprietary Funds	
Statement of Net Position	9-10
Statement of Revenues, Expenses, and Changes in Net Position	11-12
Statement of Cash Flows	13-16
Fiduciary Funds	
Statement of Assets and Liabilities	17
Component Unit Financial Statements	
Combining Statement of Net Position	18
Combining Statement of Activities	19
Notes to Financial Statements	20-39
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule (Non-GAAP Basis)	40-42
MAJOR STREET FUND	
Budgetary Comparison Schedule	43
Notes to Required Supplementary Information	44
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	45-48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	49-52
Nonmajor Enterprise Funds	
Combining Statement of Net Position	53
Combining Statement of Revenues, Expenses and Changes in Net Position	54
Combining Statement of Cash Flows	55

City of St. Clair

TABLE OF CONTENTS - CONTINUED

September 30, 2013

Page

OTHER SUPPLEMENTARY INFORMATION - CONTINUED

COMPONENT UNITS

Local Developmental Finance Authority

Balance Sheet

56

Statement of Revenues, Expenditures, and Changes in Fund Balance

57

Downtown Developmental Authority

Balance Sheet

58

Statement of Revenues, Expenditures, and Changes in Fund Balance

59

Schedules of Indebtedness

60-66

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



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, 2013, 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 2.3 percent, 3.5 percent, and 1.0 percent of the assets, net position, and revenues of the governmental activities. 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, 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 as of September 30, 2013, 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.

## **Changes in Accounting Principles**

As discussed in Note O, the City implemented GASB Statement No. 61, *The Financial Reporting Entity Omnibus* during the year. As a result, the criteria for reporting component units as if they were part of the primary government (that is, blending) has been modified. Our opinions are not modified with respect to this matter.

Also discussed in Note O, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year. As a result of this implementation, the format and reporting of the financial statements has been changed to reflect the new presentation as required by GASB Statements No. 63 and No. 65, as applicable. Our opinions are not modified with respect to these matters.

## **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, as identified in the table of contents, is the responsibility of management and was derived from and relate 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 accompanying 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 27, 2014

This section of the City of St. Clair annual report presents our discussion and analysis of the City of St. Clair's financial performance during the year ended September 30, 2013. 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 of St. Clair's management's discussion and analysis of the financial results for the fiscal year ended September 30, 2013.

### **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 of St. Clair 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 of St. Clair'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 of St. Clair's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the City of St. Clair'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 St. Clair'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 of St. Clair charges fees to recover the cost of the services provided. The City of St. Clair 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 of St. Clair Council appoints a majority of the organization's policy board. The City of St. Clair also has a degree of financial accountability for each of these separate organizations. The City of St. Clair 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 of St. Clair 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 of St. Clair's funds are divided into three categories (governmental, proprietary, and fiduciary) and each uses different accounting approaches:

- **Governmental Funds** - Most of the City of St. Clair'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 of St. Clair'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 of St. Clair 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, 2013 and 2012.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Assets</b>						
Current and other assets	\$ 9,228,708	\$ 9,146,267	\$ 2,319,634	\$ 1,874,251	\$ 11,548,342	\$ 11,020,518
Capital assets, net	10,586,079	11,031,253	18,940,716	18,416,753	29,526,795	29,448,006
Total assets	19,814,787	20,177,520	21,260,350	20,291,004	41,075,137	40,468,524
<b>Deferred Outflows of Resources</b>	-	-	10,849	-	10,849	-0-
<b>Liabilities</b>						
Current	953,389	4,170,523	735,400	838,741	1,688,789	5,009,264
Noncurrent	2,449,728	3,097,553	4,425,698	3,877,351	6,875,426	6,974,904
Total liabilities	3,403,117	7,268,076	5,161,098	4,716,092	8,564,215	11,984,168
<b>Deferred Inflows of Resources</b>	3,113,602	-	86,658	-	3,200,260	-0-
<b>Net Position</b>						
Net investment in capital assets	8,191,079	8,101,253	14,213,441	14,453,465	22,404,520	22,554,718
Restricted	1,735,659	1,001,168	493,228	153,113	2,228,887	1,154,281
Unrestricted	3,371,330	3,807,023	1,316,774	968,334	4,688,104	4,775,357
Total net position	<b>\$ 13,298,068</b>	<b>\$ 12,909,444</b>	<b>\$ 16,023,443</b>	<b>\$ 15,574,912</b>	<b>\$ 29,321,511</b>	<b>\$ 28,484,356</b>

**Results of Operations:**

For the fiscal years ended September 30, 2013 and 2012, the government-wide results of operations were:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program revenue:						
Charges for services	\$ 385,530	\$ 518,234	\$ 3,501,901	\$ 3,362,081	\$ 3,887,431	\$ 3,880,315
Operating grants and contributions	609,190	615,274	-	84,749	609,190	700,023
Capital grants and contributions	9,037	-	-	-	9,037	-0-
General revenues:						
Property taxes	3,119,313	3,183,302	251,500	264,396	3,370,813	3,447,698
State revenue sharing	449,209	439,457	2,111	-	451,320	439,457
Increase in equity interest in investments	49,420	76,500	-	-	49,420	76,500
Investment earnings	(41,382)	98,347	29,744	69	(11,638)	98,416
Franchise fees	115,354	107,312	-	-	115,354	107,312
Miscellaneous	198,656	242,226	106,512	171,176	305,168	413,402
Transfers	(7,849)	9,443	7,849	(9,443)	-0-	-0-
Total revenues and transfers	4,886,478	5,290,095	3,899,617	3,873,028	8,786,095	9,163,123
<b>Expenses</b>						
General government	922,914	1,227,831	-	-	922,914	1,227,831
Public safety	1,489,655	1,448,681	-	-	1,489,655	1,448,681
Public works	1,281,230	1,302,110	-	-	1,281,230	1,302,110
Health and welfare	23,199	29,576	-	-	23,199	29,576
Community and economic development	22,707	43,788	-	-	22,707	43,788
Recreation and culture	682,627	741,277	-	-	682,627	741,277
Interest on long-term debt	75,522	86,107	-	-	75,522	86,107
Sewer	-	-	1,262,587	1,294,238	1,262,587	1,294,238
Water	-	-	855,969	974,000	855,969	974,000
Harbor	-	-	733,975	720,326	733,975	720,326
Municipal golf course	-	-	205,270	231,644	205,270	231,644
Rubbish and garbage	-	-	393,285	307,886	393,285	307,886
Total expenses	4,497,854	4,879,370	3,451,086	3,528,094	7,948,940	8,407,464
Change in net position	388,624	410,725	448,531	344,934	837,155	755,659
Net position, beginning of year	12,909,444	12,498,719	15,574,912	15,229,978	28,484,356	27,728,697
Net position, end of year	<u>\$ 13,298,068</u>	<u>\$ 12,909,444</u>	<u>\$ 16,023,443</u>	<u>\$ 15,574,912</u>	<u>\$ 29,321,511</u>	<u>\$ 28,484,356</u>

**Analysis of Results of Operations:**

During fiscal year ended September 30, 2013, the City's net position increased by \$837,155. 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 \$388,624 for the fiscal year ended September 30, 2013.

**B. Business-Type Activities Operating Results**

The City's expenditures from business-type activities operations exceeded revenues by \$448,531 **Error! Not a valid link.** for the fiscal year ended September 30, 2013.

**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 \$4,404,947, an increase of \$257,900 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 \$685,540. 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, 2013, represented 19.2% 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 \$121,565. This increase, in fund balance, is primarily due to cost savings in the following departments: Accounting (approximately \$20,000), Police (approximately \$42,000), City General (approximately \$13,000), and Recreation (approximately \$20,000).

*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 \$807,211. The most recent fiscal year's activities decreased the unrestricted net position of the Sewer Fund by \$49,044. Sewer revenues were up 0.7% while operating expenses were down by 5.3%.

Unrestricted net position of the Water Fund at the end of the year amounted to \$171,621. This is an improvement in unrestricted net position of \$192,272 over the previous year. Water revenues were down approximately \$35,000 (3.6%) and expenses were down approximately \$118,000 (12.1%). The decrease in operating expenses can be attributed to a decrease in personnel and fringe benefit costs.

Unrestricted net position of the Harbor Fund at the end of the year amounted to \$258,894. The most recent fiscal year's activities increased the unrestricted net position of the Harbor Fund by \$100,071.

**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 2012-2013.

Total revenues were \$77,605 while total expenditures were down \$134,449 when compared to the final amended budget. Major drivers in the reduction to actual expenditures can be attributed to the General Government and Public Safety departments. These departments were down \$131,031 and \$41,706, respectively.

**E. Long-Term Debt Activities**

The City made principal payments of \$915,000 during the 2012-2013 fiscal year to end with outstanding long-term debt of \$7,508,375 at the fiscal year end. See Note G 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, 2012	Net Additions/ Deletions	Balance Sept. 30, 2013
<b>Primary Government</b>			
<b>Governmental Activities</b>			
1999 Building Authority Bonds	\$ 250,000	\$ (80,000)	\$ 170,000
2004 Community Dev. Block Grant Loan Payable	600,000	(100,000)	500,000
2005 G/O Unlimited Tax Bonds	2,080,000	(355,000)	1,725,000
Compensated absences	315,583	(41,974)	273,609
<b>Total Governmental Activities</b>	<b>3,245,583</b>	<b>(576,974)</b>	<b>2,668,609</b>
<b>Business-type Activities</b>			
2002 State Revolving Fund Bonds	2,998,287	(240,000)	2,758,287
2002 Capital Improvement Bonds	270,000	(25,000)	245,000
2004 G/O Refunding Bonds	175,000	(90,000)	85,000
2007 Capital Improvement Bonds	520,000	(25,000)	495,000
2012 State Revolving Fund Bonds	-	1,143,988	1,143,988
Compensated absences	189,811	(77,320)	112,491
<b>Total Business-type Activities</b>	<b>4,153,098</b>	<b>686,668</b>	<b>4,839,766</b>
<b>Total Primary Government</b>	<b>\$ 7,398,681</b>	<b>\$ 109,694</b>	<b>\$ 7,508,375</b>

**F. Net Investment in Capital Assets**

The City's net investment in capital assets of the primary government increased by \$78,789 during the fiscal year. Asset changes are summarized as follows:

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

- Cable TV Studio Upgrades
- Sewer Line Repairs
- Digester Buildings (Roof Replacement)
- Manhole Rehab

Depreciation expense of the primary government was \$1,235,626 for the 2012-2013 fiscal year. See Note F to the financial statements for more information on capital assets.

**Management's Discussion and Analysis  
For Fiscal Year Ended September 30, 2013**

	Balance Sep. 30, 2012	Net Additions/ Deletions	Balance Sep. 30, 2013
<b>Governmental Activities</b>			
Capital assets (depreciated)	\$ 15,636,757	\$ 701	\$ 15,637,458
Less: accumulated depreciation	(7,385,082)	(445,875)	(7,830,957)
	8,251,675	(445,174)	7,806,501
Add: Land (not depreciated)	2,779,578	-	2,779,578
Net investment in capital assets	<u>\$ 11,031,253</u>	<u>\$ (445,174)</u>	<u>\$ 10,586,079</u>
	Balance Sep. 30, 2012	Net Additions/ Deletions	Balance Sep. 30, 2013
<b>Business-type Activities</b>			
Capital assets (depreciated)	\$ 31,366,511	\$ 1,316,029	\$ 32,682,540
Less: accumulated depreciation	(13,635,054)	(761,406)	(14,396,460)
	17,731,457	554,623	18,286,080
Add: Land (not depreciated)	581,764	-	581,764
Construction in progress (not depreciated)	103,532	(30,660)	72,872
	685,296	(30,660)	654,636
Net investment in capital assets	<u>\$ 18,416,753</u>	<u>\$ 523,963</u>	<u>\$ 18,940,716</u>

**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 are currently being impacted negatively. To illustrate, consider that since 2008 property tax revenues have decreased \$673,647 and State revenue sharing has decreased \$20,670.

Changes in taxable value, as a result of the most recent economic downturn (residential, industrial and commercial), are certain to have a continuing negative impact on tax revenues received. 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. Going forward the City will continue to focus on costs as health care for active and retirees, pension obligations and the like will continue to maintain pressure on the City's ability to deliver services.

Other

The City's second phase of the industrial park remains vacant, however, the City continues to market the development area. A funding agreement with the Michigan Economic Development Corporation gave the City a grant to develop the park. The City continues to repay the grant annually in the amount of \$100,000.

We are committed to making financially strong decisions. Progress has been made to control costs. Evidence of improved results can be witnessed by viewing the current year results for the General Fund, Golf Course, Harbor, Sewer, and Water Funds. 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, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 4,065,448	\$ 1,359,829	\$ 5,425,277	\$ 30,989
Cash and cash equivalents - restricted	-	153,129	153,129	-
Investments	1,854,757	-	1,854,757	-
Receivables	2,326,208	504,904	2,831,112	3,260
Due from other governmental units	229,051	53,700	282,751	-
Prepays	283,879	17,963	301,842	-
Inventories	-	30,509	30,509	-
Total current assets	8,759,343	2,120,034	10,879,377	34,249
Noncurrent assets				
Investments	207,475	-	207,475	-
Internal balances	(199,600)	199,600	-0-	-
Capital assets not being depreciated	2,779,578	654,636	3,434,214	-
Capital assets, net of accumulated depreciation	7,806,501	18,286,080	26,092,581	-
Investment in Fire Authority	461,490	-	461,490	-
Total noncurrent assets	11,055,444	19,140,316	30,195,760	-0-
TOTAL ASSETS	19,814,787	21,260,350	41,075,137	34,249
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized bond discount	-	10,849	10,849	-
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	110,324	169,978	280,302	1,195
Accrued liabilities	126,227	40,587	166,814	-
Deposits payable	14,215	3,500	17,715	-
Accrued interest payable	28,459	1,204	29,663	-
Unearned revenue	-	1,811	1,811	-
Current portion of compensated absences	104,164	58,320	162,484	-
Current portion of long-term debt	570,000	460,000	1,030,000	-
Total current liabilities	953,389	735,400	1,688,789	1,195
Noncurrent liabilities				
Noncurrent portion of compensated absences	169,445	54,171	223,616	-
Noncurrent portion of long-term debt	1,825,000	4,267,275	6,092,275	-
Net other post-employment benefits obligation	455,283	104,252	559,535	-
Total noncurrent liabilities	2,449,728	4,425,698	6,875,426	-0-
TOTAL LIABILITIES	3,403,117	5,161,098	8,564,215	1,195
DEFERRED INFLOWS OF RESOURCES				
Taxes levied for subsequent period	3,113,602	86,658	3,200,260	3,260
<b>NET POSITION</b>				
Net investment in capital assets	8,191,079	14,213,441	22,404,520	-
Restricted	1,735,659	493,228	2,228,887	-
Unrestricted	3,371,330	1,316,774	4,688,104	29,794
TOTAL NET POSITION	\$ 13,298,068	\$ 16,023,443	\$ 29,321,511	\$ 29,794

See accompanying notes to financial statements.

City of St. Clair

STATEMENT OF ACTIVITIES

Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		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	\$ 922,914	\$ 202,706	\$ 4,501	\$ 9,037	\$ (706,670)	\$ -	\$ (706,670)	\$ -
Public safety	1,489,655	35,831	27,699	-	(1,426,125)	-	(1,426,125)	-
Public works	1,281,230	19,528	493,276	-	(768,426)	-	(768,426)	-
Health and welfare	23,199	28,544	-	-	5,345	-	5,345	-
Community and economic development	22,707	701	-	-	(22,006)	-	(22,006)	-
Recreation and cultural	682,627	98,220	83,714	-	(500,693)	-	(500,693)	-
Interest on long-term debt	75,522	-	-	-	(75,522)	-	(75,522)	-
Total governmental activities	4,497,854	385,530	609,190	9,037	(3,494,097)	-0-	(3,494,097)	-0-
Business-type activities								
Sewer system	1,262,587	1,380,078	-	-	-	117,491	117,491	-
Water system	855,969	913,811	-	-	-	57,842	57,842	-
Harbor	733,975	607,460	-	-	-	(126,515)	(126,515)	-
Municipal Golf Course	205,270	196,399	-	-	-	(8,871)	(8,871)	-
Rubbish and Garbage	393,285	404,153	-	-	-	10,868	10,868	-
Total business-type activities	3,451,086	3,501,901	-0-	-0-	-0-	50,815	50,815	-0-
Total primary government	\$ 7,948,940	\$ 3,887,431	\$ 609,190	\$ 9,037	(3,494,097)	50,815	(3,443,282)	-0-
Component units								
Downtown Development Authority	\$ 137,414	\$ -	\$ -	\$ -	-	-	-0-	(137,414)
Local Development Finance Authority	-	-	-	-	-	-	-0-	-
Total component units	\$ 137,414	\$ -0-	\$ -0-	\$ -0-	-0-	-0-	-0-	(137,414)
General revenues								
Property taxes, levied for general purposes					2,578,047	251,500	2,829,547	46,729
Property taxes, levied for special purposes					541,266	-	541,266	-
State grants - unrestricted					449,209	2,111	451,320	-
Increase in equity interest in investment					49,420	-	49,420	-
Investment earnings					(41,382)	29,744	(11,638)	98
Franchise fees					115,354	-	115,354	-
Miscellaneous					198,656	106,512	305,168	10,430
Transfers					(7,849)	7,849	-0-	-
Total general revenues and transfers					3,882,721	397,716	4,280,437	57,257
Change in net position					388,624	448,531	837,155	(80,157)
Net position, beginning of the year					12,909,444	15,574,912	28,484,356	109,951
Net position, end of the year					\$ 13,298,068	\$ 16,023,443	\$ 29,321,511	\$ 29,794

See accompanying notes to financial statements.

City of St. Clair

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2013

	<u>General</u>	<u>Major Street</u>	<u>2005 Road Construction Bond</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,669,388	\$ 33,579	\$ 346,931
Investments	2,061,760	-	-
Receivables			
Accounts	25,807	-	-
Taxes	1,836,024	-	324,229
Accrued interest	3,601	-	-
Due from other governmental units	125,017	42,637	-
Due from other funds	6,600	-	-
Prepays	272,470	5,351	-
	<u>\$ 6,000,667</u>	<u>\$ 81,567</u>	<u>\$ 671,160</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 61,996	\$ 2,784	\$ -
Accrued liabilities	104,759	2,616	-
Deposits payable	10,765	-	-
Due to other funds	-	-	-
Advances from other funds	199,600	-	-
	<u>377,120</u>	<u>5,400</u>	<u>-0-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	10,623	-	-
Taxes levied for subsequent period	2,489,362	-	439,783
	<u>2,499,985</u>	<u>-0-</u>	<u>439,783</u>
<b>FUND BALANCES</b>			
Nonspendable	272,470	5,351	-
Restricted	-	70,816	231,377
Assigned	2,165,552	-	-
Unassigned	685,540	-	-
	<u>3,123,562</u>	<u>76,167</u>	<u>231,377</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 6,000,667</u></u>	<u><u>\$ 81,567</u></u>	<u><u>\$ 671,160</u></u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,026,521	\$ 3,076,419
472	2,062,232
27	25,834
135,991	2,296,244
529	4,130
61,397	229,051
-	6,600
5,869	283,690
\$ 1,230,806	\$ 7,984,200
\$ 43,606	\$ 108,386
18,852	126,227
3,450	14,215
6,600	6,600
-	199,600
72,508	455,028
-	10,623
184,457	3,113,602
184,457	3,124,225
212,858	490,679
793,446	1,095,639
-	2,165,552
(32,463)	653,077
973,841	4,404,947
\$ 1,230,806	\$ 7,984,200

City of St. Clair

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

September 30, 2013

<b>Total fund balances - governmental funds</b>		<b>\$ 4,404,947</b>
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.		461,490
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	\$ 17,150,138	
Accumulated depreciation is	<u>(6,731,035)</u>	
Capital assets, net		10,419,103
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:		1,154,256
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		10,623
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	(2,395,000)	
Other post-employment benefit obligation	(455,283)	
Accrued interest payable	(28,459)	
Compensated absences	<u>(273,609)</u>	
		<u>(3,152,351)</u>
<b>Net position of governmental activities</b>		<b><u><u>\$ 13,298,068</u></u></b>

City of St. Clair

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
- GOVERNMENTAL FUNDS

Year Ended September 30, 2013

	General	Major Street	2005 Road Construction Bond
REVENUES			
Taxes	\$ 2,578,047	\$ 318,140	\$ -
Licenses and permits	125,736	-	-
Intergovernmental			
Federal/State	461,664	255,309	-
Local	-	37,705	-
Charges for services	316,921	-	-
Fines and forfeits	6,956	-	-
Investment earnings and rents	(574)	48	-
Other	170,886	-	-
	<u>3,659,636</u>	<u>611,202</u>	<u>-0-</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	724,505	-	-
Public safety	1,061,708	-	-
Public works	234,834	238,302	-
Health and welfare	20,779	-	-
Community and economic development	20,368	-	-
Recreation and cultural	395,648	-	-
Other	383,974	-	-
Debt service	100,000	421,878	-
Capital outlay	-	8,267	-
	<u>2,941,816</u>	<u>668,447</u>	<u>-0-</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	717,820	(57,245)	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in from other funds	38,586	84,000	-
Transfers out to other funds	(634,841)	-	-
	<u>(596,255)</u>	<u>84,000</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	121,565	26,755	-
Fund balances, beginning of year	<u>3,001,997</u>	<u>49,412</u>	<u>231,377</u>
Fund balances, end of year	<u>\$ 3,123,562</u>	<u>\$ 76,167</u>	<u>\$ 231,377</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 223,126	\$ 3,119,313
148,927	274,663
177,578	894,551
-	37,705
1,564	318,485
-	6,956
307	(219)
11,944	182,830
<u>563,446</u>	<u>4,834,284</u>
40,284	764,789
234,755	1,296,463
456,667	929,803
-	20,779
-	20,368
115,615	511,263
-	383,974
89,712	611,590
21,239	29,506
<u>958,272</u>	<u>4,568,535</u>
(394,826)	265,749
508,906	631,492
<u>(4,500)</u>	<u>(639,341)</u>
<u>504,406</u>	<u>(7,849)</u>
109,580	257,900
<u>864,261</u>	<u>4,147,047</u>
<u>\$ 973,841</u>	<u>\$ 4,404,947</u>

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, 2013

**Net change in fund balances - total governmental funds** \$ 257,900

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. 49,420

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	\$ 29,046	
Depreciation expense	<u>(423,090)</u>	
Excess of depreciation expense over capital outlay		(394,044)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

(Decrease) in net position of Internal Service Funds (45,004)

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

Increase in unavailable revenue 10,623

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 535,000

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 unamortized bond issuance costs	(5,652)	
(Increase) in other post-employment benefits obligation	(68,313)	
Decrease in accrued interest payable	6,720	
Decrease in accrued compensated absences	<u>41,974</u>	
		<u>(25,271)</u>

**Change in net position of governmental activities** \$ 388,624

City of St. Clair

Proprietary Funds

STATEMENT OF NET POSITION

September 30, 2013

	Business-type		
	Sewer	Water	Harbor
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 885,942	\$ 149,922	\$ 183,000
Cash and cash equivalents - restricted	151,638	1,491	-
Accounts receivable	242,726	151,282	221
Taxes receivable	63,888	-	-
Due from other governmental units	-	-	53,700
Due from other funds	60,184	-	-
Prepays	9,653	8,310	-
Inventory	-	-	30,509
<b>Total current assets</b>	<b>1,414,031</b>	<b>311,005</b>	<b>267,430</b>
Noncurrent assets			
Advances to other funds	199,600	-	-
Capital assets not being depreciated	195,130	16,483	170,311
Capital assets, net of accumulated depreciation	<u>12,406,581</u>	<u>2,618,447</u>	<u>2,948,057</u>
<b>Total noncurrent assets</b>	<b>12,801,311</b>	<b>2,634,930</b>	<b>3,118,368</b>
<b>TOTAL ASSETS</b>	<b>14,215,342</b>	<b>2,945,935</b>	<b>3,385,798</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized bond discount	-	-	10,849
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	114,403	10,693	9,421
Accrued liabilities	8,605	10,770	9,964
Deposits payable	3,000	500	-
Accrued interest payable	1,204	-	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
Current portion of compensated absences	25,241	33,079	-
Current portion of long-term debt	<u>430,000</u>	<u>-</u>	<u>30,000</u>
<b>Total current liabilities</b>	<b>582,453</b>	<b>55,042</b>	<b>49,385</b>
Noncurrent liabilities			
Noncurrent portion of compensated absences	23,446	30,725	-
Noncurrent portion of long-term debt	3,802,275	-	465,000
Net other post-employment benefits obligation	<u>52,126</u>	<u>52,126</u>	<u>-</u>
<b>Total noncurrent liabilities</b>	<b>3,877,847</b>	<b>82,851</b>	<b>465,000</b>
<b>TOTAL LIABILITIES</b>	<b>4,460,300</b>	<b>137,893</b>	<b>514,385</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes levied for subsequent period	<u>86,658</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,369,436	2,634,930	2,623,368
Restricted	491,737	1,491	-
Unrestricted	<u>807,211</u>	<u>171,621</u>	<u>258,894</u>
<b>TOTAL NET POSITION</b>	<b>\$ 9,668,384</b>	<b>\$ 2,808,042</b>	<b>\$ 2,882,262</b>

See accompanying notes to financial statements.

Activities		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service (Equipment Pool)
\$ 140,965	\$ 1,359,829	\$ 989,029
-	153,129	-
46,787	441,016	-
-	63,888	-
-	53,700	-
-	60,184	-
-	17,963	189
-	30,509	-
187,752	2,180,218	989,218
-	199,600	-
272,712	654,636	-
312,995	18,286,080	166,976
585,707	19,140,316	166,976
773,459	21,320,534	1,156,194
-	10,849	-
35,461	169,978	1,938
11,248	40,587	-
-	3,500	-
-	1,204	-
60,184	60,184	-
1,811	1,811	-
-	58,320	-
-	460,000	-
108,704	795,584	1,938
-	54,171	-
-	4,267,275	-
-	104,252	-
-0-	4,425,698	-0-
108,704	5,221,282	1,938
-	86,658	-
585,707	14,213,441	166,976
-	493,228	-
79,048	1,316,774	987,280
<u>\$ 664,755</u>	<u>\$ 16,023,443</u>	<u>\$ 1,154,256</u>

City of St. Clair

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended September 30, 2013

	Business-type Activities		
	Sewer	Water	Harbor
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,368,440	\$ 894,477	\$ 2,650
Penalties	11,638	19,334	-
Rentals	-	-	262,159
Sales	-	-	342,651
Other	582	12,689	92,000
<b>TOTAL OPERATING REVENUES</b>	<b>1,380,660</b>	<b>926,500</b>	<b>699,460</b>
<b>OPERATING EXPENSES</b>			
Personnel	207,346	304,743	82,098
Fringe benefits	180,734	189,951	7,906
Supplies	46,142	55,867	309,892
Contractual services	20,350	24,059	7,718
Administrative expense	45,000	30,000	18,900
Telephone	2,327	1,885	3,391
Dues and membership fees	11,278	1,162	785
Insurance	5,900	5,809	2,734
Utilities	116,967	56,190	28,488
Repairs and maintenance	61,981	27,747	14,273
Equipment rental	15,449	12,038	-
Other services and supplies	720	7,734	45,907
Depreciation	411,853	138,784	180,535
<b>TOTAL OPERATING EXPENSES</b>	<b>1,126,047</b>	<b>855,969</b>	<b>702,627</b>
<b>OPERATING INCOME (LOSS)</b>	<b>254,613</b>	<b>70,531</b>	<b>(3,167)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Property taxes	251,500	-	-
Intergovernmental - State	-	-	2,111
Interest income	-	-	10
Rental income	-	-	-
Amortization expense	(42,414)	-	(8,905)
Interest expense and fees	(94,126)	-	(22,443)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>114,960</b>	<b>-0-</b>	<b>(29,227)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>369,573</b>	<b>70,531</b>	<b>(32,394)</b>
<b>TRANSFERS</b>			
Transfers in	-	-	-
Transfers out	(17,043)	(17,043)	-
<b>TOTAL TRANSFERS</b>	<b>(17,043)</b>	<b>(17,043)</b>	<b>-0-</b>
<b>CHANGE IN NET POSITION</b>	<b>352,530</b>	<b>53,488</b>	<b>(32,394)</b>
Net position, beginning of year	9,315,854	2,754,554	2,914,656
Net position, end of year	<u>\$ 9,668,384</u>	<u>\$ 2,808,042</u>	<u>\$ 2,882,262</u>

See accompanying notes to financial statements.

Activities		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service (Equipment Pool)
\$ 593,519	\$ 2,859,086	\$ -
7,033	38,005	-
-	262,159	158,037
-	342,651	-
1,241	106,512	3,444
601,793	3,608,413	161,481
89,702	683,889	903
7,792	386,383	13,440
30,548	442,449	28,800
323,748	375,875	149
-	93,900	-
1,645	9,248	-
12	13,237	-
1,323	15,766	6,704
14,331	215,976	10,896
17,498	121,499	34,463
3,531	31,018	-
78,191	132,552	60,000
30,234	761,406	51,130
598,555	3,283,198	206,485
3,238	325,215	(45,004)
-	251,500	-
-	2,111	-
64	74	-
29,670	29,670	-
-	(51,319)	-
-	(116,569)	-
29,734	115,467	-0-
32,972	440,682	(45,004)
41,935	41,935	-
-	(34,086)	-
41,935	7,849	-0-
74,907	448,531	(45,004)
589,848	15,574,912	1,199,260
\$ 664,755	\$ 16,023,443	\$ 1,154,256

City of St. Clair

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2013

	Business-type		
	Sewer	Water	Harbor
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 1,381,078	\$ 916,470	\$ 756,920
Cash received from interfund services	-	-	-
Cash paid to suppliers	(464,846)	(224,938)	(432,575)
Cash paid for employee benefits	<u>(385,153)</u>	<u>(587,215)</u>	<u>(90,760)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	531,079	104,317	233,585
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Property taxes received	251,500	-	-
State grant received	-	-	2,111
Proceeds from issuance of debt	1,143,988	-	-
Acquisition and construction of capital assets	(1,262,299)	2	(23,070)
Principal payments	(355,000)	-	(25,000)
Interest paid and fees	<u>(94,126)</u>	<u>-</u>	<u>(22,443)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(315,937)	2	(68,402)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Receipt from/(payment to) other funds	<u>(17,043)</u>	<u>(17,043)</u>	<u>-</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(17,043)	(17,043)	-0-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	-	-	10
Rent received	<u>-</u>	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-0-</u>	<u>-0-</u>	<u>10</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	198,099	87,276	165,193
Cash and cash equivalents, beginning of year	<u>839,481</u>	<u>64,137</u>	<u>17,807</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,037,580</u></u>	<u><u>\$ 151,413</u></u>	<u><u>\$ 183,000</u></u>

See accompanying notes to financial statements.

Activities		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service (Equipment Pool)
\$ 602,009	\$ 3,656,477	\$ -
-	-0-	161,323
(419,440)	(1,541,799)	(142,400)
<u>(89,702)</u>	<u>(1,152,830)</u>	<u>(14,343)</u>
92,867	961,848	4,580
-	251,500	-
-	2,111	-
-	1,143,988	-
-	(1,285,367)	-
-	(380,000)	-
-	<u>(116,569)</u>	-
-0-	(384,337)	-0-
<u>41,935</u>	<u>7,849</u>	<u>-</u>
41,935	7,849	-0-
64	74	-
<u>29,670</u>	<u>29,670</u>	<u>-</u>
<u>29,734</u>	<u>29,744</u>	<u>-0-</u>
164,536	615,104	4,580
<u>(23,571)</u>	<u>897,854</u>	<u>984,449</u>
<u>\$ 140,965</u>	<u>\$ 1,512,958</u>	<u>\$ 989,029</u>

City of St. Clair

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended September 30, 2013

	Business-type		
	Sewer	Water	Harbor
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 254,613	\$ 70,531	\$ (3,167)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	411,853	138,784	180,535
(Increase) decrease in:			
Accounts receivable	(75,976)	(8,875)	(109)
Taxes receivable	138,478	-	-
Due from other governmental units	-	-	68,300
Due from other funds	(60,184)	-	-
Prepays	(1,900)	(1,155)	-
Inventories	-	-	(10,731)
Increase (decrease) in:			
Accounts payable	31,454	(2,947)	(642)
Accrued liabilities	(957)	(11,315)	(756)
Deposits payable	-	500	155
Interest payable	(1,219)	-	-
Due to other funds	-	-	-
Compensated absences	3,884	(81,206)	-
Taxes levied for subsequent period	(168,967)	-	-
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 \$ 531,079	 \$ 104,317	 \$ 233,585

See accompanying notes to financial statements.

<u>Activities</u>		<u>Governmental</u>
<u>Nonmajor</u>		<u>Activities</u>
<u>Enterprise</u>		<u>Internal Service</u>
<u>Funds</u>	<u>Total</u>	<u>(Equipment Pool)</u>
\$ 3,238	\$ 325,215	\$ (45,004)
30,234	761,406	51,130
(480)	(85,440)	-
-	138,478	-
-	68,300	-
-	(60,184)	-
-	(3,055)	(158)
-	(10,731)	-
4,715	32,580	(1,388)
(5,720)	(18,748)	-
-	655	-
-	(1,219)	-
60,184	60,184	-
-	(77,322)	-
696	(168,271)	-
<u>\$ 92,867</u>	<u>\$ 961,848</u>	<u>\$ 4,580</u>

City of St. Clair

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

September 30, 2013

	<u>Current Tax Collection</u>
ASSETS	
Cash and cash equivalents	<u>\$ 4,763,667</u>
LIABILITIES	
Undistributed collections payable	\$ 4,326,629
Due to individuals and agencies	<u>437,038</u>
TOTAL LIABILITIES	<u>\$ 4,763,667</u>

See accompanying notes to financial statements.

City of St. Clair

Component Units

COMBINING STATEMENT OF NET POSITION

September 30, 2013

	Local Development Finance Authority	Downtown Development Authority	Total Component Units
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 147	\$ 30,842	\$ 30,989
Taxes receivable	-	3,260	3,260
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	147	34,102	34,249
<b>LIABILITIES</b>			
Accounts payable	-	1,195	1,195
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes levied for subsequent period	-	3,260	3,260
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>NET POSITION</b>			
Unrestricted	<u>\$ 147</u>	<u>\$ 29,647</u>	<u>\$ 29,794</u>

See accompanying notes to financial statements.

City of St. Clair

Component Units

COMBINING STATEMENT OF NET ACTIVITIES

Year Ended September 30, 2013

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	137,414	-	(137,414)	(137,414)
<b>TOTAL</b>	<u>\$ 137,414</u>	-0-	(137,414)	(137,414)
General Revenues				
Taxes		-	46,729	46,729
Investment earnings		41	57	98
Miscellaneous		-	10,430	10,430
Total general revenues		41	57,216	57,257
CHANGE IN NET POSITION		41	(80,198)	(80,157)
Net position, beginning of year		106	109,845	109,951
Net position, end of year		<u>\$ 147</u>	<u>\$ 29,647</u>	<u>\$ 29,794</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

**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; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement's No. 39 and No. 61); these financial statements present the financial activities of the City of St. Clair (primary government), and its component units, entities for which the 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 of St. Clair remains financially accountable for these entities or the nature and significance of the relationships between these entities and the City of St. Clair 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 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 during 2003. 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, 2013

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

4. Joint Venture

The City of St. Clair is a member of the St. Clair Area Fire Authority (the Authority), which is a joint venture between the City of St. Clair 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 of St. Clair 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 \$461,940 as of September 30, 2013. This amount has been reported as restricted net position in the Governmental Activities 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 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 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, and 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, 2013

**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 report 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 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 generally are 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 net current assets.

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 unearned 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, 2013

**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 non-operating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the City's policy 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 90 days or less.

Investments include certificates of deposit and U.S. government securities with original maturities of greater than 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, 2013

**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 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 long-term.

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

**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, 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has only one type of item that qualifies for reporting in this category. It is deferred amounts on refunding and bond issuance 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(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has only one type of item, which arise only under a modified accrual basis of accounting, that qualifies for reporting in this category. The governmental funds report deferred inflows of resources for property taxes that have been levied on July 1 to support the following year's budget are deferred and 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 that the amounts become available.

19. Property Tax

The City of St. Clair 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 of St. Clair 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.

The 2012 taxable valuation of the City totaled \$189,163,141, on which ad valorem taxes levied consisted of 13.0581 mills (\$13.0581 per \$1,000 of taxable valuation) for general governmental services; 1.000 mills (\$1.00 per \$1,000 of taxable valuation) for pension cost; and 2.9206 mills (\$2.9206 per \$1,000 of taxable valuation) for debt service.

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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

19. Property Tax - continued

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 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 cash, cash equivalents, and investments consist of a common checking account and various savings accounts, 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 and 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, 2013

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

Deposits

As of September 30, 2013, 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	\$ 4,750,261	\$ 4,998,767
Certificates of deposit	826,845	826,845
FIDUCIARY FUNDS		
Checking	4,763,667	3,696,805
COMPONENT UNIT		
Checking	30,989	30,989
TOTAL REPORTING ENTITY	<u>\$ 10,371,762</u>	<u>\$ 9,553,406</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, 2013, the City accounts were insured by the FDIC for \$3,379,486 and the amount of \$6,173,920 was uninsured and uncollateralized.

Investments

As of September 30, 2013, the City had the following investments:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>S&amp;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	\$ 879,186	\$ 879,186	AAAm	42 days
U.S. Government securities				
Federal National Mortgage Association	472	472	AA+/AAA	6.71 years
Federal Home Loan Bank	1,182,574	1,182,574	AA+/AAA	10.50 years
	<u>\$ 2,062,232</u>	<u>\$ 2,062,232</u>		

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, 2013, rating information on the City's investments is presented above.

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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

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, 2013.

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 5,425,277	\$ 30,989	\$ 4,763,667	\$ 10,219,933
Cash and cash equivalents - restricted	153,129	-	-	153,129
Investments - current	1,854,757	-	-	1,854,757
Investments - noncurrent	207,475	-	-	207,475
	<u>\$ 7,640,638</u>	<u>\$ 30,989</u>	<u>\$ 4,763,667</u>	<u>\$ 12,435,294</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.

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at September 30, 2013, is as follows:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 6,600</u>
Due to Sewer Fund from:	
Nonmajor enterprise funds	<u>\$ 60,184</u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED**

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**NOTE D: 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, enterprise funds, and component units 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>\$ 84,000</u>
Transfer to nonmajor governmental funds from:	
General Fund	<u>\$ 508,906</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 E: ADVANCES RECEIVABLE AND PAYABLE**

The following schedule details advances receivable and payable between funds of the primary government at September 30, 2013.

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, 2013

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2013, was as follows:

**Primary Government**

	Balance Oct. 1, 2012	Additions	Deletions	Balance Sept. 30, 2013
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 2,779,578	\$ -	\$ -	\$ 2,779,578
Capital assets being depreciated				
Buildings and improvements	4,875,149	7,695	-	4,882,844
Equipment	2,196,420	15,444	-	2,211,864
Furniture and fixtures	347,173	-	-	347,173
Infrastructure	4,093,849	-	-	4,093,849
Site improvements	2,771,031	5,907	-	2,776,938
Vehicles	1,353,135	-	(28,345)	1,324,790
Total capital assets being depreciated	15,636,757	29,046	(28,345)	15,637,458
Less accumulated depreciation for:				
Buildings and improvements	(2,172,358)	(92,418)	-	(2,264,776)
Equipment	(1,849,275)	(95,921)	-	(1,945,196)
Furniture and fixtures	(321,377)	(13,168)	-	(334,545)
Infrastructure	(510,366)	(107,886)	-	(618,252)
Site improvements	(1,374,231)	(122,367)	-	(1,496,598)
Vehicles	(1,157,475)	(42,460)	28,345	(1,171,590)
Total accumulated depreciation	(7,385,082)	(474,220)	28,345	(7,830,957)
Net capital assets being depreciated	8,251,675	(445,174)	-0-	7,806,501
Capital assets, net	<u>\$ 11,031,253</u>	<u>\$ (445,174)</u>	<u>\$ -0-</u>	<u>\$ 10,586,079</u>
	Balance Oct. 1, 2012	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Sept. 30, 2013
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 581,764	\$ -	\$ -	\$ 581,764
Construction in process	103,532	72,872	(103,532)	72,872
Total capital assets not being depreciated	685,296	72,872	(103,532)	654,636
Capital assets being depreciated				
Buildings and improvements	8,730,171	35,900	-	8,766,071
Equipment	1,069,566	-	-	1,069,566
Sewer	13,004,546	1,257,059	-	14,261,605
Site improvements	4,039,557	23,070	-	4,062,627
Vehicles	35,040	-	-	35,040
Water system	4,487,631	-	-	4,487,631
Total capital assets being depreciated	31,366,511	1,316,029	-0-	32,682,540

City of St. Clair

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Primary Government - Continued**

	Balance Oct. 1, 2012	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Sept. 30, 2013
<b>Business-type activities - continued</b>				
Less accumulated depreciation for:				
Buildings and improvements	\$ (5,024,817)	\$ (182,652)	\$ -	\$ (5,207,469)
Equipment	(711,273)	(51,936)	-	(763,209)
Sewer	(4,094,672)	(290,385)	-	(4,385,057)
Site improvements	(1,202,064)	(154,548)	-	(1,356,612)
Vehicles	(35,040)	-	-	(35,040)
Water system	(2,567,188)	(81,885)	-	(2,649,073)
Total accumulated depreciation	<u>(13,635,054)</u>	<u>(761,406)</u>	<u>-0-</u>	<u>(14,396,460)</u>
Net capital assets being depreciated	<u>17,731,457</u>	<u>554,623</u>	<u>-0-</u>	<u>18,286,080</u>
Capital assets, net	<u>\$ 18,416,753</u>	<u>\$ 627,495</u>	<u>\$ (103,532)</u>	<u>\$ 18,940,716</u>

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	\$ 75,245	\$ -
Public safety	43,058	-
Public works	243,761	-
Recreation and culture	112,156	-
Sewer	-	411,853
Water	-	138,784
Harbor	-	180,535
Municipal golf course	-	30,234
	<u>\$ 474,220</u>	<u>\$ 761,406</u>

**NOTE G: 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, 2013.

	Balance Oct. 1, 2012	Additions	Deletions	Balance Sept. 30, 2013	Amounts Due Within One Year
<b>Primary Government</b>					
<b>Governmental Activities</b>					
1999 Building Authority Bonds	\$ 250,000	\$ -	\$ (80,000)	\$ 170,000	\$ 85,000
2004 Community Dev. Block Grant Loan Payable	600,000	-	(100,000)	500,000	100,000
2005 G/O Unlimited Tax Bonds	2,080,000	-	(355,000)	1,725,000	385,000
Compensated absences	315,583	78,170	(120,144)	273,609	104,164
Total Governmental Activities	3,245,583	78,170	(655,144)	2,668,609	674,164

City of St. Clair

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

**NOTE G: LONG-TERM DEBT - CONTINUED**

	Balance Oct. 1, 2012	Additions	Deletions	Balance Sept. 30, 2013	Amounts Due Within One Year
<b>Primary Government - Continued</b>					
<b>Business-type Activities</b>					
2002 State Revolving Fund Bonds	\$ 2,998,287	\$ -	\$ (240,000)	\$ 2,758,287	\$ 250,000
2002 Capital Improvement Bonds	270,000	-	(25,000)	245,000	25,000
2004 G/O Refunding Bonds	175,000	-	(90,000)	85,000	85,000
2007 Capital Improvement Bonds	520,000	-	(25,000)	495,000	30,000
2012 State Revolving Fund Bonds	-	1,143,988	-	1,143,988	70,000
Compensated absences	189,811	21,086	(98,406)	112,491	58,320
<b>Total Business-type Activities</b>	<b>4,153,098</b>	<b>1,165,074</b>	<b>(478,406)</b>	<b>4,839,766</b>	<b>518,320</b>
<b>Total Primary Government</b>	<b>\$ 7,398,681</b>	<b>\$ 1,243,244</b>	<b>\$(1,133,550)</b>	<b>\$ 7,508,375</b>	<b>\$ 1,192,484</b>

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 annual installments of \$85,000 through November 1, 2014, with interest ranging of 4.6250 percent, payable semi-annually. \$ 170,000

\$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. 500,000

\$3,455,000 Unlimited Tax Bonds dated June 6, 2005, due in annual installments ranging from \$385,000 to \$480,000 through November 1, 2016, with interest ranging from 3.50 to 3.60 percent, payable semi-annually. 1,725,000

Total governmental activities 2,395,000

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, 2024, with interest of 2.50 percent, payable semi-annually. 2,758,287

\$410,000 Capital Improvement Bonds dated October 1, 2002, due in annual installments ranging from \$25,000 to \$30,000 through October 1, 2023, with interest ranging from 3.80 to 4.70 percent, payable semi-annually. 245,000

City of St. Clair

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

**NOTE G: LONG-TERM DEBT - CONTINUED**

General Obligation Bonds - Continued

BUSINESS-TYPE ACTIVITIES - CONTINUED

\$830,000 Refunding Bonds dated February 10, 2004, due in annual installments of \$85,000 on November 1, 2013, with interest of 3.40 percent, payable semi-annually.	\$ 85,000
\$650,000 Refunding Water Bonds dated January 1, 2007, due in annual installments ranging from \$30,000 to \$50,000 through October 1, 2027, with interest ranging from 4.00 to 4.50 percent, payable semi-annually.	495,000
\$1,845,000 State Revolving Fund Bonds dated September 18, 2012, due in annual installments ranging from \$50,000 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>1,143,988</u>
Total business-type activities	<u>4,727,275</u>
	<u><u>\$ 7,122,275</u></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,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 570,000	\$ 59,599	\$ 390,000	\$ 100,768
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
2019-2023	-	-	1,773,287	177,547
2024-2026	-	-	145,000	9,915
	<u>\$ 2,395,000</u>	<u>\$ 135,182</u>	<u>\$ 3,583,287</u>	<u>\$ 599,745</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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

**NOTE H: 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, 2013, the City's annual pension cost of \$505,980 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 ranging from eight (8) to twenty-six (26) years.

Three (3) year trend information

	As of December 31,		
	2010	2011	2012
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial value of assets	\$ 11,554,552	\$ 11,952,482	\$ 12,304,714
Actuarial accrued liability (AAL) (entry age)	16,911,767	17,412,701	18,008,127
Unfunded AAL	5,357,215	5,460,219	5,703,413
Funded ratio	68%	69%	68%
Covered payroll	\$ 2,030,810	\$ 1,894,114	\$ 1,750,090
UAAL as a percentage of covered payroll	264%	288%	326%
	Year Ended September 30,		
	2011	2012	2013
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Annual pension cost	\$ 469,492	\$ 503,248	\$ 505,980
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

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

City of St. Clair

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

**NOTE I: 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 14 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, 2013, 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, 2013, the City made payments for health benefit premiums of \$243,476.

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

Annual required contribution (ARC)	\$ 306,058
Interest on net OPEB obligation	22,105
Adjustment to annual required contribution	<u>(16,374)</u>
Annual OPEB cost (expense)	311,789
Amounts contributed:	
Payments of current premiums (gross of employee reimbursement)	<u>243,476</u>
Increase in net OPEB obligation	68,313
OPEB obligation - beginning of year	<u>491,222</u>
OPEB obligation - end of year	<u><u>\$ 559,535</u></u>

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Annual OPEB costs	\$ 333,849	\$ 341,654	\$ 311,789
Percentage contributed	46%	60%	78%
Net OPEB obligation	\$ 353,362	\$ 491,222	\$ 559,535

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

**NOTE I: 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:

	2009	2013
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 J: 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.

City of St. Clair

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

**NOTE K: FUND DEFICITS**

The following fund had fund balance deficit at September 30, 2013:

Nonmajor Governmental Funds	
Reserved Pension Tax Levy Fund	\$ 32,463

The following fund had unrestricted net position deficit at September 30, 2013:

Nonmajor Enterprise Funds	
Municipal Golf Course Fund	
Unrestricted	\$ 81,956

**NOTE L: 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, 2013.

PRIMARY GOVERNMENT	
Governmental Activities	
Debt service	\$ 226,030
Streets	246,094
Nonexpendable cemetery principal	206,989
Expendable library trust	45,436
Capital projects	358,157
Building department	19,063
Equity interest in joint venture	461,490
Other	172,400
	<u>\$ 1,735,659</u>
Business-type Activities	
Debt service	\$ 153,228
Asset replacement	340,000
	<u>\$ 493,228</u>

**NOTE M: 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.

City of St. Clair

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

**NOTE M: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED**

*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.

*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	\$ 272,470	\$ 5,351	\$ -	\$ 5,869	\$ 283,690
Cemetery trust	-	-	-	206,989	206,989
Restricted					
Streets	-	70,816	-	146,327	217,143
Trunkline maintenance	-	-	-	28,951	28,951
Library trust	-	-	-	45,436	45,436
Building department	-	-	-	19,063	19,063
Urban development action grant	-	-	-	60,448	60,448
Computer programming	-	-	-	111,952	111,952
Debt service	-	-	231,377	23,112	254,489
Capital projects	-	-	-	358,157	358,157
Assigned					
Debt service	89,712	-	-	-	89,712
Recreation	68,100	-	-	-	68,100
County tax project	27,754	-	-	-	27,754
Historical Commission	14,830	-	-	-	14,830
Police	1,000	-	-	-	1,000
Industrial Park debt	600,000	-	-	-	600,000
Golf Course Fund Deficit	176,691	-	-	-	176,691
Other post-employment benefits	813,689	-	-	-	813,689
Compensated absences	243,821	-	-	-	243,821
Capital projects	129,955	-	-	-	129,955
Unassigned	685,540	-	-	(32,463)	653,077
<b>TOTAL FUND BALANCES</b>	<b><u>\$ 3,123,562</u></b>	<b><u>\$ 76,167</u></b>	<b><u>\$ 231,377</u></b>	<b><u>\$ 973,841</u></b>	<b><u>\$ 4,404,947</u></b>

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

**NOTE N: CONTRACT COMMITMENTS**

The City has entered into contracts related to sewer projects throughout the City that were not completed at September 30, 2013. The total contractual commitments outstanding at September 30, 2013, totaled \$443,125. The City's fund balance, along with future anticipated investment earnings, are expected to be sufficient to cover these commitments.

**NOTE O: CHANGES IN ACCOUNTING PRINCIPLES**

GASB Statement No. 61, *The Financial Reporting Entity Omnibus*, was implemented during the current fiscal year. This statement, which is an amendment to Statement No. 14 and Statement No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The statement also clarifies the reporting of equity interest in legally separate organizations. The Local Development Financial Authority (LDFA) and Downtown Development Authority (DDA) continue to meet the criteria for classification as discretely presented component units of the City of St. Clair.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, were implemented during the current fiscal year. These statements incorporate deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets, and fund balance, when applicable.

**NOTE P: 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 April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The statement also requires: (1) a government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required, (2) an issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released, and (3) a government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the 2013-2014 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

City of St. Clair

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes				
Property taxes	\$ 2,491,697	\$ 2,491,697	\$ 2,467,771	\$ (23,926)
Penalties and interest	25,000	25,000	24,891	(109)
Administration fees	79,734	79,734	85,385	5,651
Total taxes	2,596,431	2,596,431	2,578,047	(18,384)
Licenses and permits				
Business licenses and permits	2,150	2,150	4,035	1,885
Nonbusiness licenses and permits	4,690	4,690	6,347	1,657
CATV franchise fees	108,610	108,610	115,354	6,744
Total licenses and permits	115,450	115,450	125,736	10,286
State grants				
Liquor license fees	4,500	4,500	4,426	(74)
State revenue sharing - sales tax	438,478	438,478	449,209	10,731
Police	2,000	2,000	4,475	2,475
Other	-	-	3,554	3,554
Total state grants	444,978	444,978	461,664	16,686
Charges for services				
Cemetery	20,400	20,400	17,280	(3,120)
Copies	50	50	189	139
Police services and reports	500	500	593	93
Charges to other funds	174,500	174,500	174,144	(356)
Other fees	19,950	19,950	9,272	(10,678)
Total charges for services	215,400	215,400	201,478	(13,922)
Fines and forfeits				
Court fines	9,722	9,722	5,895	(3,827)
Other	2,000	2,000	1,061	(939)
Total fines and forfeits	11,722	11,722	6,956	(4,766)
Investment earnings and rents				
Investment earnings	70,000	70,000	(41,737)	(111,737)
Rents	42,925	42,925	39,793	(3,132)
Total investment earnings and rents	112,925	112,925	(1,944)	(114,869)

City of St. Clair

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES - CONTINUED</b>				
Other revenue				
Sales of historical books	\$ 1,200	\$ 1,200	\$ 482	\$ (718)
Cemetery lots/perpetual care	13,250	13,250	14,325	1,075
Contribution and donations	27,100	27,100	69,157	42,057
Reimbursements	27,200	27,200	23,658	(3,542)
Miscellaneous	7,500	7,501	15,993	8,492
Total other revenue	76,250	76,251	123,615	47,364
<b>TOTAL REVENUES</b>	<b>3,573,156</b>	<b>3,573,157</b>	<b>3,495,552</b>	<b>(77,605)</b>
<b>EXPENDITURES</b>				
Current				
General government				
City council	40,562	35,562	32,733	2,829
Superintendent	25,683	25,683	22,819	2,864
Elections	19,465	19,465	13,807	5,658
Accounting	103,461	103,462	83,027	20,435
Assessor	48,378	51,379	51,040	339
Clerk	81,500	81,500	80,536	964
Board of review	3,050	3,050	1,883	1,167
General administration	89,999	104,499	100,183	4,316
Treasurer	64,852	64,851	67,306	(2,455)
Cemetery	80,650	73,150	63,143	10,007
Community forestry and tree maintenance	40,933	31,935	28,262	3,673
Beautification	19,200	18,200	14,762	3,438
Community promotion	17,800	17,800	18,865	(1,065)
Building and grounds	244,840	225,000	146,139	78,861
Total general government	880,373	855,536	724,505	131,031
Public safety				
Police	858,269	847,769	806,063	41,706
Fire	255,645	255,645	255,645	-0-
Total public safety	1,113,914	1,103,414	1,061,708	41,706
Public works				
Public works	121,473	121,473	110,296	11,177
Street lighting	108,000	122,000	124,538	(2,538)
Total public works	229,473	243,473	234,834	8,639

City of St. Clair

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES - CONTINUED</b>				
Current - continued				
Health and welfare				
Senior citizens	\$ 29,096	\$ 22,500	\$ 20,779	\$ 1,721
Community and economic development				
Economic development	19,645	13,395	11,970	1,425
Planning	19,246	14,246	8,398	5,848
Total community and economic development	38,891	27,641	20,368	7,273
Recreation and cultural				
Parks	157,134	156,634	148,846	7,788
Library	9,565	10,065	8,770	1,295
Community center	20,000	18,000	16,030	1,970
Total recreational and cultural	186,699	184,699	173,646	11,053
Other				
Fringe benefits	309,428	317,000	326,421	(9,421)
Insurance	-	-	46,547	(46,547)
Other	-	-	11,006	(11,006)
Total other	309,428	317,000	383,974	(66,974)
Debt service	100,000	100,000	100,000	-0-
<b>TOTAL EXPENDITURES</b>	<b>2,887,874</b>	<b>2,854,263</b>	<b>2,719,814</b>	<b>134,449</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>685,282</b>	<b>718,894</b>	<b>775,738</b>	<b>56,844</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,500	4,500	4,500	-0-
Transfers out	(689,782)	(704,782)	(704,782)	-0-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(685,282)</b>	<b>(700,282)</b>	<b>(700,282)</b>	<b>-0-</b>
Net change in fund balance (prior to adjustment for GASB Statement No. 54)	\$ -0-	\$ 18,612	75,456	\$ 56,844
Adjustment for GASB Statement No. 54			46,109	
Net change in fund balance, end of year			\$ 121,565	

City of St. Clair

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 304,600	\$ 304,600	\$ 318,140	\$ 13,540
Intergovernmental				
Federal/State	349,012	302,375	255,309	(47,066)
Local	-	-	37,705	37,705
Interest and rents	25	25	48	23
TOTAL REVENUES	653,637	607,000	611,202	4,202
EXPENDITURES				
Current				
Public works	244,715	234,122	238,302	(4,180)
Debt Service				
Principal	355,000	355,000	355,000	-0-
Interest	66,878	66,878	66,878	-0-
Capital outlay	35,000	25,000	8,267	16,733
TOTAL EXPENDITURES	701,593	681,000	668,447	12,553
EXCESS OF REVENUES (UNDER) EXPENDITURES	(47,956)	(74,000)	(57,245)	16,755
OTHER FINANCING SOURCES				
Transfers in	74,000	74,000	84,000	10,000
NET CHANGE IN FUND BALANCE	26,044	-0-	26,755	26,755
Fund balance, beginning of year	49,412	49,412	49,412	-0-
Fund balance, end of year	\$ 75,456	\$ 49,412	\$ 76,167	\$ 26,755

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2013

**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, 2013 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			
Other	\$ 317,000	\$ 383,974	\$ 66,974
Reserved Pension Tax Levy Fund	349,900	379,960	30,060

**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)	\$ 75,456
Net change in fund balance related to:	
Recreation Fund	8,614
OPEB Fund	<u>(37,495)</u>
Net actual change in fund balance (GAAP Basis)	<u>\$ 46,575</u>

## **OTHER SUPPLEMENTARY INFORMATION**

City of St. Clair  
 Nonmajor Governmental Funds  
 COMBINING BALANCE SHEET  
 September 30, 2013

	Special		
	Local Street Fund	Trunkline Maintenance Fund	Library Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 133,426	\$ 90	\$ 45,436
Investments	-	-	-
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Accrued interest receivable	-	-	-
Due from other governmental units	17,067	44,330	-
Prepays	5,869	-	-
	<u>\$ 156,362</u>	<u>\$ 44,420</u>	<u>\$ 45,436</u>
<b>TOTAL ASSETS</b>			
	<u>\$ 156,362</u>	<u>\$ 44,420</u>	<u>\$ 45,436</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,658	\$ 764	\$ -
Accrued liabilities	1,508	14,705	-
Deposits payable	-	-	-
Due to other funds	-	-	-
	<u>4,166</u>	<u>15,469</u>	<u>-0-</u>
<b>TOTAL LIABILITIES</b>			
	<u>4,166</u>	<u>15,469</u>	<u>-0-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes levied for subsequent period	-	-	-
<b>FUND BALANCES (DEFICITS)</b>			
Nonspendable	5,869	-	-
Restricted	146,327	28,951	45,436
Unassigned	-	-	-
	<u>152,196</u>	<u>28,951</u>	<u>45,436</u>
<b>TOTAL FUND BALANCES (DEFICITS)</b>			
	<u>152,196</u>	<u>28,951</u>	<u>45,436</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>			
	<u>\$ 156,362</u>	<u>\$ 44,420</u>	<u>\$ 45,436</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
\$ 25,512	\$ 60,448	\$ 119,706	\$ 48,007	\$ 1,550	\$ 13,543
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	135,991	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 25,512</u>	<u>\$ 60,448</u>	<u>\$ 119,706</u>	<u>\$ 183,998</u>	<u>\$ 1,550</u>	<u>\$ 13,543</u>
\$ 360	\$ -	\$ 7,754	\$ 32,004	\$ -	\$ -
2,639	-	-	-	-	-
3,450	-	-	-	-	-
-	-	-	-	-	-
6,449	-0-	7,754	32,004	-0-	-0-
-	-	-	184,457	-	-
-	-	-	-	-	-
19,063	60,448	111,952	-	1,550	13,543
-	-	-	(32,463)	-	-
<u>19,063</u>	<u>60,448</u>	<u>111,952</u>	<u>(32,463)</u>	<u>1,550</u>	<u>13,543</u>
<u>\$ 25,512</u>	<u>\$ 60,448</u>	<u>\$ 119,706</u>	<u>\$ 183,998</u>	<u>\$ 1,550</u>	<u>\$ 13,543</u>

City of St. Clair

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2013

	Debt Service		Capital
	1997 Road Construction Bond Fund	2004 Building Authority Bond Fund	Special Assessment Revolving Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,927	\$ 92	\$ 355,361
Investments	-	-	-
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Accrued interest receivable	-	-	-
Due from other governmental units	-	-	-
Prepays	-	-	-
TOTAL ASSETS	<u>\$ 7,927</u>	<u>\$ 92</u>	<u>\$ 355,361</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Deposits payable	-	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes levied for subsequent period	-	-	-
<b>FUND BALANCES (DEFICITS)</b>			
Nonspendable	-	-	-
Restricted	7,927	92	355,361
Unassigned	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>7,927</u>	<u>92</u>	<u>355,361</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>	<u>\$ 7,927</u>	<u>\$ 92</u>	<u>\$ 355,361</u>

<u>Projects</u>	<u>Permanent Fund</u>	
1994 Special Assessment Fund	Cemetery Perpetual Care Fund	Total Nonmajor Governmental Funds
\$ 2,835	\$ 212,588	\$ 1,026,521
-	472	472
27	-	27
-	-	135,991
-	529	529
-	-	61,397
-	-	5,869
<u>\$ 2,862</u>	<u>\$ 213,589</u>	<u>\$ 1,230,806</u>
\$ 66	\$ -	\$ 43,606
-	-	18,852
-	-	3,450
-	6,600	6,600
<u>66</u>	<u>6,600</u>	<u>72,508</u>
-	-	184,457
-	206,989	212,858
2,796	-	793,446
-	-	(32,463)
<u>2,796</u>	<u>206,989</u>	<u>973,841</u>
<u>\$ 2,862</u>	<u>\$ 213,589</u>	<u>\$ 1,230,806</u>

City of St. Clair

Nonmajor Governmental Funds

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

Year Ended September 30, 2013

	Special		
	Local Street Fund	Trunkline Maintenance Fund	Library Fund
<b>REVENUES</b>			
Property taxes	\$ 33,214	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	102,200	66,341	-
Charges for services	-	-	-
Investment earnings and rents	-	-	-
Other revenue	-	-	3,550
<b>TOTAL REVENUES</b>	<b>135,414</b>	<b>66,341</b>	<b>3,550</b>
<b>EXPENDITURES</b>			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	237,050	61,365	-
Recreation and cultural	-	-	10,993
Debt service			
Principal	-	-	-
Interest and fiscal fees	-	-	-
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>237,050</b>	<b>61,365</b>	<b>10,993</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(101,636)</b>	<b>4,976</b>	<b>(7,443)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	191,193	-	-
Transfers out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>191,193</b>	<b>-0-</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>89,557</b>	<b>4,976</b>	<b>(7,443)</b>
Fund balances (deficits), beginning of year	62,639	23,975	52,879
Fund balances (deficits), end of year	<u>\$ 152,196</u>	<u>\$ 28,951</u>	<u>\$ 45,436</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
\$ -	\$ -	\$ -	\$ 189,912	\$ -	\$ -
36,090	-	112,837	-	-	-
-	-	9,037	-	-	-
704	-	860	-	-	-
-	-	-	-	-	-
7,294	-	-	-	-	-
44,088	-0-	122,734	189,912	-0-	-0-
-	-	-	39,986	-	-
66,611	-	-	168,144	-	-
-	-	-	156,697	-	-
-	-	89,489	15,133	-	-
-	-	-	-	80,000	-
-	-	-	-	9,712	-
-	-	21,239	-	-	-
66,611	-0-	110,728	379,960	89,712	-0-
(22,523)	-0-	12,006	(190,048)	(89,712)	-0-
32,000	-	14,000	182,000	89,713	-
-	-	-	-	-	-
32,000	-0-	14,000	182,000	89,713	-0-
9,477	-0-	26,006	(8,048)	1	-0-
9,586	60,448	85,946	(24,415)	1,549	13,543
<u>\$ 19,063</u>	<u>\$ 60,448</u>	<u>\$ 111,952</u>	<u>\$ (32,463)</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, 2013

	Debt Service		Capital
	1997 Road Construction Bond Fund	2004 Building Authority Bond Fund	Special Assessment Revolving Fund
<b>REVENUES</b>			
Property taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Investment earnings and rents	-	-	-
Other revenue	-	-	-
	-0-	-0-	-0-
TOTAL REVENUES	-0-	-0-	-0-
<b>EXPENDITURES</b>			
Current			
General government	-	-	298
Public safety	-	-	-
Public works	-	-	-
Recreation and cultural	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal fees	-	-	-
Capital outlay	-	-	-
	-0-	-0-	298
TOTAL EXPENDITURES	-0-	-0-	298
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	(298)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
	-0-	-0-	-0-
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	355,659
Fund balances (deficits), end of year	\$ 7,927	\$ 92	\$ 355,361

<u>Projects</u>	<u>Permanent Fund</u>	
1994 Special Assessment Fund	Cemetery Perpetual Care Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 223,126
-	-	148,927
-	-	177,578
-	-	1,564
-	307	307
-	1,100	11,944
-0-	1,407	563,446
-	-	40,284
-	-	234,755
1,555	-	456,667
-	-	115,615
-	-	80,000
-	-	9,712
-	-	21,239
<u>1,555</u>	<u>-0-</u>	<u>958,272</u>
(1,555)	1,407	(394,826)
-	-	508,906
-	(4,500)	(4,500)
<u>-0-</u>	<u>(4,500)</u>	<u>504,406</u>
(1,555)	(3,093)	109,580
<u>4,351</u>	<u>210,082</u>	<u>864,261</u>
<u>\$ 2,796</u>	<u>\$ 206,989</u>	<u>\$ 973,841</u>

City of St. Clair

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION

September 30, 2013

	Municipal Golf Course Fund	Rubbish and Garbage Fund	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ -	\$ 140,965	\$ 140,965
Accounts receivable	-	46,787	46,787
Total current assets	-0-	187,752	187,752
Noncurrent assets			
Capital assets, not being depreciated	272,712	-	272,712
Capital assets, net of accumulated depreciation	312,995	-	312,995
Total noncurrent assets	585,707	-0-	585,707
<b>TOTAL ASSETS</b>	<b>585,707</b>	<b>187,752</b>	<b>773,459</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	8,713	26,748	35,461
Accrued liabilities	11,248	-	11,248
Due to other funds	60,184	-	60,184
Unearned revenue	1,811	-	1,811
<b>TOTAL LIABILITIES</b>	<b>81,956</b>	<b>26,748</b>	<b>108,704</b>
<b>NET POSITION</b>			
Investment in capital assets	585,707	-	585,707
Unrestricted	(81,956)	161,004	79,048
<b>TOTAL NET POSITION</b>	<b>\$ 503,751</b>	<b>\$ 161,004</b>	<b>\$ 664,755</b>

City of St. Clair

Nonmajor Enterprise Funds

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

Year Ended September 30, 2013

	Municipal Golf Course Fund	Rubbish and Garbage Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 196,399	\$ 397,120	\$ 593,519
Penalties	-	7,033	7,033
Other revenue	1,241	-	1,241
<b>TOTAL OPERATING REVENUES</b>	<b>197,640</b>	<b>404,153</b>	<b>601,793</b>
<b>OPERATING EXPENSES</b>			
Personnel	89,702	-	89,702
Fringe benefits	7,792	-	7,792
Supplies	30,243	305	30,548
Contractual services	6,823	316,925	323,748
Telephone	1,645	-	1,645
Dues and membership fees	12	-	12
Insurance	1,323	-	1,323
Utilities	14,331	-	14,331
Repair and maintenance	17,498	-	17,498
Equipment rental	3,531	-	3,531
Other	2,136	76,055	78,191
Depreciation	30,234	-	30,234
<b>TOTAL OPERATING EXPENSES</b>	<b>205,270</b>	<b>393,285</b>	<b>598,555</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(7,630)</b>	<b>10,868</b>	<b>3,238</b>
<b>NONOPERATING REVENUES</b>			
Interest income	64	-	64
Rental income	29,670	-	29,670
<b>TOTAL NONOPERATING REVENUES</b>	<b>29,734</b>	<b>-0-</b>	<b>29,734</b>
<b>INCOME BEFORE TRANSFERS</b>	<b>22,104</b>	<b>10,868</b>	<b>32,972</b>
<b>TRANSFERS</b>			
Transfers in	41,935	-	41,935
<b>CHANGE IN NET POSITION</b>	<b>64,039</b>	<b>10,868</b>	<b>74,907</b>
Net position, beginning of year	439,712	150,136	589,848
Net position, end of year	<u>\$ 503,751</u>	<u>\$ 161,004</u>	<u>\$ 664,755</u>

City of St. Clair

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2013

	Municipal Golf Course Fund	Rubbish and Garbage Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 198,336	\$ 403,673	\$ 602,009
Cash paid to suppliers	(26,880)	(392,560)	(419,440)
Cash paid for employee benefits	(89,702)	-	(89,702)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>81,754</b>	<b>11,113</b>	<b>92,867</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	41,935	-	41,935
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	64	-	64
Rent received	29,670	-	29,670
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>29,734</b>	<b>-0-</b>	<b>29,734</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>153,423</b>	<b>11,113</b>	<b>164,536</b>
Cash and cash equivalents, beginning of year	(153,423)	129,852	(23,571)
Cash and cash equivalents, end of year	<u>\$ -0-</u>	<u>\$ 140,965</u>	<u>\$ 140,965</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ (7,630)	\$ 10,868	\$ 3,238
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities</b>			
Depreciation	30,234	-	30,234
(Increase) in:			
Accounts receivable	-	(480)	(480)
Increase (decrease) in:			
Accounts payable	3,990	725	4,715
Accrued liabilities	(5,720)	-	(5,720)
Due to other funds	60,184	-	60,184
Unearned revenue	696	-	696
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 81,754</u></b>	<b><u>\$ 11,113</u></b>	<b><u>\$ 92,867</u></b>

City of St. Clair

Component Unit Funds

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

September 30, 2013

	<u>Governmental Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$        147</u>
LIABILITIES	\$          -
FUND BALANCE	
Unassigned	<u>          147</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$        147</u>

Note: Reconciliation of the component unit governmental fund balance sheet to the statement of net position for this component unit is not required as the component unit's fund balance was equal to the component unit's net position at September 30, 2013.

City of St. Clair

Component Unit Funds

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

Year Ended September 30, 2013

	<u>Governmental Fund</u>
REVENUES	
Interest	\$ 41
EXPENDITURES	<u>-</u>
NET CHANGE IN FUND BALANCE	41
Fund balance, beginning of year	<u>106</u>
Fund balance, end of year	<u><u>\$ 147</u></u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities for the component unit is not required as the net change in fund balance of the component unit's governmental fund was equal to the change in net position of the component unit for the year ended September 30, 2013.

City of St. Clair

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

September 30, 2013

	<u>Governmental Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 30,842
Taxes receivable	<u>3,260</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 34,102</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 1,195
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Taxes levied for subsequent period	3,260
<b>FUND BALANCE</b>	
Unassigned	<u>29,647</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u><u>\$ 34,102</u></u>

Note: Reconciliation of the component unit governmental fund balance sheet to the statement of net position for this component unit is not required as the component unit's fund balance was equal to the component unit's net position at September 30, 2013.

City of St. Clair

Component Unit Funds

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

Year Ended September 30, 2013

	<u>Governmental Fund</u>
REVENUES	
Property taxes	\$ 46,729
Interest	57
Other	<u>10,430</u>
TOTAL REVENUES	57,216
EXPENDITURES	
Current	
Community and economic development	<u>137,414</u>
NET CHANGE IN FUND BALANCE	(80,198)
Fund balance, beginning of year	<u>109,845</u>
Fund balance, end of year	<u><u>\$ 29,647</u></u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities for the component unit is not required as the net change in fund balance of the component unit's governmental fund was equal to the change in net position of the component unit for the year ended September 30, 2013.

City of St. Clair

Governmental Activities

SCHEDULE OF INDEBTEDNESS

September 30, 2013

**1999 BUILDING AUTHORITY BONDS**

Issue dated June 1, 1999, in the amount of	\$ 995,000
Less: Principal paid in prior years	(745,000)
Principal paid in current year	<u>(80,000)</u>
Balance payable at September 30, 2013	<u><u>\$ 170,000</u></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>
2014	4.63%	\$ 85,000	\$ 3,931	\$ 1,966	\$ 90,897
2015	4.63%	<u>85,000</u>	<u>1,966</u>	<u>-</u>	<u>86,966</u>
		<u><u>\$ 170,000</u></u>	<u><u>\$ 5,897</u></u>	<u><u>\$ 1,966</u></u>	<u><u>\$ 177,863</u></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	(400,000)
Principal paid in current year	<u>(100,000)</u>
Balance payable at September 30, 2013	<u><u>\$ 500,000</u></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>
2014	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 100,000
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	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>100,000</u>
	<u><u>\$ 125,000</u></u>	<u><u>\$ 125,000</u></u>	<u><u>\$ 125,000</u></u>	<u><u>\$ 125,000</u></u>	<u><u>\$ 500,000</u></u>

Note: This obligation is paid by the General Fund

City of St. Clair

Governmental Activities

SCHEDULE OF INDEBTEDNESS - CONTINUED

September 30, 2013

**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	(1,375,000)
Principal paid in current year	<u>(355,000)</u>
Balance payable at September 30, 2013	<u><u>\$ 1,725,000</u></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>
2014	3.50%	\$ 385,000	\$ 30,220	\$ 23,482	\$ 438,702
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%	<u>480,000</u>	<u>8,640</u>	<u>-</u>	<u>488,640</u>
		<u><u>\$ 1,725,000</u></u>	<u><u>\$ 78,770</u></u>	<u><u>\$ 48,549</u></u>	<u><u>\$ 1,852,319</u></u>

Note: This obligation is paid by the Major Street Fund

City of St. Clair

Business-Type Activities

SCHEDULE OF INDEBTEDNESS - CONTINUED

September 30, 2013

**STATE REVOLVING FUND BONDS, SERIES 2002**

Issue dated October 1, 2002, in the amount of	\$ 4,948,287
Less: Principal paid in prior years	(1,950,000)
Principal paid in current year	<u>(240,000)</u>
Balance payable at September 30, 2013	<u><u>\$ 2,758,287</u></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>
2014	2.50%	\$ 250,000	\$ 34,479	\$ 34,479	\$ 318,958
2015	2.50%	255,000	31,354	31,354	317,708
2016	2.50%	260,000	28,166	28,166	316,332
2017	2.50%	265,000	24,916	24,916	314,832
2018	2.50%	270,000	21,604	21,604	313,208
2019	2.50%	275,000	19,229	18,229	312,458
2020	2.50%	285,000	14,791	14,791	314,582
2021	2.50%	290,000	11,229	11,229	312,458
2022	2.50%	300,000	7,604	7,604	315,208
2023	2.50%	308,287	3,854	3,854	315,995
		<u><u>\$ 2,758,287</u></u>	<u><u>\$ 197,226</u></u>	<u><u>\$ 196,226</u></u>	<u><u>\$ 3,151,739</u></u>

City of St. Clair

Business-Type Activities

SCHEDULE OF INDEBTEDNESS - CONTINUED

September 30, 2013

**GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS, SERIES 2002A**

Issue dated October 1, 2002, in the amount of	\$ 410,000
Less: Principal paid in prior years	(140,000)
Principal paid in current year	<u>(25,000)</u>
Balance payable at September 30, 2013	<u><u>\$ 245,000</u></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>
2014	3.65%	\$ 25,000	\$ 5,249	\$ 4,774	\$ 35,023
2015	3.80%	25,000	4,774	4,286	34,060
2016	3.90%	25,000	4,286	3,786	33,072
2017	4.00%	25,000	3,786	3,268	32,054
2018	4.15%	25,000	3,268	2,730	30,998
2019	4.30%	30,000	2,730	2,070	34,800
2020	4.40%	30,000	2,070	1,395	33,465
2021	4.50%	30,000	1,395	705	32,100
2022	4.60%	30,000	705	-	30,705
		<u><u>\$ 245,000</u></u>	<u><u>\$ 28,263</u></u>	<u><u>\$ 23,014</u></u>	<u><u>\$ 296,277</u></u>

City of St. Clair

Business-Type Activities

SCHEDULE OF INDEBTEDNESS - CONTINUED

September 30, 2013

**2004 GENERAL OBLIGATION REFUNDING BONDS (UNLIMITED TAX)**

Issue dated February 10, 2004, in the amount of	\$ 830,000
Less: Principal paid in prior years	(655,000)
Principal paid in current year	<u>(90,000)</u>
Balance payable at September 30, 2013	<u><u>\$ 85,000</u></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>
2014	3.40%	<u>\$ 85,000</u>	<u>\$ 1,445</u>	<u>\$ -</u>	<u>\$ 86,445</u>

City of St. Clair

Business-Type Activities

SCHEDULE OF INDEBTEDNESS - CONTINUED

September 30, 2013

**GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS, SERIES 2007**

Issue dated January 1, 2007, in the amount of	\$ 650,000
Less: Principal paid in prior years	(130,000)
Principal paid in current year	<u>(25,000)</u>
Balance payable at September 30, 2013	<u><u>\$ 495,000</u></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>
2014	4.00%	\$ 30,000	\$ 10,471	\$ 9,871	\$ 50,342
2015	4.00%	30,000	9,871	9,271	49,142
2016	4.00%	30,000	9,271	8,671	47,942
2017	4.00%	30,000	8,671	8,071	46,742
2018	4.00%	35,000	8,071	7,354	50,425
2019	4.10%	35,000	7,354	6,628	48,982
2020	4.15%	35,000	6,628	5,893	47,521
2021	4.20%	40,000	5,893	5,043	50,936
2022	4.25%	40,000	5,043	4,183	49,226
2023	4.30%	45,000	4,183	3,215	52,398
2024	4.30%	45,000	3,215	2,225	50,440
2025	4.40%	50,000	2,225	1,125	53,350
2026	4.40%	<u>50,000</u>	<u>1,125</u>	<u>-</u>	<u>51,125</u>
		<u><u>\$ 495,000</u></u>	<u><u>\$ 82,021</u></u>	<u><u>\$ 71,550</u></u>	<u><u>\$ 648,571</u></u>

City of St. Clair

Business-Type Activities

SCHEDULE OF INDEBTEDNESS - CONTINUED

September 30, 2013

**STATE REVOLVING FUND BONDS, SERIES 2012**

Issue dated January 1, 2013, in the amount of	\$ 1,143,988
Less: Principal paid in prior years	-
Principal paid in current year	<u>-</u>
Balance payable at September 30, 2013	<u><u>\$ 1,143,988</u></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.