

City of St. Clair Shores, Michigan

**Comprehensive Annual Financial Report
with Supplemental Information
Prepared by the Department of Finance
for the Fiscal Year Ended June 30, 2014**

City of St. Clair Shores, Michigan

Contents

Introductory Section

| | |
|----------------------------------------------|--------|
| Letter of Transmittal | i-viii |
| GFOA Certificate of Achievement | ix |
| Map of City with Street Millage Construction | x-xi |
| Organizational Chart | xii |
| List of Principal Officials | xiii |
| Fund Organization Chart | xiv |

Financial Section

| | |
|--------------------------------------|------|
| Report Letter | 1-3 |
| Management's Discussion and Analysis | 4-11 |

Basic Financial Statements

Government-wide Financial Statements:

| | |
|---------------------------|-------|
| Statement of Net Position | 12 |
| Statement of Activities | 13-14 |

Fund Financial Statements:

Governmental Funds:

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Balance Sheet | 15 |
| Reconciliation of the Balance Sheet to the Statement of Net Position | 16 |
| Statement of Revenue, Expenditures, and Changes in Fund Balances | 17 |
| Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 18 |

Proprietary Funds:

| | |
|-------------------------------------------------------------|-------|
| Statement of Net Position | 19 |
| Statement of Revenue, Expenses, and Changes in Net Position | 20 |
| Statement of Cash Flows | 21-22 |

City of St. Clair Shores, Michigan

Contents (Continued)

Basic Financial Statements (Continued)

| | |
|----------------------------------------------------------------------------------------------------|-------|
| Fiduciary Funds: | |
| Statement of Fiduciary Net Position | 23 |
| Statement of Changes in Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds | 24 |
| Component Units: | |
| Statement of Net Position | 25 |
| Statement of Activities | 26-27 |
| Notes to Financial Statements | 28-74 |

Required Supplemental Information 75

| | |
|--------------------------------------------------------------------------------------------------------------------|-------|
| Budgetary Comparison Schedule - General Fund | 76-77 |
| Budgetary Comparison Schedule - Major Special Revenue Funds | 78-79 |
| Note to Required Supplemental Information | 80-83 |
| Police and Fire Retirement System Schedule of Funding Progress | 84 |
| Schedule of Changes in the City Net Pension Liability and Related Ratios - Police and Fire Retirement System | 85 |
| Schedule of City Contributions - Police and Fire Retirement System | 86 |
| Schedule of Investment Returns - Police and Fire Retirement System | 87 |
| General Employees' Retirement System Schedule of Funding Progress | 88 |
| Schedule of Changes in the City Net Pension Liability and Related Ratios - General Employees' Retirement System | 89 |
| Schedule of City Contributions - General Employees' Retirement System | 90 |
| Schedule of Investment Returns - General Employees' Retirement System | 91 |
| Police and Fire Retiree Healthcare Plan | 92 |
| General Retiree Healthcare Plan | 93 |

City of St. Clair Shores, Michigan

Contents (Continued)

| | |
|----------------------------------------------------------------------------|--------|
| Other Supplemental Information | 94 |
| Nonmajor Governmental Funds: | |
| Combining Balance Sheet | 95-96 |
| Combining Statement of Revenue, Expenditures, and Changes in Fund Balances | 97-98 |
| Budgetary Comparison | 99-109 |
| Internal Service Funds: | |
| Combining Statement of Net Position | 110 |
| Combining Statement of Revenue, Expenses, and Changes in Net Position | 111 |
| Combining Statement of Cash Flows | 112 |
| Fiduciary Funds: | |
| Statement of Assets and Liabilities | 113 |
| Combining Statement of Changes in Fiduciary Net Position | 114 |
| Statement of Changes in Assets and Liabilities | 115 |

City of St. Clair Shores, Michigan

Contents (Continued)

| | |
|-------------------------------------------------------------------------------------------------------|---------|
| <u>Statistical Section</u> | 116-117 |
| Financial Trend Information: | |
| Change in Net Position - Governmental Activities, Business-type Activities, and Primary Government | 118-119 |
| Change in Fund Balance - Governmental Funds | 120-121 |
| Governmental Fund Balance by Designations | 122-123 |
| Government-wide Net Position by Component | 124-125 |
| Revenue Capacity Information - Taxable Value and Actual Value of Taxable Property | 126-127 |
| Property Tax Rates - Direct and Overlapping Government | 128-130 |
| General Fund Revenue from the State of Michigan | 131 |
| Property Tax Levy and Collections | 132 |
| Principal Taxpayers | 133 |
| Debt Capacity Information: | |
| Pledged Revenue Coverage | 134-135 |
| Ratio of Outstanding Debt | 136-137 |
| Ratio of General Bonded Debt Outstanding | 138-139 |
| Computation of Direct and Overlapping Debt | 140 |
| Computation of Legal Debt Margin | 141-142 |
| Demographic and Economic Information: | |
| Demographic and Economic Statistics | 143 |
| Principal Employers | 144 |
| Operating Information: | |
| Full-time Equivalent Government Employees | 145-146 |
| Operating Indicators | 147-152 |
| Capital Asset Statistics | 153-154 |

City of St. Clair Shores, Michigan

Contents (Continued)

| | |
|-----------------------------------------------------------------------------------------------------------|---------|
| <u>Continuing Disclosure Items</u> | 155 |
| State Equalized Valuation and Taxable Valuation | 156 |
| Breakdown of Current Taxable Valuation | 157 |
| Tax Rate Limitations | 158 |
| Population | 159 |
| Receipts of Gas and Weight Taxes | 160 |
| Debt Statement | 161 |
| Revenue-sharing Payments from the State of Michigan - General, Special Revenue, and Debt Service Funds | 162 |
| Water Sold vs. Water Purchased | 163 |
| Water Customers and Consumption | 164 |
| History of Utility Rates | 165-166 |
| Sewer Rates - Commercial and Industrial Users | 167 |
| History of Residential Water and Sewer Rate Increases | 168 |
| Ten Largest Water and Sewer Customers | 169 |
| Historical Net Earnings, Cash Flow, and Debt Service Coverage - Utility Fund | 170 |
| Schedule of Bond Maturities | 171 |
| General Fund - Fund Balance | 172 |

City of St. Clair Shores

27600 Jefferson Circle Drive St. Clair Shores, MI 48081-2093
Phone: (586) 447-3322 Fax: (586) 445-5245 www.scsmi.net



Mayor

Kip C. Walby

Mayor Pro-Tem

Anthony G. Tiseo

City Manager

Michael E. Smith

Finance Director/Deputy Treasurer

Douglas M. Haag

Council Members:

John D. Caron

Ronald J. Frederick

Peter A. Rubino

Candice B. Rusie

Chris M. Vitale

November 26, 2014

To the Honorable Mayor, Members of City Council, and Citizens of St. Clair Shores:

The Comprehensive Annual Financial Report (CAFR) of the City of St. Clair Shores for the year ended June 30, 2014 is hereby submitted. The basic financial statements as defined in the table of contents were audited by Plante & Moran, PLLC, Certified Public Accountants. Their unmodified opinion follows this letter of transmittal. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the governmental activities, business-type activities, the various funds and component units of the City of St. Clair Shores. All disclosures necessary to enable the reader to gain an understanding of the City of St. Clair Shores activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Continuing Disclosure. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart and a list of the City of St. Clair Shores' principal appointed officials. The financial section includes: the Management's Discussion and Analysis (MD&A); the Basic Financial Statements which are comprised of the entity-wide financial statements, fund financial statements, footnotes and schedules, as well as the independent auditor's report on these financial statements and schedules; and the required and other supplemental information on the budgetary comparison schedules, pension plans and combining financial statements for non-major funds. The statistical section, also unaudited, includes selected financial and demographic information, generally presented on a multi-year basis. Finally, the unaudited continuing disclosure section contains information required by the Securities and Exchange Commission Rule 15c2-12 requiring that issuers of municipal securities undertake in a written contract for the benefit of the holders of such securities to provide certain annual financial information to various information repositories.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of St. Clair Shores' MD&A can be found immediately following the report of the independent auditor.

The Reporting Entity and Services Provided

The City of St. Clair Shores has defined its financial reporting entity in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). The City of St. Clair Shores includes all the funds, agencies, boards, commissions, and authorities that are controlled by or dependent on the Mayor and City Council. Based upon these criteria, the Tax Increment Finance Authority, the Brownfield Redevelopment Authority and the Corridor Improvement Authority have been included in this report.

The City of St. Clair Shores provides a full range of services including police and fire protection; sanitation services; construction and maintenance of highways, streets and infrastructure, planning and zoning; library services, parks, recreational activities and cultural events. Additionally, water and sewer services are provided under an Enterprise Fund concept, with user charges set by the City Council to ensure adequate coverage of operating expenses and payments on outstanding debt. The City also operates the Pool, Golf Course and Marinas as a single Enterprise under the Recreation Revenue Fund.

Accounting Systems, Budgetary and Internal Controls

The City's accounting system is organized and operated on a "fund basis." Each fund is a distinct, self-balancing entity created to account for all assets, liabilities, financial resources and uses associated with its intended purpose.

Annual balanced budgets are adopted for all the primary government's General, Special Revenue and Debt Service Funds as required by Michigan Public Act 621 of 1978, the Uniform Budgeting and Accounting Act.

The City Council, by resolution, adopted a budget on a budgetary center basis for all departments, divisions, boards, commissions and other activities. Budgets for the General, Special Revenue and Debt Service Funds were adopted on the modified accrual basis of accounting consistent with generally accepted accounting principles.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal controls. Internal control represents the organization's plan of procedures associated with safeguarding assets and maintaining the integrity of financial records and consequently is designed to provide reasonable assurance that:

- Transactions are executed in accordance with management's general or specific authorization.
- Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles, or any other criteria, such as finance-related legal and contractual compliance requirements applicable to such statements, and (2) to maintain accountability for assets.
- Access to assets is permitted only in accordance with management's authorization.
- The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Local Economy and Governmental Structure

The City of St. Clair Shores is located in the southeast corner of Macomb County, north of the City of Detroit, in southeastern Michigan on Lake St. Clair. The City contains approximately 11.6 square miles with a population of 59,715 citizens as reported by the U. S. Bureau of the Census for calendar year 2010. The local economy has shown improvement. As of June 2013, the City had a 10.5 percent unemployment rate as compared to a statewide rate of 8.7 percent and a national average of 7.6 percent. For June 30, 2014, the numbers showed a City unemployment rate of 9.6%, statewide of 7.5% and a national unemployment rate of 6.1%.

Incorporated in 1951, the City operates under a Council / Manager form of government. Voters elect a Mayor and a six-member Council in staggered four-year terms. The Mayor and Council are the legislative body of the City, responsible for adoption and implementation of ordinances, policies, budget guidelines and upholding the Charter. The City Manager administers the day-to-day operations of the City and makes recommendations to City Council.

The City of St. Clair Shores has grown over the years to a point where less than 1 percent of its total land area is vacant. Most recent growth taking place in Macomb County occurred to the northwest; the I-696 and I-94 freeways running through St. Clair Shores provide a corridor of opportunity for redevelopment and enhancement of existing development.

As stated a year ago, there is no question the future years will be challenging as expenditure increases are expected to continue to exceed revenues. The five-year economic projection (prior to incorporating the results of current year operations) shows revenues relatively flat going forward while expenditures will increase at 2% to 4% unless changes are made. It is management's goal to maintain high quality services during times of economic uncertainty. The City has adopted prudent and conservative financial policies, which will help guide us through the upcoming years. Therefore, management and Council have built up over many years of frugal spending an unrestricted fund balance of \$15.2 million, representing 32 percent of fiscal year 2015 budgeted expenditures. The five-year financial projection indicates that fund balance will be reduced to unacceptable levels if proactive steps are not made to increase revenues or reduce expenditures before fiscal year 2019.

Special millages adopted by voter referendum include a local millage of 2.0 mills to support Police and Fire Services. This funding secures the staffing levels at 90 for the Police department and 50 for the Fire department. A three-year renewal was approved on August 16, 2013, which puts funding in place through June 30, 2017.

St. Clair Shores' voters approved a tax levy of up to 2.0 mills to finance federal and state mandated improvements on the Jefferson Interceptor and repairs to sanitary sewers city-wide in September 1999 – dubbed the Lake St. Clair Clean Water Initiative Project. Construction of improvements for this massive infrastructure project continued this fiscal year. Repairs and improvements are ongoing under this project. The residential sewers repaired at the beginning of this undertaking are now being cleaned and televised again to see that the repairs are holding up properly.

In August 2014, Proposal 1 was approved by the electorate which gradually phases out the personal property tax. Recent communications indicate that the State will not reimburse the municipalities for 100% of the lost revenues.

The current street millage of .9830 was last approved in 2009 and expires June 30, 2015. A renewal of 1.25 mills is being proposed on the November 4, 2014 ballot.

Long-term Financial Planning

The City has relied on its five-year financial model since 1996 to help make long-term plans. The model enables administration to project fund balance given various assumptions based on the economy and changes in major revenue and expenditure items. The City has managed to remain fiscally solvent and maintain fund balance levels by recognizing its financial challenges and making significant changes. The reasons for the structural deficit are easy to identify but difficult to overcome as they are primarily legacy costs for pensions & health care, statutory limits on property tax revenues and cuts in state revenue sharing.

The City has downsized the workforce by over 22 percent since fiscal year 2002. In doing so, a total of 73 positions were eliminated. The savings from those positions exceed \$7.4 million per year. Planned capital spending has been all but eliminated and must be prioritized based on need with all departments now competing for the same funds. The slowdown in the economy and the problems the State of Michigan is having balancing its own budget will seriously affect future budgets.

Other challenges include a drop in taxable property values of 37% since 2007 which equates to lost revenues of roughly \$27 million citywide. Also, since 2007, interest rates set by the Federal Reserve have resulted in decreased investment earnings from \$1.3 million to less than \$100,000 in 2014. This is the equivalent of losing 1 mill in property tax each year. Lastly, a recent study by the Michigan Municipal League shows the City has lost over \$17 million in revenue sharing from the State of Michigan during the last decade.

Through conservative budgeting, the model projects that if nothing is done, we will continue drawing down on fund balance annually in the amount of \$3 - \$4 million in the coming years. Management recognizes that this model is not sustainable and is in the early stage of looking at both short- and long-term alternatives.

Major Accomplishments

The following were among the many activities and accomplishments to which both the elected officials and staff devoted their energies in fiscal year 2013-2014:

- 1) Conservative budgeting practices continued throughout the year. The unrestricted fund balance stands at \$15.2 million. However, this is a decrease of \$1.8 million (11%) from last year's level of \$17 million.
- 2) All staff positions were re-evaluated when they became open.
- 3) The Community Development Department continued to enforce an active blight program aimed at maintaining property values. This continues to be a successful project citywide and included over 4,500 code enforcement inspections during the year.
- 4) The City Clerks' Office was recognized by the Detroit Passport Agency as having received a perfect audit. One voting precinct was eliminated which will save approximately \$2,000 per election for all future elections.
- 5) The Tax and Water Department implemented credit card payment processing as a convenience to residents.
- 6) The Communications Department reenergized its 24x7 SCSTV format with contemporary graphics, published a calendar that was distributed citywide at no cost to residents and proactively refreshed the City website, Facebook page and all other media outlets.
- 7) Public Works rebid contracts for solid waste, recycling and yard waste collection and disposal that will result in saving of nearly \$2 million over the eight-year life of the contract. Also, it continued to operate the 4 million gallon Water Storage Reservoir and Pumping Station at 10 Mile and Harper to reduce the cost to purchase water from the DWSD which results in an annual savings of \$350,000 – \$500,000.
- 8) The City is ever vigilant in seeking out grant programs. This year was no exception as the City obtained a \$320,000 grant from the Federal Highway Administration for two new diesel dump/plow trucks. The Fire Department obtained over \$260,000 in grants to upgrade the exhaust extraction systems at all fire stations, replace defibrillators on front line apparatus and purchase three new floto-pumps for boat fires.
- 9) The Police Department responded to nearly 30,000 calls for service which resulted in 1,998 arrests, 20,909 civil infractions and 10,204 traffic misdemeanors.
- 10) The Fire Department continued to operate effectively with 9,514 incident responses, up slightly from 9,146 last year. Also, the 9,514 was for 2,548 fire runs and 6,966 EMS runs.
- 11) The Library continued its strong commitment to the community by launching Zinio, a free on-line digital magazine subscription services. Subscribers can also now receive text message alerts when their material is ready for pick-up and pay fees via credit card.

- 12) The recreational opportunities rival any community in southeast Michigan. Volunteers should be credited with much of the success of these operations. This includes over 750 coaches that participated in baseball, soccer, basketball, and skating associations. The Civic Ice Arenas are utilized year round - this past year nearly 1,200 individuals participated in the Learn to Skate program. Open Public Skating, Shift Hockey and Puck & Parents programs added another 8,000 participants. Special event attendance for tournaments at Thanksgiving and Christmas plus the Silver Stick Tournaments, Reflections on Ice Shows and Shores Autumn Classic Skating Competition drew 22,000 from as far away as California and Sudbury, Ontario.
- 13) Renovations were completed at the popular St. Clair Shores Golf Course and Country Club where a new bar, carpeting and a fresh coat of paint have enhanced the restaurant experience. Dining is better as well with Chef Raymone at the grill. Over 46,000 rounds of golf were played despite a late spring. Golfers can now also make a tee time reservation on-line or using a smartphone. The Pool attained the highest daily attendance in recorded history.
- 14) Special events are held year 'round and included popular annual ones such as the Fireworks Extravaganza, Halloween Fun Fest, Christmas Tree Lighting and weekly summer concerts in the Park. Recent additions to the festival card were the Aqua Freeze Festival, the County Music Festival, a nationally recognized Monster Quest Fishing Tournament and a Made in Michigan market to complement the annual apple pie event.
- 15) Construction was completed of the Craig J. Oster 40th District Courthouse. The dedication was held on July 15, 2014.
- 16) The café came under new management in August 2013 and is now named the Roe-On-In Café.

Some of the Major Initiatives for July 1, 2014 and Thereafter are as Follows:

- 1) New carpeting is planned for the Library in January 2015.
- 2) Continue with the blight abatement program, including rehabilitating homes through the CDBG program.
- 3) Expand go green initiatives through environmentally holistic upgrades to our infrastructure and water quality. The City will leverage storm water grants in the coming year totaling \$2,250,000 to accomplish this.
- 4) Continue to be aggressive in pursuing additional grant funds. This includes resubmitting an application to FEMA for \$749,000 to replace Quint 1 (fire aerial apparatus) as well as funding for improvements to the Senior Center.

- 5) The water meter replacement program continues throughout the city. Other efforts to stabilize system-wide water pressure have reduced the number of water main breaks throughout the city. Collectively, these measures continue to reduce water loss within the Utility Fund.
- 6) Continue with an austere budget program that includes careful evaluation of all positions and capital outlay requests.
- 7) In May 2014, City Manager Phil Ludos resigned and was replaced by Michael E. Smith on September 3, 2014.

Awards

For the eighteenth year in a row, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of St. Clair Shores for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFRs must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of St. Clair Shores has received a Certificate of Achievement for the last 17 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it again to the GFOA.

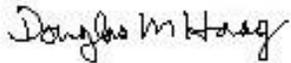
Acknowledgments

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Department of Finance and our independent auditors, Plante & Moran, PLLC, CPAs. In particular, the Finance Department team is due special accolades for going above and beyond in preparing the last two CAFRs while the City transitioned to both a new Finance Director and Controller. In closing, without the leadership and support of the Mayor and City Council, preparation of this report would not have been possible.

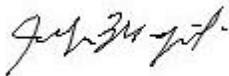
Sincerely,



Michael E. Smith
City Manager



Douglas M. Haag
Finance Director/Treasurer



John Modzinski
Controller/Deputy Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

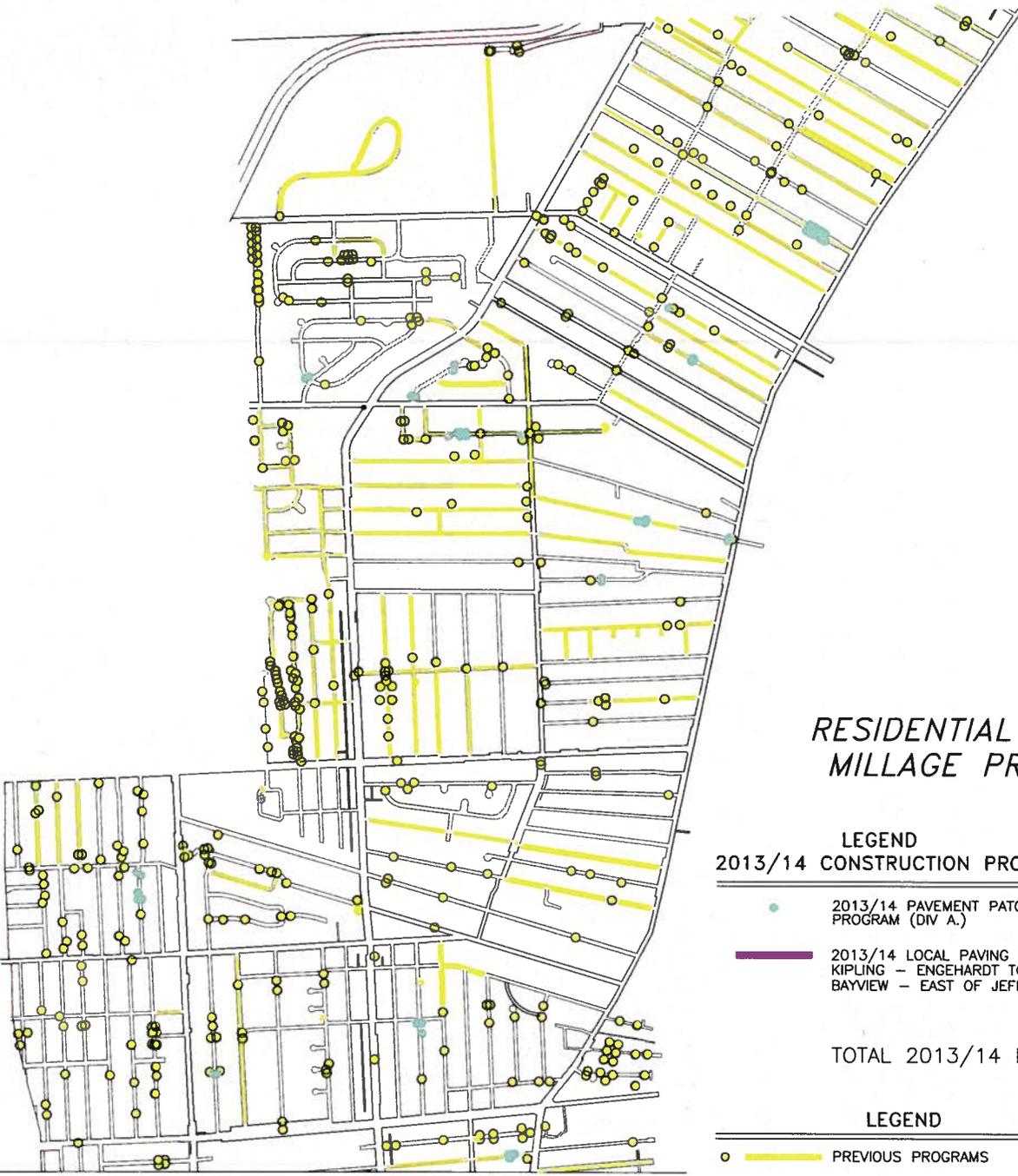
Presented to

**City of St. Clair Shores
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



MATCH LINE SEE SHEET No. 2

RESIDENTIAL STREET MILLAGE PROGRAM

| LEGEND | | COST |
|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|---------------|
| 2013/14 CONSTRUCTION PROGRAM | | |
|  | 2013/14 PAVEMENT PATCH REPAIR PROGRAM (DIV A.) | \$ 577,024 |
|  | 2013/14 LOCAL PAVING PROJECT - KIPLING - ENGEHARDT TO EDGEWOOD BAYVIEW - EAST OF JEFFERSON | \$ 1,138,979 |
| TOTAL 2013/14 PROGRAM | | \$ 1,716,003 |
| LEGEND | | COST |
|  | PREVIOUS PROGRAMS | \$ 25,966,657 |

TOTAL RESIDENTIAL STREETS PROGRAM \$ 27,682,660



ANDERSON, ECKSTEIN AND WESTRICK, INC.
 Civil Engineers Surveyors Architects
 51301 Schoenherr Road, Shelby Township, Michigan 48315
 Phone 586 726 1234 Fax 586 726 8780

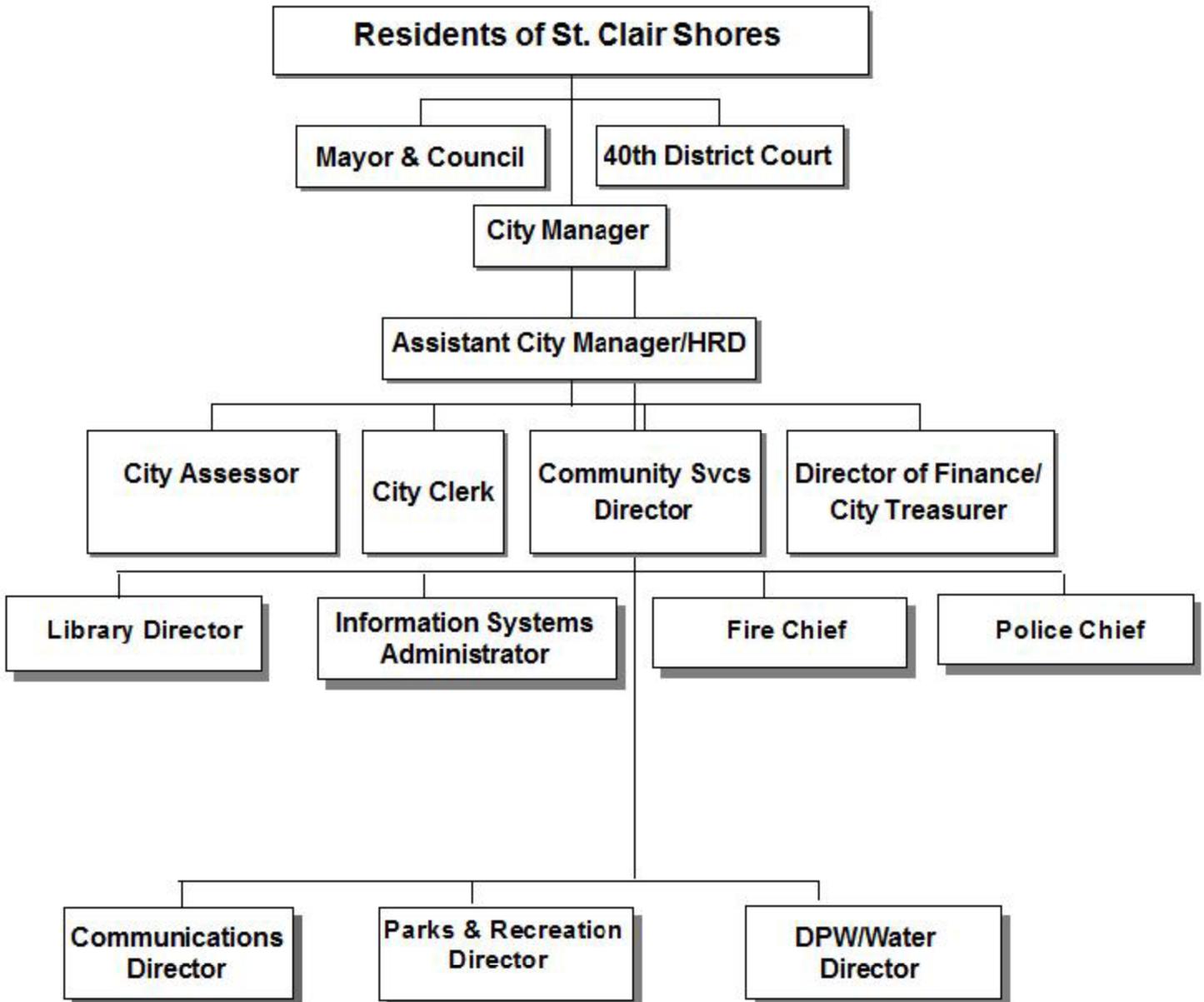
MATCH LINE SEE SHEET No. 1



ANDERSON, ECKSTEIN AND WESTRICK, INC.
Civil Engineers Surveyors Architects
51301 Schoenherr Road, Shelby Township, Michigan 48315
Phone 586 726 1234 Fax 586 726 8780

2 of 2

**City of St. Clair Shores, Michigan
Organizational Chart**



City of St. Clair Shores, Michigan

List of Principal Officials June 30, 2014

City Manager

Michael E. Smith, City Manager
Robert Ihrie, City Attorney

City Clerk

Mary A. Kotowski, City Clerk

Community Development

Christopher R. Rayes, Director of Community Services
Elizabeth M. Koto, City Planner

District Court

Carolyn Povich, Court Administrator

Department of Public Works

Bryan Babcock, DPW/Water Director

Finance

Douglas M. Haag, Director of Finance
John Modzinski, Controller
Teri Socia, City Assessor

Fire

George W. Morehouse, Fire Chief

Information Systems

Gregory N. Corless, Information Systems Administrator

Library and Information Services

Rosemary Orlando, City Librarian
Mary Jane D'Herde, Communications Director

Parks and Recreation

Gregory Esler, Parks and Recreation Director
Timothy J. Dorner, Golf Course Superintendent

Police

Todd A. Woodcox, Police Chief

City of St. Clair Shores, Michigan

Fund Organization Chart

| General | Special Revenue |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| General Fund | Library State Aid Library Penal Major Streets Local Streets Drug Law Enforcement Community Development Block Grant (CDBG) Family Rental Program HUD Home Program |
| Debt Service | Capital Projects |
| Debt Service Building Authority 1994 MVH Debt Retirement SEMSD Clean Water Initiative 2011 Capital Improvement Debt Service Debt Service - Court Building | SEMSD Clean Water Initiative Harper Avenue Streetscape 2011 Capital Improvement Golf Course Capital Project Court Building 8 1/2 Mile Relief Drain Debt |
| Proprietary Funds | |
| Enterprise | Internal Service |
| Recreational Revenue Utility | Motorpool Computer Replacement |
| Fiduciary Funds | |
| Pension Trust | Agency |
| General Employees' Retirement System Police and Fire Retirement System | 40th District Court County and School Tax Fund |
| Other Employee Benefit Trust Funds | |
| General Employees' Retiree Health Care Police and Fire Retiree Health Care | |
| Component Units | |
| Tax Increment Finance Authority (TIFA) Brownfield Redevelopment Authority (BRA) Corridor Improvement Authority (CIA) | |

Independent Auditor's Report

To the Honorable Mayor and Members
of the City Council
City of St. Clair Shores, 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 Shores, Michigan (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of St. Clair Shores, Michigan'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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The 40th District Court was not audited under *Government Auditing Standards*.

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.

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

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 Shores, Michigan as of June 30, 2014 and the respective changes in its financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the basic financial statements, the City of St. Clair Shores adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and GASB Statement No. 67, *Financial Reporting for Pension Plans*. As a result of implementing GASB 65, the City of St. Clair Shores now reports deferred inflows for governmental fund revenue that is not available. Adopting GASB 67 resulted in significant changes to the defined benefit related footnote disclosures as well as required supplemental information schedules. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension system schedules of funding progress and employer contributions, schedules of changes in the City net pension liability and related ratios, schedules of City contributions, schedules of investment returns, and the major fund budgetary comparison schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Clair Shores, Michigan's basic financial statements. The other supplemental information, introductory section, statistical section schedules, and continuing disclosure items, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

The introductory section, statistical section schedules, and continuing disclosure items, as identified in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014 on our consideration of the City of St. Clair Shores, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of St. Clair Shores, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 26, 2014

City of St. Clair Shores, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of St. Clair Shores' (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the transmittal letter on pages i-viii and the City's financial statements which begin on page 12.

Financial Highlights

- The City's overall net position decreased \$4.1 million or 2.5 percent as a result of this year's operations. Net position of our governmental activities decreased \$7.0 million or 7.1 percent; net position of our business-type activities increased \$2.9 million or 3.9 percent.
- The General Fund reported expenditures and transfers exceeding revenues of \$2.8 million. Public Safety expenditures were \$2.6 million, or 11.9 percent higher than in the previous fiscal year.
- Current year property tax revenues reported in the General Fund increased \$517,000 or 2.2 percent from the previous fiscal year. Comparatively, property tax revenues are \$6.4 million or 21.4 percent less than revenues reported five years ago in fiscal year 2009.
- State-shared revenues increased \$129,500, or 9.0 percent from the previous year. This increase brings the City to within \$503,000 of revenues reported in fiscal year 2009.
- General Fund revenues were about \$9,000 more than the amended budget. Expenditures after transfers were \$2.3 million less than the amended budget, due to favorable budget variances in most budgetary cost centers. Overall, General Fund operations for the year reflect a positive budget-to-actual variance of \$2.3 million.

Government-wide Statements

The government-wide statements report information about the City as a whole, using accounting methods similar to those used by private sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position, the difference between the City's assets and liabilities, is one way to measure the City's financial health.

The government-wide financial statements of the City are divided into three categories:

- **Governmental Activities** - Most of the City's basic services are included here such as police, fire, public works and parks departments, and general administration. Property taxes, state-shared revenue, charges for services, and grants provide most of the funding.
- **Business-type Activities** - The City charges fees to customers to cover costs of providing water and sewer services.

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

- **Component Units** - The City includes three other entities in its report, the Tax Increment Finance Authority, the Brownfield Redevelopment Authority, and the Corridor Improvement Authority. Although legally separate, these “component units” are important because the City exercises control over them.

The City as a Whole

The City's combined net position is \$169.4 million at June 30, 2014. Business-type activities make up \$78.1 million and governmental activities make up \$91.3 million. Combined revenues are \$70.9 million. Revenue from governmental-type activities makes up \$49.3 million and business-type activities is \$21.6 million. The tables below show a comparison of the current year to last year.

Net Position (in millions)

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|-------------------------|----------------|--------------------------|----------------|-----------------|-----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Assets | | | | | | |
| Current and other assets | \$ 41.4 | \$ 47.3 | \$ 34.4 | \$ 37.2 | \$ 75.8 | \$ 84.5 |
| Capital assets | 85.4 | 83.0 | 84.4 | 81.4 | 169.8 | 164.4 |
| Total assets | 126.8 | 130.3 | 118.8 | 118.6 | 245.6 | 248.9 |
| Deferred Outflows of Resources | - | - | 0.3 | - | 0.3 | - |
| Liabilities | | | | | | |
| Long-term liabilities outstanding | 25.6 | 21.5 | 35.9 | 37.9 | 61.5 | 59.4 |
| Other liabilities | 10.0 | 10.4 | 5.1 | 5.4 | 15.1 | 15.8 |
| Total liabilities | 35.6 | 31.9 | 41.0 | 43.3 | 76.6 | 75.2 |
| Net Position | | | | | | |
| Net investment in capital assets | 77.0 | 75.5 | 49.2 | 48.0 | 126.2 | 123.5 |
| Restricted | 14.6 | 16.2 | 1.6 | 1.6 | 16.2 | 17.8 |
| Unrestricted | (0.4) | 6.7 | 27.3 | 25.7 | 26.9 | 32.4 |
| Total net position | <u>\$ 91.2</u> | <u>\$ 98.4</u> | <u>\$ 78.1</u> | <u>\$ 75.3</u> | <u>\$ 169.3</u> | <u>\$ 173.7</u> |

Due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, beginning net position was restated by approximately (\$0.2) million. Total net position of the City's governmental activities decreased by 7.1 percent to \$91.3 million at June 30, 2014 compared to \$98.4 million at June 30, 2013. Significant factors contributing to this decrease include: (1) General Fund operating loss of \$2.81 million, (2) Court Building net expenditure of \$2.76 million, (3) increase in unfunded Other Post-Employment Benefits (OPEB) of \$3.7 million, and (4) 2011 Capital Improvements Fund expenditure of \$0.8 million. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - is (\$0.4) million at June 30, 2014.

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

Net position of the City's only business-type activity increased \$2.9 million, with unrestricted net position increasing \$1.6 million from the previous year.

Changes in Net Position (in millions)

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------------------------------|-------------------------|----------------|--------------------------|----------------|-----------------|-----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenue | | | | | | |
| Program revenue: | | | | | | |
| Charges for services | \$ 9.4 | \$ 9.2 | \$ 18.8 | \$ 19.6 | \$ 28.2 | \$ 28.8 |
| Operating grants and contributions | 5.1 | 4.9 | - | - | 5.1 | 4.9 |
| Capital grants and contributions | 2.7 | 1.0 | - | - | 2.7 | 1.0 |
| General revenue: | | | | | | |
| Property taxes | 25.3 | 24.9 | 2.7 | 2.8 | 28.0 | 27.7 |
| Unrestricted state-shared revenue | 5.0 | 5.0 | - | - | 5.0 | 5.0 |
| Unrestricted investment earnings | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 |
| Cable franchise fees | 1.3 | 1.3 | - | - | 1.3 | 1.3 |
| Other | 0.4 | 0.3 | - | - | 0.4 | 0.3 |
| Total revenue | 49.3 | 46.7 | 21.6 | 22.5 | 70.9 | 69.2 |
| Expenses | | | | | | |
| General government | 9.8 | 8.2 | - | - | 9.8 | 8.2 |
| Public safety | 26.8 | 23.6 | - | - | 26.8 | 23.6 |
| Public works | 11.0 | 14.9 | - | - | 11.0 | 14.9 |
| Community and economic development | 2.1 | 2.1 | - | - | 2.1 | 2.1 |
| Recreation and culture | 6.4 | 6.2 | - | - | 6.4 | 6.2 |
| Interest on long-term debt | 0.1 | 0.4 | - | - | 0.1 | 0.4 |
| Water and sewer | - | - | 18.8 | 19.3 | 18.8 | 19.3 |
| Total expenses | 56.2 | 55.4 | 18.8 | 19.3 | 75.0 | 74.7 |
| (Loss) Income - Before transfers | (6.9) | (8.7) | 2.8 | 3.2 | (4.1) | (5.5) |
| Transfers | (0.1) | (0.2) | 0.1 | 0.2 | - | - |
| (Decrease) Increase in Net Position | (7.0) | (8.9) | 2.9 | 3.4 | (4.1) | (5.5) |
| Net Position (as restated) - Beginning of year | 98.3 | 107.3 | 75.2 | 71.9 | 173.5 | 179.2 |
| Net Position - End of year | <u>\$ 91.2</u> | <u>\$ 98.4</u> | <u>\$ 78.1</u> | <u>\$ 75.3</u> | <u>\$ 169.3</u> | <u>\$ 173.7</u> |

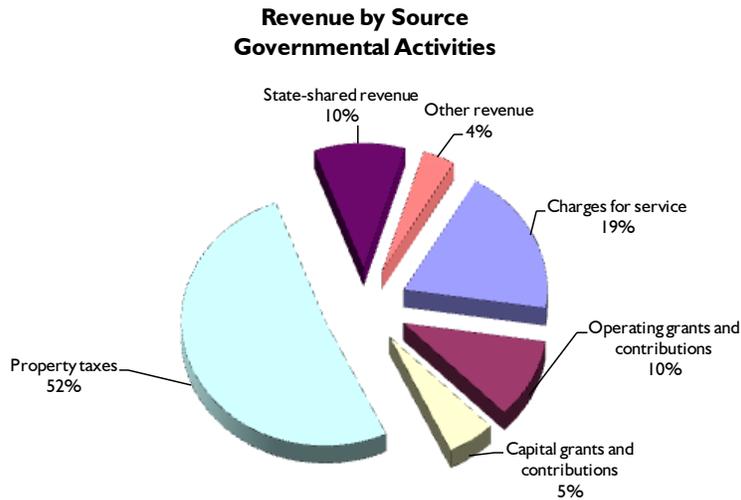
City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

Revenues for the City's governmental activities totaled \$49.3 million in 2014. Property taxes were \$25.3 million and represent 51.3 percent of total revenue. Charges for services totaled \$9.4 million or 19.1 percent of the total revenue to support programs such as building inspections, recreation, etc. These charges were slightly higher than the prior year. Unrestricted state-shared revenues were \$5.0 million, or about the same as the prior year. Expenses increased \$1.0 million in total, primarily attributable to the previously mentioned post-employment benefit costs.

All governmental programs rely on property taxes and state-shared revenue except for community and economic development, which relies on Community Development Block Grant funding to cover expenses.



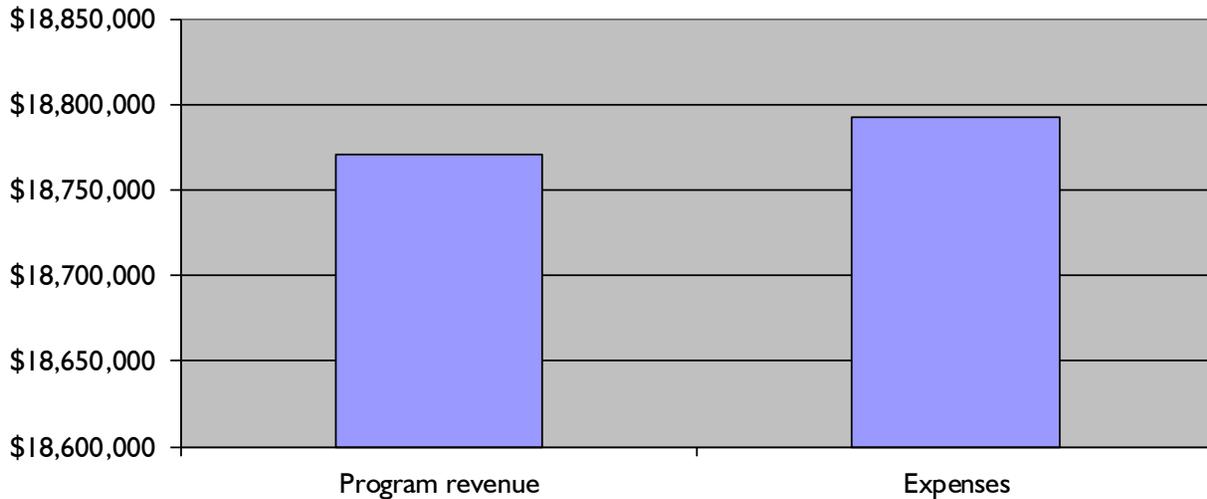
Business-type Activities

The water and sewer operations are funded primarily by user fees or charges for service which make up 87.1 percent of revenue. The balance is primarily from property taxes levied to pay the Lake St. Clair Clean Water Initiative Debt.

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

**Program Revenue and Expenses
Business-type Activities**



The City has one business-type activity: the water and sewer system. Revenue of the City's Utility Fund and transfers in totaled \$21.5 million in 2014 and expenses were \$18.8 million. The Utility Fund experienced an increase in net position of approximately \$2.9 million.

Water rates were not increased for FY 2014, remaining at \$34.62 per 1,000 cubic feet, as the Detroit Water and Sewer Department's rate change was minimal. Sewer rates increased from \$48.66 to \$50.36, reflecting increased costs from the Southeast Macomb Sanitary District. The volume sold was slightly above budget projections.

The water meter replacement program continues throughout the City. This, combined with efforts to reduce water main breaks, continues to reduce the City's water loss.

Capital Assets (in millions)

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------------|-------------------------|-----------------|--------------------------|-----------------|-----------------|-----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land | \$ 10.2 | \$ 10.2 | \$ - | \$ - | \$ 10.2 | \$ 10.2 |
| Building and improvements | 25.7 | 21.9 | 5.1 | 5.1 | 30.8 | 27.0 |
| County drains | 4.7 | 4.7 | - | - | 4.7 | 4.7 |
| Improvements other than buildings | 18.9 | 18.9 | 1.0 | 1.0 | 19.9 | 19.9 |
| Furniture, fixtures, and equipment | 15.9 | 15.5 | 4.5 | 3.1 | 20.4 | 18.6 |
| Water and sewer distribution systems | - | - | 112.3 | 105.4 | 112.3 | 105.4 |
| Vehicles | 9.9 | 10.0 | - | - | 9.9 | 10.0 |
| Infrastructure | 78.8 | 76.7 | - | - | 78.8 | 76.7 |
| Construction in progress | 0.4 | 1.3 | - | 3.3 | 0.4 | 4.6 |
| Total | \$ 164.5 | \$ 159.2 | \$ 122.9 | \$ 117.9 | \$ 287.4 | \$ 277.1 |

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

Capital assets related to governmental activities increased by \$5.3 million. The two major factors were the addition of the court building and a net increase in infrastructure.

During the year, Macomb County issued new bonds on behalf of the communities participating in the Lake St. Clair Clean Water Initiative. The amount of the bond issue was approximately \$10.4 million, which was used to refund old bonds within the City's Utility Fund.

See Notes 5 and 6 to the financial statements for additional information.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law or bond covenants. The City Council also establishes other funds to control and manage money for particular purposes.

The City has three kinds of funds:

- **Governmental Funds** - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- **Proprietary Funds** - Services to which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund reporting, like government-wide statements, provide both short- and long-term financial information.
- **Fiduciary Funds** - The City is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

The fund financial statements begin on page 15 and provide detailed information on the most significant funds - not the City as a whole. The City Council creates funds to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2014 include the General Fund, the Major and Local Streets Funds, and the SEMSD Clean Water Initiative Debt Service Fund.

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

The major components of revenue in these funds are property taxes and state sources. The major components of expenditures in these funds are public safety (police and fire) and public works. On page 17, for the major funds in total, expenditures and other financing uses exceeded revenues and other financing sources by \$3.3 million. Unassigned fund balance in the General Fund decreased by \$0.4 million to \$12.1 million. An increase in property tax revenue of \$0.5 million, offset by expenditures in Public Safety (\$2.5 million) and General Government (\$0.5 million) were major contributing factors to the reduction in the fund balance of the General Fund. The Major and Local Streets Funds each had a slight increase in fund balance, while the SEMSD Clean Water Initiative Debt Service Fund decreased \$0.5 million to pay debt service.

General Fund Budgetary Highlights

Actual revenues were about \$9,000 over, or within 0.1 percent of the final budget. During the fiscal year, budgeted revenues were increased by approximately \$79,000. Positive budget amendments were made in the revenue line items for a JAG grant, cable franchise fees, and proceeds from the sale of foreclosed properties. Expenditures after transfers were \$2.3 million or 4.9 percent less than the budget, representing conservative budgeting practices along with keeping vacated positions open while evaluating the need to fill them. Budgeted expenditures increased \$1.4 million from the original adopted budget. Of this amount, \$0.7 million represents items carried forward from fiscal year 2013 to reflect projects approved and funded in the previous year that were not started or completed at year end. For the most part, the balance of the amendments represents recognition of expenditures in relation to the grant and donation revenues previously described.

Other Budgetary Highlights

The carryover fund balance from fiscal year 2013, to be utilized in fiscal year 2014, was for the Court Building construction, Major and Local Streets construction, and heavy equipment in the Water & Sewer Funds.

Current Economic Conditions

The City continues to balance its budget; however, structurally there is a funding problem for established communities in Michigan. The three major funding sources for cities are property taxes, state-shared revenue, and fees and charges. All three revenue sources are subject to limitations that over the last few years and for the foreseeable future will prevent them from increasing at the rate of inflation. Expenses, on the other hand, are rising faster than inflation in many areas such as health care, energy costs, etc. This has resulted in a reduction in personnel (73 since 2002) in order to balance the budget. The City government is a service to the City residents and therefore its primary costs are personnel related. Through the use of long-term planning, the City will continue to balance its budget. On November 2, 2010, the voters of the City approved a millage of 2.0 mills for three years commencing on July 1, 2011 for police and fire operations. The millage guarantees staffing at 90 personnel for the police department and 50 personnel for the fire department. On August 16, 2013, voters approved a three-year renewal through June 30, 2017. The City relies on this additional millage to help balance its budget.

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Douglas Haag, Finance Director, at the City of St. Clair Shores, 27600 Jefferson Circle Drive, St. Clair Shores, MI 48081.

City of St. Clair Shores, Michigan

Statement of Net Position June 30, 2014

| | Primary Government | | | Component Units |
|---------------------------------------------------------------------|----------------------------|-----------------------------|----------------|--------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and investments (Note 3) | \$ 32,860,644 | \$ 15,056,284 | \$ 47,916,928 | \$ 1,050,067 |
| Receivables - Net: | | | | |
| Property taxes | 153,489 | - | 153,489 | - |
| Receivables from sales to customers on account | 13,437 | 6,244,862 | 6,258,299 | - |
| Accrued interest | 79,554 | 41,107 | 120,661 | - |
| Other | 1,019,293 | 442,217 | 1,461,510 | 2,019 |
| Due from other governmental units | 2,920,007 | - | 2,920,007 | - |
| Special assessments | 93,544 | - | 93,544 | - |
| Inventory | - | 224,929 | 224,929 | - |
| Prepaid expenses and other assets | 617,694 | 646,666 | 1,264,360 | - |
| Restricted assets (Note 7) | 2,385,591 | 4,193,321 | 6,578,912 | - |
| Investment in joint ventures (Note 17) | 674,085 | 7,602,760 | 8,276,845 | - |
| Land held for resale | 584,631 | - | 584,631 | - |
| Capital assets (Note 5): | | | | |
| Assets not subject to depreciation | 10,529,718 | 28,151 | 10,557,869 | - |
| Assets subject to depreciation | 74,865,417 | 84,335,547 | 159,200,964 | - |
| Total assets | 126,797,104 | 118,815,844 | 245,612,948 | 1,052,086 |
| Deferred Outflows of Resources - | | | | |
| Bond refunding loss being amortized | 32,090 | 263,913 | 296,003 | - |
| Liabilities | | | | |
| Accounts payable | 1,871,272 | 1,892,325 | 3,763,597 | 19,345 |
| Due to other governmental units | 1,846,036 | 120,391 | 1,966,427 | - |
| Accrued liabilities and other | 4,333,866 | 383,447 | 4,717,313 | - |
| Unearned revenue | 106,800 | - | 106,800 | - |
| Payable from restricted assets | - | 53,767 | 53,767 | - |
| Noncurrent liabilities: | | | | |
| Due within one year - Current portion of long-term debt (Note 6) | 1,845,620 | 2,659,123 | 4,504,743 | - |
| Due in more than one year: | | | | |
| Net OPEB obligation (Note 13) | 11,125,213 | 711,444 | 11,836,657 | - |
| Long-term debt (Note 6) | 14,470,595 | 35,177,631 | 49,648,226 | - |
| Total liabilities | 35,599,402 | 40,998,128 | 76,597,530 | 19,345 |
| Net Position | | | | |
| Net investment in capital assets | 76,959,683 | 49,202,641 | 126,162,324 | - |
| Restricted for: | | | | |
| Roads | 3,073,708 | - | 3,073,708 | - |
| Postemployment benefits | 531,748 | - | 531,748 | - |
| Debt service | 4,783,625 | - | 4,783,625 | - |
| Sanitation | 4,366,828 | - | 4,366,828 | - |
| County drains | 1,027,070 | - | 1,027,070 | - |
| Revenue bond ordinances | - | 1,639,552 | 1,639,552 | - |
| Community development | 127,481 | - | 127,481 | - |
| Drug law enforcement | 649,555 | - | 649,555 | - |
| Library | 51,089 | - | 51,089 | - |
| Unrestricted | (340,995) | 27,239,436 | 26,898,441 | 1,032,741 |
| Total net position | \$ 91,229,792 | \$ 78,081,629 | \$ 169,311,421 | \$ 1,032,741 |

The Notes to Financial Statements are an
Integral Part of this Statement.

City of St. Clair Shores, Michigan

| Functions/Programs | Expenses | Program Revenue | | |
|-----------------------------------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 9,762,287 | \$ 2,043,080 | \$ 130,114 | \$ 2,237 |
| Public safety | 26,761,831 | 2,405,594 | 429,097 | 321,859 |
| Public works | 11,023,094 | 593,736 | 3,487,965 | 2,332,020 |
| Community and economic development | 2,120,494 | 1,192,070 | 731,913 | - |
| Recreation and culture | 6,375,305 | 3,152,512 | 283,280 | - |
| Interest on long-term debt | 187,893 | - | - | - |
| Total governmental activities | 56,230,904 | 9,386,992 | 5,062,369 | 2,656,116 |
| Business-type activities - Water and sewer | 18,792,719 | 18,770,597 | - | - |
| Total primary government | \$ 75,023,623 | \$ 28,157,589 | \$ 5,062,369 | \$ 2,656,116 |
| Component units: | | | | |
| Tax Increment Financing Authority | \$ 270,994 | \$ - | \$ - | \$ - |
| Corridor Improvement Authority | 11,115 | - | - | - |
| Brownfield Redevelopment Authority | 9,025 | - | - | - |
| Total component units | \$ 291,134 | \$ - | \$ - | \$ - |
| General revenue: | | | | |
| Property taxes | | | | |
| State-shared revenue (unrestricted) | | | | |
| Investment income | | | | |
| Cable franchise fees (unrestricted) | | | | |
| Other miscellaneous income | | | | |
| Total general revenue | | | | |
| Transfers | | | | |
| Change in Net Position | | | | |
| Net Position (as restated) - Beginning of year (Note 19) | | | | |
| Net Position - End of year | | | | |

**Statement of Activities
Year Ended June 30, 2014**

| Net (Expense) Revenue and Changes in Net Position | | | |
|---------------------------------------------------|-----------------------------|-----------------------|---------------------|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| \$ (7,586,856) | \$ - | \$ (7,586,856) | \$ - |
| (23,605,281) | - | (23,605,281) | - |
| (4,609,373) | - | (4,609,373) | - |
| (196,511) | - | (196,511) | - |
| (2,939,513) | - | (2,939,513) | - |
| (187,893) | - | (187,893) | - |
| (39,125,427) | - | (39,125,427) | - |
| - | (22,122) | (22,122) | - |
| (39,125,427) | (22,122) | (39,147,549) | - |
| - | - | - | (270,994) |
| - | - | - | (11,115) |
| - | - | - | (9,025) |
| - | - | - | (291,134) |
| 25,355,315 | 2,695,822 | 28,051,137 | 415,486 |
| 5,063,862 | - | 5,063,862 | - |
| 98,185 | 75,576 | 173,761 | 2,884 |
| 1,305,388 | - | 1,305,388 | - |
| 398,596 | - | 398,596 | 2,000 |
| 32,221,346 | 2,771,398 | 34,992,744 | 420,370 |
| (145,938) | 145,938 | - | - |
| (7,050,019) | 2,895,214 | (4,154,805) | 129,236 |
| 98,279,811 | 75,186,415 | 173,466,226 | 903,505 |
| \$ 91,229,792 | \$ 78,081,629 | \$ 169,311,421 | \$ 1,032,741 |

City of St. Clair Shores, Michigan

Governmental Funds Balance Sheet June 30, 2014

| | General Fund | Major Streets Fund | Local Streets Fund | Debt Service - SEMSD Clean Water Initiative | Nonmajor Funds | Total |
|----------------------------------------------------------------------------|----------------------|-----------------------|-----------------------|---------------------------------------------------|---------------------|----------------------|
| Assets | | | | | | |
| Cash and cash equivalents (Note 3) | \$ 23,327,385 | \$ 2,177,709 | \$ 604,958 | \$ 3,883,136 | \$ 1,198,117 | \$ 31,191,305 |
| Receivables: | | | | | | |
| Property taxes | 153,489 | - | - | - | - | 153,489 |
| Special assessments | 91,932 | - | 1,612 | - | - | 93,544 |
| Accrued interest | 55,382 | 5,352 | 1,347 | 9,141 | 4,287 | 75,509 |
| Other | 957,355 | - | 9,855 | - | 48,854 | 1,016,064 |
| Due from other governmental units | 1,042,951 | 413,070 | 161,016 | 1,143,342 | 159,628 | 2,920,007 |
| Due from other funds (Note 4) | 346,984 | - | 18,734 | - | - | 365,718 |
| Advances to other funds (Note 4) | 720,000 | - | - | - | - | 720,000 |
| Prepaid items and other assets | 603,242 | 3,872 | - | - | 449 | 607,563 |
| Land held for resale | 495,731 | - | - | - | 88,900 | 584,631 |
| Restricted assets (Note 7) | - | - | - | - | 1,358,521 | 1,358,521 |
| Total assets | \$ 27,794,451 | \$ 2,600,003 | \$ 797,522 | \$ 5,035,619 | \$ 2,858,756 | \$ 39,086,351 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 900,616 | \$ 80,449 | \$ 182,021 | \$ 383,070 | \$ 200,256 | \$ 1,746,412 |
| Due to other governmental units | 1,772,778 | - | 31,961 | - | - | 1,804,739 |
| Due to other funds (Note 4) | - | - | - | - | 185,718 | 185,718 |
| Accrued liabilities and other | 1,456,468 | - | 11,742 | - | 6,913 | 1,475,123 |
| Unearned revenue | 106,800 | - | - | - | - | 106,800 |
| Total liabilities | 4,236,662 | 80,449 | 225,724 | 383,070 | 392,887 | 5,318,792 |
| Deferred Inflows of Resources - | | | | | | |
| Unavailable revenue | 603,404 | - | 19,439 | 14,947 | 24,317 | 662,107 |
| Fund Balances | | | | | | |
| Nonspendable: | | | | | | |
| Land held for resale | 495,731 | - | - | - | - | 495,731 |
| Prepaid items | 603,242 | 3,872 | - | - | 449 | 607,563 |
| Restricted: | | | | | | |
| Roads | 893 | 2,515,682 | 552,359 | - | 902 | 3,069,836 |
| Police and fire retirements | 531,748 | - | - | - | - | 531,748 |
| Debt service | - | - | - | 4,637,602 | 146,023 | 4,783,625 |
| Community development | - | - | - | - | 34,357 | 34,357 |
| Capital projects (unspent bond proceeds) | - | - | - | - | 1,336,802 | 1,336,802 |
| Sanitation | 7,189,031 | - | - | - | - | 7,189,031 |
| HUD homes | - | - | - | - | 93,124 | 93,124 |
| Library | - | - | - | - | 51,089 | 51,089 |
| Drug law enforcement | - | - | - | - | 649,106 | 649,106 |
| Assigned: | | | | | | |
| Subsequent year's budget | 1,739,653 | - | - | - | - | 1,739,653 |
| Committees | 244,496 | - | - | - | - | 244,496 |
| Capital projects | - | - | - | - | 149,962 | 149,962 |
| Unassigned | 12,149,591 | - | - | - | (20,262) | 12,129,329 |
| Total fund balances | 22,954,385 | 2,519,554 | 552,359 | 4,637,602 | 2,441,552 | 33,105,452 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 27,794,451 | \$ 2,600,003 | \$ 797,522 | \$ 5,035,619 | \$ 2,858,756 | \$ 39,086,351 |

City of St. Clair Shores, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2014

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Fund Balance Reported in Governmental Funds | \$ 33,105,452 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds | 79,686,113 |
| Investments in joint ventures are not financial resources and are not reported in the funds (Note 17) | 674,085 |
| Amounts payable to a joint venture that are not due and payable in the current period are not reported in the funds (Note 17) | (2,713,829) |
| Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds | 662,107 |
| Debt refunding deferred charges are not financial resources and are not reported in the funds | 30,020 |
| Bonds payable and other long-term liabilities are not due and payable in the current period and are not reported in the funds | (16,203,838) |
| Accrued interest is not due and payable in the current period and is not reported in the funds | (65,755) |
| Cash held by Macomb County for drain projects is not included as an asset in the governmental funds | 1,027,070 |
| Net other postemployment benefit obligations are not reported in the governmental funds | (11,125,213) |
| The Recreational Revenue Enterprise Fund is included as part of governmental activities | 2,180,663 |
| Internal Service Funds are included as part of governmental activities | 3,972,917 |
| Net Position of Governmental Activities | <u>\$ 91,229,792</u> |

City of St. Clair Shores, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2014

| | General Fund | Major Streets Fund | Local Streets Fund | Debt Service - SEMSD Clean Water Initiative | Nonmajor Funds | Total |
|--------------------------------------------------------|----------------------|-----------------------|-----------------------|---------------------------------------------------|---------------------|----------------------|
| Revenue | | | | | | |
| Property taxes | \$ 23,541,956 | \$ - | \$ 1,305,042 | \$ - | \$ 524,785 | \$ 25,371,783 |
| Licenses and permits | 760,591 | - | - | - | - | 760,591 |
| Federal grants | 344,496 | - | - | - | 979,456 | 1,323,952 |
| State-shared revenue and grants | 5,472,539 | 2,682,361 | 1,032,877 | - | 83,417 | 9,271,194 |
| Charges for services | 4,374,617 | - | 479,594 | - | 89,764 | 4,943,975 |
| Fines and forfeitures | 1,874,978 | - | - | - | 250,950 | 2,125,928 |
| Investment income | 75,678 | 8,228 | 2,729 | 10,770 | 11,980 | 109,385 |
| Other revenue | 1,803,979 | 5,593 | 19,452 | - | 228,681 | 2,057,705 |
| Total revenue | 38,248,834 | 2,696,182 | 2,839,694 | 10,770 | 2,169,033 | 45,964,513 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | 7,791,562 | - | - | - | 2,950,959 | 10,742,521 |
| Public safety | 23,931,098 | - | - | - | 374,819 | 24,305,917 |
| Public works | 3,908,575 | 1,202,326 | 3,560,260 | - | 1,270,364 | 9,941,525 |
| Community and economic development | 1,174,037 | - | - | - | 899,698 | 2,073,735 |
| Recreation and culture | 4,113,009 | - | - | - | 211,731 | 4,324,740 |
| Debt service: | | | | | | |
| Principal | - | - | 42,820 | 240,716 | 709,052 | 992,588 |
| Interest on long-term debt | - | - | - | 128,320 | 194,951 | 323,271 |
| Total expenditures | 40,918,281 | 1,202,326 | 3,603,080 | 369,036 | 6,611,574 | 52,704,297 |
| Excess of Revenue (Under) Over Expenditures | (2,669,447) | 1,493,856 | (763,386) | (358,266) | (4,442,541) | (6,739,784) |
| Other Financing Sources (Uses) | | | | | | |
| Face value of debt issue | - | - | - | - | 1,334,501 | 1,334,501 |
| Debt premium | - | - | - | - | 105,914 | 105,914 |
| Proceeds from sale of capital assets | 2,332 | - | - | - | 7,000 | 9,332 |
| Transfers in (Note 4) | - | - | 776,000 | - | 842,329 | 1,618,329 |
| Transfers out (Note 4) | (145,000) | (1,480,888) | - | (145,938) | (114,652) | (1,886,478) |
| Payment to bond refunding escrow agent | - | - | - | - | (1,426,979) | (1,426,979) |
| Total other financing (uses) sources | (142,668) | (1,480,888) | 776,000 | (145,938) | 748,113 | (245,381) |
| Net Change in Fund Balances | (2,812,115) | 12,968 | 12,614 | (504,204) | (3,694,428) | (6,985,165) |
| Fund Balances - Beginning of year | 25,766,500 | 2,506,586 | 539,745 | 5,141,806 | 6,135,980 | 40,090,617 |
| Fund Balances - End of year | \$ 22,954,385 | \$ 2,519,554 | \$ 552,359 | \$ 4,637,602 | \$ 2,441,552 | \$ 33,105,452 |

City of St. Clair Shores, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (6,985,165)

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

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation: | |
| Capital outlay | 8,396,414 |
| Depreciation expense | (5,603,248) |
| Net book value of assets disposed of | (121,431) |
| Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end | (34,105) |
| Drain activities performed by the County on behalf of the City are recorded in the statement of activities, but not in the governmental funds | 140,415 |
| Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position | (1,440,415) |
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) | 1,010,939 |
| Payment to a refunding escrow is an other financing use in governmental funds, but is not in the statement of activities (where it reduces long-term debt) | 1,426,979 |
| Interest expense is recorded when incurred in the statement of activities | 11,337 |
| Increase in investment in joint ventures is not included in the governmental funds (Note 17) | 51,562 |
| Changes in accumulated sick pay, vacation pay, and other payroll liabilities, as well as estimated general liability claims, are recorded when incurred in the statement of activities | (725,304) |
| The underpayment of other postemployment benefit obligations is an expenditure in the governmental funds, but not in the statement of activities (where it is a liability) | (3,744,828) |
| Decrease in the amounts payable to joint venture are not included in the governmental funds (Note 17) | 108,374 |
| The Recreational Revenue Fund is included as governmental activities in the statement of activities | (140,143) |
| Internal Service Funds (motorpool and computer replacement) are also included as part of governmental activities in the statement of activities | 598,600 |

Change in Net Position of Governmental Activities \$ (7,050,019)

City of St. Clair Shores, Michigan

Proprietary Funds Statement of Net Position June 30, 2014

| | Enterprise Funds | | | Governmental |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------|----------------------|------------------------|
| | Recreation | | | Activities |
| | Utility Fund | Revenue Fund | Total | Internal Service Funds |
| Assets | | | | |
| Current assets: | | | | |
| Cash and investments (Note 3) | \$ 15,056,284 | \$ 324,176 | \$ 15,380,460 | \$ 1,345,163 |
| Receivables: | | | | |
| Receivables from sales to customers on account | 6,244,862 | 13,437 | 6,258,299 | - |
| Accrued interest | 41,107 | 141 | 41,248 | 3,164 |
| Other | 442,217 | - | 442,217 | 3,229 |
| Inventory | 224,929 | - | 224,929 | - |
| Prepaid expenses and other assets | 646,666 | 10,131 | 656,797 | - |
| Total current assets | 22,656,065 | 347,885 | 23,003,950 | 1,351,556 |
| Noncurrent assets: | | | | |
| Restricted assets (Note 7) | 4,193,321 | - | 4,193,321 | - |
| Investment in joint ventures (Note 17) | 7,602,760 | - | 7,602,760 | - |
| Capital assets (Note 5): | | | | |
| Assets not subject to depreciation | 28,151 | - | 28,151 | - |
| Assets subject to depreciation | 84,335,547 | 2,960,773 | 87,296,320 | 2,748,249 |
| Total noncurrent assets | 96,159,779 | 2,960,773 | 99,120,552 | 2,748,249 |
| Total assets | 118,815,844 | 3,308,658 | 122,124,502 | 4,099,805 |
| Deferred Outflows of Resources - | | | | |
| Bond refunding loss being amortized | 263,913 | - | 263,913 | - |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | 1,892,325 | 54,872 | 1,947,197 | 69,988 |
| Due to other governmental units | 120,391 | 19,291 | 139,682 | 22,006 |
| Due to other funds (Note 4) | - | 180,000 | 180,000 | - |
| Accrued liabilities and other | 383,447 | 73,872 | 457,319 | 4,547 |
| Payable from restricted assets (Note 7) | 53,767 | - | 53,767 | - |
| Current portion of long-term debt (Note 6) | 2,659,123 | 18,308 | 2,677,431 | 6,795 |
| Total current liabilities | 5,109,053 | 346,343 | 5,455,396 | 103,336 |
| Noncurrent liabilities: | | | | |
| Advances from other funds (Note 4) | - | 720,000 | 720,000 | - |
| Net OPEB obligation (Note 13) | 711,444 | - | 711,444 | - |
| Long-term debt (Note 6) | 35,177,631 | 61,652 | 35,239,283 | 23,552 |
| Total noncurrent liabilities | 35,889,075 | 781,652 | 36,670,727 | 23,552 |
| Total liabilities | 40,998,128 | 1,127,995 | 42,126,123 | 126,888 |
| Net Position | | | | |
| Net investment in capital assets | 49,202,641 | 2,960,773 | 52,163,414 | 2,748,249 |
| Restricted - Revenue bond ordinances | 1,639,552 | - | 1,639,552 | - |
| Unrestricted (deficit) | 27,239,436 | (780,110) | 26,459,326 | 1,224,668 |
| Total net position | \$ 78,081,629 | \$ 2,180,663 | 80,262,292 | \$ 3,972,917 |
| Amounts reported for business-type activities in the statement of net position are different because the Recreational Revenue Fund is included as part of governmental activities | | | (2,180,663) | |
| Net Position of Business-Type Activities | | | \$ 78,081,629 | |

The Notes to Financial Statements are an Integral Part of this Statement.

City of St. Clair Shores, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2014

| | Enterprise Funds | | | Governmental Activities |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|----------------------|----------------------------|
| | Recreation | | | Internal Service |
| | Utility Fund | Revenue Fund | Total | Funds |
| Operating Revenue | | | | |
| Sale of water | \$ 18,447,154 | \$ - | \$ 18,447,154 | \$ - |
| Charges for services | 278,794 | 1,510,939 | 1,789,733 | 2,401,399 |
| Tap fees | 19,640 | - | 19,640 | - |
| Other | 25,009 | - | 25,009 | 62,108 |
| Total operating revenue | 18,770,597 | 1,510,939 | 20,281,536 | 2,463,507 |
| Operating Expenses | | | | |
| Cost of water | 2,381,649 | - | 2,381,649 | - |
| Cost of sewage treatment | 7,606,514 | - | 7,606,514 | - |
| Salaries and fringe benefits | 2,316,059 | 872,480 | 3,188,539 | 262,970 |
| Billing and administrative costs | 1,640,532 | - | 1,640,532 | 122,105 |
| Supplies and utilities | 75,786 | 159,380 | 235,166 | 616,030 |
| Other | 590,599 | 252,832 | 843,431 | - |
| Repairs and maintenance | 746,157 | 177,891 | 924,048 | 316,785 |
| Depreciation and amortization | 2,145,472 | 307,811 | 2,453,283 | 606,351 |
| Total operating expenses | 17,502,768 | 1,770,394 | 19,273,162 | 1,924,241 |
| Operating Income (Loss) | 1,267,829 | (259,455) | 1,008,374 | 539,266 |
| Nonoperating Revenue (Expenses) | | | | |
| Property tax revenue | 2,695,822 | - | 2,695,822 | - |
| Investment income | 75,576 | 416 | 75,992 | 4,480 |
| Interest expense | (1,259,221) | (5,665) | (1,264,886) | - |
| (Loss) gain on sale of assets | (30,730) | 2,350 | (28,380) | 29,509 |
| Total nonoperating revenue (expenses) | 1,481,447 | (2,899) | 1,478,548 | 33,989 |
| Income (Loss) - Before transfers in | 2,749,276 | (262,354) | 2,486,922 | 573,255 |
| Capital Contributions - Capital grants | - | - | - | 25,345 |
| Transfers In (Note 4) | 145,938 | 145,000 | 290,938 | - |
| Transfers Out (Note 4) | - | (22,789) | (22,789) | - |
| Change in Net Position | 2,895,214 | (140,143) | 2,755,071 | 598,600 |
| Net Position (as restated) - Beginning of year (Note 19) | 75,186,415 | 2,320,806 | 77,507,221 | 3,374,317 |
| Net Position - End of year | <u>\$ 78,081,629</u> | <u>\$ 2,180,663</u> | <u>\$ 80,262,292</u> | <u>\$ 3,972,917</u> |
| Net Change in Net Position - Total enterprise funds | | | \$ 2,755,071 | |
| Amounts reported for business-type activities in the statement of activities are different because the Recreational Revenue Fund is included as governmental activities in the statement of activities | | | 140,143 | |
| Change in Net Position of Business-type Activities | | | <u>\$ 2,895,214</u> | |

City of St. Clair Shores, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2014

| | Enterprise Funds | | | Governmental Activities |
|------------------------------------------------------------------|---------------------|-------------------|---------------------|----------------------------|
| | Recreation | | | Internal Service |
| | Utility Fund | Revenue Fund | Total | Funds |
| Cash Flows from Operating Activities | | | | |
| Receipts from customers | \$ 18,873,673 | \$ 1,501,574 | \$ 20,375,247 | \$ 2,461,778 |
| Payments to suppliers | (14,003,668) | (574,576) | (14,578,244) | (1,055,057) |
| Payments to employees | (2,146,639) | (832,813) | (2,979,452) | (259,879) |
| Internal activity - Payments (to) from other funds | (15,135) | 905 | (14,230) | 1,550 |
| Other receipts | - | - | - | 7,292 |
| Net cash provided by operating activities | 2,708,231 | 95,090 | 2,803,321 | 1,155,684 |
| Cash Flows from Noncapital Financing Activities - | | | | |
| Transfers from other funds | - | 145,000 | 145,000 | - |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Issuance of bonds | 38,965 | - | 38,965 | - |
| Capital grants received | - | - | - | 25,345 |
| Repayments of loans made to (from) other funds | 85,600 | (265,600) | (180,000) | - |
| Proceeds from sales of capital assets | 39,338 | 2,350 | 41,688 | 78,612 |
| Property taxes (restricted for capital or capital debt) | 2,695,822 | - | 2,695,822 | - |
| Purchase of capital assets | (5,183,743) | (8,795) | (5,192,538) | (633,587) |
| Principal and interest paid on capital debt | (3,663,550) | (6,594) | (3,670,144) | - |
| Transfer from other funds | 145,938 | (22,789) | 123,149 | - |
| Net cash used in capital and related financing activities | (5,841,630) | (301,428) | (6,143,058) | (529,630) |
| Cash Flows from Investing Activities | | | | |
| Interest received on investments | 57,425 | 416 | 57,841 | 4,480 |
| Net (purchase) sale of investment securities | (962,437) | 59,796 | (902,641) | (419,213) |
| Net cash (used in) provided by investing activities | (905,012) | 60,212 | (844,800) | (414,733) |
| Net (Decrease) Increase in Cash and Cash Equivalents | (4,038,411) | (1,126) | (4,039,537) | 211,321 |
| Cash and Cash Equivalents - Beginning of year | 13,356,147 | 303,862 | 13,660,009 | 358,655 |
| Cash and Cash Equivalents - End of year | \$ 9,317,736 | \$ 302,736 | \$ 9,620,472 | \$ 569,976 |
| Balance Sheet Classification of Cash and Cash Equivalents | | | | |
| Cash and investments | \$ 15,056,284 | \$ 324,176 | \$ 15,380,460 | \$ 1,345,163 |
| Restricted cash | 4,193,321 | - | 4,193,321 | - |
| Less amounts classified as investments | (9,931,869) | (21,440) | (9,953,309) | (775,187) |
| Total cash and cash equivalents | \$ 9,317,736 | \$ 302,736 | \$ 9,620,472 | \$ 569,976 |

City of St. Clair Shores, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2014

| | Enterprise Funds | | | Governmental Activities |
|-----------------------------------------------------------------------------------------|---------------------|------------------|---------------------|----------------------------|
| | Recreation | | | Internal Service Funds |
| | Utility Fund | Revenue Fund | Total | |
| Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities | | | | |
| Operating income (loss) | \$ 1,267,829 | \$ (259,455) | \$ 1,008,374 | \$ 539,266 |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: | | | | |
| Depreciation and amortization | 2,145,472 | 307,811 | 2,453,283 | 606,351 |
| Changes in assets and liabilities: | | | | |
| Receivables | 103,076 | (9,365) | 93,711 | 5,563 |
| Inventories | (304,096) | - | (304,096) | - |
| Investments in joint ventures | 38,381 | - | 38,381 | - |
| Prepaid and other assets | (214,050) | (4,387) | (218,437) | 1,500 |
| Accounts payable | (482,803) | 19,914 | (462,889) | (1,637) |
| Due to other funds | (15,135) | 905 | (14,230) | 1,550 |
| Accrued and other liabilities | 169,557 | 39,667 | 209,224 | 3,091 |
| Net cash provided by operating activities | <u>\$ 2,708,231</u> | <u>\$ 95,090</u> | <u>\$ 2,803,321</u> | <u>\$ 1,155,684</u> |

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2014, the City issued new bonds related to the Lake St. Clair Clean Water Initiative for \$10,423,216, which was placed in trust for payment of future debt service on the defeased bonds.

City of St. Clair Shores, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2014

| | Pension and Other Employee Benefit Trust Funds | <u>Agency Funds</u> |
|---------------------------------------------------------------------------|---------------------------------------------------------|---------------------|
| Assets | | |
| Cash and cash equivalents (Note 3) | \$ 4,875,196 | \$ 629,475 |
| Investments (Note 3): | | |
| Collateralized mortgage obligations | 849,858 | - |
| U.S. government bonds and notes | 7,627,064 | - |
| U.S. government agency bonds and notes | 3,840,176 | - |
| Municipal bonds | 409,355 | - |
| Corporate bonds and notes | 5,957,004 | - |
| Corporate asset-backed securities | 698,419 | - |
| Common and preferred stock | 99,888,392 | - |
| Foreign bonds | 268,711 | - |
| Mutual funds | 32,222,858 | - |
| Securities lending - Mutual funds | 1,624,131 | - |
| Receivables: | | |
| Accrued interest | 148,580 | - |
| Due from other governmental units | 1,966,427 | 19,876 |
| Total assets | <u>160,376,171</u> | <u>\$ 649,351</u> |
| Liabilities | | |
| Accounts payable | 90,722 | \$ 23,307 |
| Due to other governmental units | - | 487,626 |
| Refundable deposits, bonds, etc. | - | 138,418 |
| Accrued liabilities and other | 1,228,199 | - |
| Obligations under securities lending agreements | 1,667,939 | - |
| Total liabilities | <u>2,986,860</u> | <u>\$ 649,351</u> |
| Net Position Held in Trust for Pension and Other Employee Benefits | <u>\$ 157,389,311</u> | |

City of St. Clair Shores, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds Year Ended June 30, 2014

| | Pension and Other Employee Benefit Trust Funds |
|--------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| Additions | |
| Investment income (loss): | |
| Interest and dividends | \$ 3,759,497 |
| Net increase in fair value of investments | 22,382,815 |
| Investment-related expenses | <u>(1,274,446)</u> |
| Net investment income | 24,867,866 |
| Securities lending income: | |
| Interest and dividends | 728 |
| Securities lending - Investment income | <u>3,346</u> |
| Total securities lending income | 4,074 |
| Contributions: | |
| Employer | 12,000,013 |
| Employee | <u>612,129</u> |
| Total contributions | <u>12,612,142</u> |
| Total additions | 37,484,082 |
| Deductions - Benefit payments | <u>19,418,367</u> |
| Net Increase in Net Position Held in Trust | 18,065,715 |
| Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year | <u>139,323,596</u> |
| Net Position Held in Trust for Pension and Other Employee Benefits - End of year | <u><u>\$ 157,389,311</u></u> |

City of St. Clair Shores, Michigan

Component Units Statement of Net Position June 30, 2014

| | Tax Increment Financing Authority | Brownfield Redevelopment Authority | Corridor Improvement Authority | Total |
|---------------------------------------|-----------------------------------------|------------------------------------------|--------------------------------------|---------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 989,105 | \$ 15,756 | \$ 45,206 | \$ 1,050,067 |
| Receivables - Net | 2,019 | - | - | 2,019 |
| Total assets | 991,124 | 15,756 | 45,206 | 1,052,086 |
| Liabilities - Accounts payable | 14,265 | 840 | 4,240 | 19,345 |
| Net Position | \$ 976,859 | \$ 14,916 | \$ 40,966 | \$ 1,032,741 |

City of St. Clair Shores, Michigan

| Functions/Programs | Expenses | Program Revenue | | |
|---------------------------------------------------|-------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Tax Increment Financing Authority - Public works | \$ 270,994 | \$ - | \$ - | \$ - |
| Brownfield Redevelopment Authority - Public works | 9,025 | - | - | - |
| Corridor Improvement Authority - Public works | 11,115 | - | - | - |
| Total component units | <u>\$ 291,134</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

General revenue:

Property taxes

Investment income

Other miscellaneous income

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

**Component Units
Statement of Activities
Year Ended June 30, 2014**

| Net (Expense) Revenue and Changes in Net Position | | | |
|---------------------------------------------------|------------------------------------------|--------------------------------------|---------------------|
| Tax Increment Financing Authority | Brownfield Redevelopment Authority | Corridor Improvement Authority | Total |
| \$ (270,994) | \$ - | \$ - | \$ (270,994) |
| - | (9,025) | - | (9,025) |
| - | - | (11,115) | (11,115) |
| (270,994) | (9,025) | (11,115) | (291,134) |
| 410,589 | 4,897 | - | 415,486 |
| 2,844 | 14 | 26 | 2,884 |
| - | - | 2,000 | 2,000 |
| 413,433 | 4,911 | 2,026 | 420,370 |
| 142,439 | (4,114) | (9,089) | 129,236 |
| 834,420 | 19,030 | 50,055 | 903,505 |
| \$ 976,859 | \$ 14,916 | \$ 40,966 | \$ 1,032,741 |

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of St. Clair Shores, Michigan (the "City"):

Reporting Entity

The City of St. Clair Shores, Michigan is governed by an elected mayor and six-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description). Component unit financial statements have also been presented to display the financial position and results of operations for each of the discretely presented component units.

Blended Component Units - The St. Clair Shores Building Authority (the "Authority") is governed by a board that is appointed by the City Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The operations of the Authority are reported as a nonmajor debt service fund.

Discretely Presented Component Units - The following component units are reported within the component unit column in the government-wide financial statements.

Tax Increment Finance Authority - The Tax Increment Finance Authority (the "TIFA") was created to encourage economic activity within the TIFA district boundaries. The TIFA collects captured property taxes in accordance with state law and budgets expenditures for improvements within the TIFA district boundaries. The TIFA's governing body, consisting of 12 individuals, is appointed by the City Council. The City also has the ability to impose its will on the component unit. Complete financial statements for the TIFA can be obtained from the administrative office at 27600 Jefferson Circle Drive, St. Clair Shores, MI 48081.

Brownfield Redevelopment Authority - The Brownfield Redevelopment Authority (the "BRDA") was created to facilitate the implementation of plans for the identification, treatment, and revitalization of environmentally distressed areas within the City designated as Brownfield Redevelopment Zones. The BRDA's board, consisting of 12 members, is appointed by the City Council. The City also has the ability to impose its will on the component unit. Complete financial statements for the BRDA can be obtained from the administrative office at 27600 Jefferson Circle Drive, St. Clair Shores, MI 48081.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies (Continued)

Corridor Improvement Authority - The Corridor Improvement Authority (the "CIA") was created to facilitate investment in the Harper Avenue corridor and to assist businesses along the corridor in attracting customers. The CIA's board, consisting of nine members, is appointed by the City Council. The City also has the ability to impose its will on the component unit. Complete financial statements for the CIA can be obtained from the administrative office at 27600 Jefferson Circle Drive, St. Clair Shores, MI 48081.

The City has excluded the St. Clair Shores Housing Commission from this report. Even though the City appoints the Housing Commission's directors, it does not have the ability to impose its will.

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies (Continued)

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

Property Tax Revenue

Properties are assessed as of December 31. The related property taxes become a lien on December 1 of the following year. The taxes are due on February 28, after which point they are added to the county tax rolls.

The 2013 taxable valuation of the City totaled \$1.3 billion, on which ad valorem taxes levied consisted of 6.2987 mills for the City's operating purposes, 2.3618 mills for sanitation, 5.5418 mills for the Police and Fire Retirement System, 2.0000 mills for police and fire operations, 0.0375 mills for community promotion, 0.9830 mills for residential streets, 2.3916 mills for the Lake St. Clair Clean Water Initiative Project and other debt service obligations, and 0.9244 mills for the library. The ad valorem taxes levied raised \$8.5 million for operations, \$3.2 million for sanitation, \$7.5 million for the Police and Fire Retirement System, \$2.7 million for police and fire operations, \$0.05 million for community promotion, \$1.3 million for residential streets, \$3.2 million for debt service, and \$1.2 million for the library.

The delinquent real property taxes of the City are purchased by Macomb County. The County sells tax notes, the proceeds of which are used to pay the City for these property taxes. Macomb County remitted its purchased delinquent real property taxes in April 2014. Macomb County's delinquent real property taxes have been recorded as revenue in the current year.

These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the City has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Note I - Summary of Significant Accounting Policies (Continued)

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow".

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Accounting

The City accounts for its various activities in several different funds, in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures that specific revenues were used for. The various funds are aggregated into three broad fund types:

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, and capital project funds. The City reports the following funds as "major" governmental funds:

- The General Fund, which is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- The Major Streets Fund, which accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through state-shared gas and weight taxes.
- The Local Streets Fund, which accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is provided primarily through state-shared gas and weight taxes and a local property tax levy.
- The SEMSD Clean Water Initiative Debt Service Fund, which accounts for the City's share of debt service expenditures for bonds issued in connection with the Lake St. Clair Clean Water Initiative. Funding is provided primarily by a local property tax levy.

Note I - Summary of Significant Accounting Policies (Continued)

Proprietary funds include enterprise funds, (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following funds as “major” enterprise funds:

- The Utility Fund, which accounts for the activities of the water distribution system and the sewage and storm water collection systems for the City. Funding is provided primarily through user charges.
- The Recreational Revenue Fund, which accounts for the activity of certain recreation activities for which revenue bonds have been issued. Funding is provided primarily through user charges. For the purpose of the government-wide financial statements, the Recreational Revenue Fund has been included with governmental activities.

The City’s internal service funds are used to allocate machinery and equipment purchases and maintenance to the various funds on a full accrual basis, so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include:

- The Pension and Other Employee Benefits Trust Funds, which account for the activities of employee benefit plans, and accumulate resources for pension and other postemployment benefit payments to qualified employees.
- The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments. Agency fund activity includes tax collections, library trust funds, and the General Agency Fund (District Court activity). Agency funds are custodial in nature (assets equal liabilities) and do not include the measurement of results of operations.

Interfund activity: During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Note I - Summary of Significant Accounting Policies (Continued)

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Specific Balances and Transactions

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Pooled investment income from the relevant funds is generally allocated to each fund using a weighted average.

Investments - Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation. The fair value of real estate is based on periodic appraisals as well as the judgment of independent real estate advisors and management. Investments that do not have an established market value are reported at estimated fair value as determined by management.

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

Restricted Assets - The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the Macomb County Department of Public Works for the construction, maintenance, and debt service of the City's storm drains. Unspent bond proceeds of the capital projects funds are required to be set aside for construction. These amounts have also been classified as restricted assets. The City also has amounts on deposit with the Macomb County Drain Commission for use in the Lake St. Clair Clean Water Initiative that have been classified as restricted assets.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, \$93,866 of interest expense was capitalized as part of the cost of assets under construction.

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

| Capital Asset Class | Lives |
|--------------------------------------|----------------|
| Infrastructure | 8 to 30 years |
| Bridges | 40 years |
| Buildings and improvements | 20 to 50 years |
| County drains | 50 years |
| Land improvements | 15 to 30 years |
| Vehicles | 4 to 20 years |
| Furniture, fixtures, and equipment | 7 to 30 years |
| Water and sewer distribution systems | 50 years |
| Computer equipment | 5 to 15 years |

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Under the City's policy, employees earn benefits based on time of service with the City. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due for payment - generally when an individual's employment has terminated as of year end. Compensated absences are typically liquidated with funds from the General Fund, Local Streets Fund, Recreational Revenue Fund, Utility Fund, and the internal service funds.

Note I - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using either the effective interest method or the straight-line method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an “other financing source,” as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Pension and Other Postemployment Benefit Costs - The City offers both pension and retiree health care benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and “adjustment to the ARC” on the beginning of year underpaid amount, if any. The net pension obligations and net OPEB obligations have generally been liquidated from the funds that the individual employee’s salaries are paid, which are generally the General Fund, Local Streets Fund, Recreation Revenue Fund, Utility Fund, Drug Law Enforcement Fund, and the internal service funds.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide and proprietary fund statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Note I - Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item that qualifies for reporting in this category. The deferred inflows of resources related to unavailable revenue are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: grants, special assessments, and personal property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Note I - Summary of Significant Accounting Policies (Continued)

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the city manager or treasurer to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund and internal service funds are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 2 - Stewardship, Compliance, and Accountability

State Construction Code Act - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

| | | | |
|---------------------------------------|----|---------|-----------------------------|
| Shortfall at July 1, 2013 | | \$ | (2,961,912) |
| Current year permit revenue | | | 434,967 |
| Related expenses: | | | |
| Direct costs | \$ | 456,157 | |
| Estimated indirect costs | | 68,423 | 524,580 |
| | | | <u> </u> |
| Current year shortfall | | | <u>(89,613)</u> |
| Cumulative shortfall at June 30, 2014 | | \$ | <u><u>(3,051,525)</u></u> |

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City's investment policy, adopted in accordance with state law, permits the City to invest in investment pools organized under the Surplus Funds Investment Act of 1982 and under the Investment Company Act of 1940. For mutual funds, the City may invest in funds registered under the Investment Company Act of 1940. This authorization is limited to investment pools and mutual funds whose intent is to maintain a net asset value of \$1.00 per share and allows for indirect investment in repurchase agreements and bankers' acceptances of United States banks, as allowable for direct investment by public corporations.

Note 3 - Deposits and Investments (Continued)

The City's pension and OPEB funds (the General Employees' Retirement System, the Police and Fire Retirement System, the General Employees' Retiree Healthcare Plan, and the Police and Fire Retiree Healthcare Plan) are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

As permitted by state statutes, and under the provisions of a Securities Lending Authorization Agreement, the General Employees' Retirement System lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The General Employees' Retirement System's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended June 30, 2014, only United States currency was received as collateral.

The General Employees' Retirement System has not imposed any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

The General Employees' Retirement System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of each investment pool as of June 30, 2014 was one day. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2014, the General Employees' Retirement System had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the General Employees' Retirement System as of June 30, 2014 was \$1,667,939 and \$1,618,255, respectively (with a market value of \$1,624,131).

Note 3 - Deposits and Investments (Continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had approximately \$21,574,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 3 - Deposits and Investments (Continued)

At year end, the City had the following investments:

| Investment | Fair Value | Weighted Average Maturity (Years) |
|-------------------------------------------------|----------------------|--------------------------------------------|
| Primary Government | | |
| United States government obligations | \$ 5,762,330 | .19 |
| United States government agency bonds and notes | 9,333,953 | .49 |
| Commercial paper | 3,520,428 | .05 |
| Municipal bonds | <u>10,718,036</u> | .27 |
| Total | <u>\$ 29,334,747</u> | |
| Fiduciary Funds | | |
| United States government obligations | \$ 7,627,064 | 8.75 |
| United States government agency bonds and notes | 3,840,176 | 21.98 |
| Collateralized mortgage obligations | 849,858 | 21.34 |
| Corporate asset-backed securities | 698,419 | 4.65 |
| Corporate bonds | 5,957,004 | 7.65 |
| Municipal bonds | 409,355 | 8.88 |
| Foreign bonds | 268,711 | 6.54 |
| Fixed-income mutual funds | 2,580,853 | 13.08 |
| Securities lending investment pool | <u>1,624,131</u> | 1 day |
| Total | <u>\$ 23,855,571</u> | |

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 3 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

| Investment | Fair Value | Rating | Rating Organization |
|-------------------------------------------------|----------------------|-----------|---------------------|
| Primary Government | | | |
| United States government obligations | \$ 5,762,330 | AA+ | Standard & Poor's |
| United States government agency bonds and notes | 9,333,953 | AA+ | Standard & Poor's |
| Commercial paper | 3,520,428 | A- | Standard & Poor's |
| Municipal bonds | 10,718,036 | A - AAA | Standard & Poor's |
| Bank investment pools | 744,589 | AAA | Standard & Poor's |
| Total | <u>\$ 30,079,336</u> | | |
| Fiduciary Funds | | | |
| United States government obligations | \$ 7,627,064 | NR - AAA | Standard & Poor's |
| United States government agency bonds and notes | 3,840,176 | NR - AAA | Standard & Poor's |
| Collateralized mortgage obligations | 849,858 | NR - AAA | Standard & Poor's |
| Corporate asset-backed securities | 698,419 | NR - AAA | Standard & Poor's |
| Corporate bonds | 5,957,004 | BB- - AAA | Standard & Poor's |
| Foreign bonds | 268,711 | BBB - AA | Standard & Poor's |
| Municipal bonds | 409,355 | NR - AAA | Standard & Poor's |
| Mutual funds | 2,580,853 | A | Standard & Poor's |
| Bank investment pool | 2,704,883 | NR | |
| Securities lending investment pool | 1,624,131 | NR | |
| Total | <u>\$ 26,560,454</u> | | |

Concentration of Credit Risk - The City's investment policy requires the City to diversify investments by security type and institutions, with no more than 50 percent of the City's total investment portfolio being invested in a single security type or with a single financial institution. The City's fiduciary funds are also subject to Public Act 485 of 1996, which states investments in any one issuer (other than the U.S. government) may not exceed 5 percent of total investments. As of June 30, 2014, no holdings exceed any of the limitations adopted within the City's investment policy. In addition, no holdings within the City's fiduciary funds exceed the 5 percent limitation.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

| Receivable Fund | Payable Fund | Amount |
|-------------------------------------|-----------------------------|-------------------|
| Due to/from Other Funds | | |
| General Fund | Nonmajor governmental funds | \$ 166,984 |
| | Recreational Revenue Fund | <u>180,000</u> |
| | Total General Fund | 346,984 |
| Local Streets Fund | Nonmajor governmental funds | <u>18,734</u> |
| | Total | <u>\$ 365,718</u> |
| Advances from/to Other Funds | | |
| General Fund | Recreational Revenue Fund | <u>\$ 720,000</u> |

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The advance from the General Fund was made to pay off term debt in the Recreational Revenue Fund. The repayment terms of the advance include annual installments of \$180,000, plus interest payable at .50 percent through May 2019.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 4 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

| <u>Fund Transferred From</u> | <u>Fund Transferred To</u> | <u>Amount</u> |
|------------------------------------------------------|---------------------------------|---------------------|
| General Fund | Recreational Revenue Fund (4) | \$ 145,000 |
| Major Streets Fund | Local Streets Fund (3) | 776,000 |
| | Nonmajor governmental funds (2) | <u>704,888</u> |
| | Total Major Streets Fund | 1,480,888 |
| Recreational Revenue Fund | Nonmajor governmental funds (1) | 22,789 |
| SEMSD Clean Water Initiative Debt Service Fund | Utility Fund (2) | 145,938 |
| Nonmajor governmental funds | Nonmajor governmental funds (2) | <u>114,652</u> |
| | Total | <u>\$ 1,909,267</u> |

- (1) Transfer of discretionary funds to be used for the benefit of the community
- (2) Transfer for debt service payments
- (3) Allowable transfer under ACT 51
- (4) Transfer to maintain working capital requirement

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

| | Balance July 1, 2013 | Reclassifications | Additions | Disposals | Balance June 30, 2014 |
|---------------------------------------|-------------------------|-------------------|--------------|--------------|--------------------------|
| Governmental Activities | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 10,151,603 | \$ - | \$ - | \$ - | \$ 10,151,603 |
| Construction in progress | 1,281,616 | (903,501) | - | - | 378,115 |
| Subtotal | 11,433,219 | (903,501) | - | - | 10,529,718 |
| Capital assets being depreciated: | | | | | |
| Infrastructure | 76,692,760 | - | 4,842,677 | (2,761,363) | 78,774,074 |
| County drains | 4,664,725 | - | - | - | 4,664,725 |
| Buildings and improvements | 19,041,701 | 893,501 | 2,961,528 | - | 22,896,730 |
| Furniture, fixtures, and equipment | 9,824,870 | 10,000 | 515,487 | (259,099) | 10,091,258 |
| Information technology | 2,600,819 | - | 21,904 | (884) | 2,621,839 |
| Land improvements | 13,475,358 | - | 54,818 | - | 13,530,176 |
| Subtotal | 126,300,233 | 903,501 | 8,396,414 | (3,021,346) | 132,578,802 |
| Accumulated depreciation: | | | | | |
| Infrastructure | 32,170,154 | - | 3,893,341 | (2,761,363) | 33,302,132 |
| Drain rights | 1,546,789 | - | 93,294 | - | 1,640,083 |
| Buildings and improvements | 12,375,208 | - | 674,875 | - | 13,050,083 |
| Furniture, fixtures, and equipment | 5,497,112 | - | 486,562 | (137,668) | 5,846,006 |
| Information technology | 2,486,814 | - | 61,234 | (884) | 2,547,164 |
| Land improvements | 6,642,997 | - | 393,942 | - | 7,036,939 |
| Subtotal | 60,719,074 | - | 5,603,248 | (2,899,915) | 63,422,407 |
| Net capital assets being depreciated | 65,581,159 | 903,501 | 2,793,166 | (121,431) | 69,156,395 |
| Net capital assets | \$ 77,014,378 | \$ - | \$ 2,793,166 | \$ (121,431) | \$ 79,686,113 |

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 5 - Capital Assets (Continued)

| | Balance July 1, 2013 | Reclassifications | Additions | Disposals | Balance June 30, 2014 |
|----------------------------------------------------------------|-------------------------|-------------------|---------------------|---------------------|--------------------------|
| Recreational Revenue Fund assets: | | | | | |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | \$ 2,490,299 | \$ (14,366) | \$ - | \$ - | \$ 2,475,933 |
| Furniture, fixtures, and equipment | 2,269,544 | - | 8,795 | (14,588) | 2,263,751 |
| Information technology | 13,585 | - | - | - | 13,585 |
| Land improvements | 5,394,098 | 14,366 | - | - | 5,408,464 |
| Subtotal | 10,167,526 | - | 8,795 | (14,588) | 10,161,733 |
| Accumulated depreciation: | | | | | |
| Buildings and improvements | 1,881,287 | - | 49,318 | - | 1,930,605 |
| Furniture, fixtures, and equipment | 1,726,962 | - | 83,112 | (14,588) | 1,795,486 |
| Information technology | 12,654 | - | 618 | - | 13,272 |
| Land improvements | 3,286,834 | - | 174,763 | - | 3,461,597 |
| Subtotal | 6,907,737 | - | 307,811 | (14,588) | 7,200,960 |
| Net Recreational Revenue Fund capital assets being depreciated | 3,259,789 | - | (299,016) | - | 2,960,773 |
| Net capital assets | <u>\$ 3,259,789</u> | <u>\$ -</u> | <u>\$ (299,016)</u> | <u>\$ -</u> | <u>\$ 2,960,773</u> |
| Internal Service Fund capital assets: | | | | | |
| Capital assets not being depreciated - | | | | | |
| Vehicles not in service | \$ 161,662 | \$ (161,662) | \$ - | \$ - | \$ - |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 348,568 | - | - | - | 348,568 |
| Furniture, fixtures, and equipment | 198,180 | - | 82,593 | - | 280,773 |
| Vehicles | 9,885,542 | 161,662 | 499,931 | (575,754) | 9,971,381 |
| Information technology | 626,585 | - | 51,063 | (22,403) | 655,245 |
| Subtotal | 11,058,875 | 161,662 | 633,587 | (598,157) | 11,255,967 |
| Accumulated depreciation: | | | | | |
| Buildings and improvements | 232,609 | - | 7,876 | - | 240,485 |
| Furniture, fixtures, and equipment | 144,382 | - | 15,347 | - | 159,729 |
| Vehicles | 7,700,299 | - | 504,408 | (526,651) | 7,678,056 |
| Information technology | 373,131 | - | 78,720 | (22,403) | 429,448 |
| Subtotal | 8,450,421 | - | 606,351 | (549,054) | 8,507,718 |
| Net internal service fund capital assets being depreciated | 2,608,454 | 161,662 | 27,236 | (49,103) | 2,748,249 |
| Net internal service fund capital assets | <u>2,770,116</u> | <u>-</u> | <u>27,236</u> | <u>(49,103)</u> | <u>2,748,249</u> |
| Governmental capital assets not being depreciated | 11,594,881 | (1,065,163) | - | - | 10,529,718 |
| Net governmental capital assets being depreciated | 71,449,402 | 1,065,163 | 2,521,386 | (170,534) | 74,865,417 |
| Net governmental activities capital assets | <u>\$ 83,044,283</u> | <u>\$ -</u> | <u>\$ 2,521,386</u> | <u>\$ (170,534)</u> | <u>\$ 85,395,135</u> |

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 5 - Capital Assets (Continued)

| | Balance July 1, 2013 | Reclassifications | Additions | Disposals | Balance June 30, 2014 |
|----------------------------------------|-------------------------|-------------------|--------------|-------------|--------------------------|
| Business-type Activities | | | | | |
| Utility Fund: | | | | | |
| Capital assets not being depreciated - | | | | | |
| Construction in progress | \$ 3,342,558 | \$ (3,314,407) | \$ - | \$ - | \$ 28,151 |
| Capital assets being depreciated: | | | | | |
| Water and sewer lines | 105,359,569 | 3,314,407 | 3,783,684 | (145,974) | 112,311,686 |
| Buildings and improvements | 5,076,577 | - | - | - | 5,076,577 |
| Furniture, fixtures, and equipment | 2,695,835 | - | 1,400,058 | - | 4,095,893 |
| Information technology | 377,586 | - | - | - | 377,586 |
| Land improvements | 1,038,079 | - | - | - | 1,038,079 |
| Subtotal | 114,547,646 | 3,314,407 | 5,183,742 | (145,974) | 122,899,821 |
| Accumulated depreciation: | | | | | |
| Water and sewer lines | 29,992,458 | - | 1,943,932 | (75,907) | 31,860,483 |
| Buildings and improvements | 5,070,659 | - | 1,315 | - | 5,071,974 |
| Furniture, fixtures, and equipment | 594,741 | - | 158,909 | - | 753,650 |
| Information technology | 366,802 | - | 6,713 | - | 373,515 |
| Land improvements | 470,049 | - | 34,603 | - | 504,652 |
| Subtotal | 36,494,709 | - | 2,145,472 | (75,907) | 38,564,274 |
| Net capital assets being depreciated | 78,052,937 | 3,314,407 | 3,038,270 | (70,067) | 84,335,547 |
| Net capital assets | \$ 81,395,495 | \$ - | \$ 3,038,270 | \$ (70,067) | \$ 84,363,698 |

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

Governmental activities:

| | |
|------------------------------------|------------|
| General government | \$ 567,990 |
| Public safety | 667,466 |
| Public works | 4,242,933 |
| Community and economic development | 67,293 |
| Recreation and culture | 971,728 |

Total governmental activities \$ 6,517,410

Business-type activities - Water and sewer \$ 2,145,472

Construction Commitments - The City has active construction projects at year end, including the Lake St. Clair Clean Water Initiative Construction project administered by the Macomb County Drain Commission, roads, water mains, and building construction projects. At June 30, 2014, the City's commitments with contractors are as follows:

| | <u>Spent to Date</u> | <u>Remaining Commitment</u> |
|----------------------------------------------|----------------------|---------------------------------|
| SEMSD Clean Water Initiative Capital Project | \$ 53,795,000 | \$ 2,023,000 |
| Court building | 3,179,021 | 168,520 |
| Roads and water mains | 8,185,442 | 2,649,659 |
| Total | <u>\$ 65,159,463</u> | <u>\$ 4,841,179</u> |

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue involves a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities. Compensated absences are typically liquidated with funds from the General Fund, Local Streets Fund, Recreational Revenue Fund, Utility Fund, and the internal service funds.

Long-term debt activity can be summarized as follows:

| | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------------------------------|-------------------------|---------------------------------|----------------------|-----------|-------------|-------------------|------------------------|
| Governmental Activities | | | | | | | |
| Other governmental obligations: | | | | | | | |
| 8 1/2 Mile Relief Drainage Debt: | | | | | | | |
| Amount of issue - \$2,566,584 | | \$27,285 - | | | | | |
| Maturing through 2029 | 2.50% | \$87,959 | \$ 1,273,740 | \$ - | \$ (59,052) | \$ 1,214,688 | \$ 60,312 |
| 2001 Lake St. Clair Clean Water Initiative: | | | | | | | |
| Amount of issue - \$5,878,889 | 3.00% - | \$142,190 - | | | | | |
| Maturing through 2029 | 5.00% | \$316,587 | 3,938,398 | 1,334,501 | (1,634,652) | 3,638,247 | 257,648 |
| Less unamortized premium on issuance | | | - | 105,914 | (3,311) | 102,603 | 6,620 |
| General obligations: | | | | | | | |
| 2001 Michigan Transportation Fund Bonds: | | | | | | | |
| Amount of issue - \$4,200,000 | | | | | | | |
| Maturing through 2013 | 4.25% | \$465,000 | 465,000 | - | (465,000) | - | - |
| 2011 Capital Project bonds: | | | | | | | |
| Amount of issue - \$3,180,000 | 2.00% - | \$125,000 - | | | | | |
| Maturing through 2032 | 4.125% | \$220,000 | 3,055,000 | - | (125,000) | 2,930,000 | 125,000 |
| Less unamortized premium on issuance | | | 62,322 | - | (3,334) | 58,988 | 3,420 |
| 2013 Court Building Capital Project bonds: | | | | | | | |
| Amount of issue - \$1,885,000 | 0.40% - | \$60,000 - | | | | | |
| Maturing through 2038 | 3.375% | \$100,000 | 1,885,000 | - | (60,000) | 1,825,000 | 60,000 |
| Less unamortized premium on issuance | | | 4,999 | - | (202) | 4,797 | 202 |
| LED Lighting Project: | | | | | | | |
| Amount of issue - \$450,000 | | \$21,803 - | | | | | |
| Maturing through 2020 | | \$61,171 | 388,829 | - | (61,171) | 327,658 | 61,171 |
| Total general and other governmental obligations | | | 11,073,288 | 1,440,415 | (2,411,722) | 10,101,981 | 574,373 |

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 6 - Long-term Debt (Continued)

| | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-------------------------------------------------------------------------------------------|-------------------------|---------------------------------|----------------------|----------------------|------------------------|----------------------|------------------------|
| Governmental Activities (Continued) | | | | | | | |
| Other long-term obligations: | | | | | | | |
| Compensated absences | | | \$ 4,919,540 | \$ 1,080,039 | \$ (1,245,434) | \$ 4,754,145 | \$ 1,246,144 |
| Noncurrent portion of general liability claims and workers' compensation (Note 16) | | | 459,082 | 890,700 | - | 1,349,782 | - |
| Recreational Revenue Fund obligations: | | | | | | | |
| Compensated absences | | | 51,341 | 18,454 | (12,968) | 56,827 | 14,893 |
| Noncurrent portion of general liability claims and workers' compensation (Note 16) | | | 1,408 | 21,725 | - | 23,133 | 3,415 |
| Internal Service Fund obligations: | | | | | | | |
| Compensated absences | | | 27,873 | 8,352 | (6,162) | 30,063 | 6,795 |
| Noncurrent portion of general liability claims and workers' compensation (Note 16) | | | 97 | 187 | - | 284 | - |
| Total governmental activities | | | <u>\$ 16,532,629</u> | <u>\$ 3,459,872</u> | <u>\$ (3,676,286)</u> | <u>\$ 16,316,215</u> | <u>\$ 1,845,620</u> |
| Business-type Activities | | | | | | | |
| Water and Sewer Revenue Bonds: | | | | | | | |
| 2004 Refunding Bond: | | | | | | | |
| Amount of issue - \$2,050,000 | 3.70% | \$195,000 - | | | | | |
| Maturing through 2017 | 3.90% | \$215,000 | \$ 795,000 | \$ - | \$ (185,000) | \$ 610,000 | \$ 195,000 |
| 2006 Limited Tax Obligation Bonds: | | | | | | | |
| Amount of issue - \$3,750,000 | 4.25% | \$170,000 - | | | | | |
| Maturing through 2026 | 4.375% | \$270,000 | 2,755,000 | - | (165,000) | 2,590,000 | 170,000 |
| Less unamortized discount on issuance | | | (12,181) | - | 1,254 | (10,927) | (1,217) |
| Total bonds payable | | | 3,537,819 | - | (348,746) | 3,189,073 | 363,783 |
| Other governmental obligations: | | | | | | | |
| 2001 Lake St. Clair Clean Water Initiative: | | | | | | | |
| Amount of issue - \$45,690,317 | 3.00% | \$1,110,584 - | | | | | |
| Maturing through 2029 | 5.00% | \$2,472,722 | 30,757,325 | 10,423,216 | (12,766,950) | 28,413,591 | 2,012,378 |
| Less unamortized premium on issuance | | | - | 827,248 | (27,480) | 799,768 | 51,703 |
| 2011 Capital Project bonds: | | | | | | | |
| Amount of issue - \$5,285,000 | 2.00% | \$210,000 - | | | | | |
| Maturing through 2032 | 4.125% | \$370,000 | 5,080,000 | - | (205,000) | 4,875,000 | 210,000 |
| Less unamortized premium on issuance | | | 102,954 | - | (5,641) | 97,313 | 5,641 |
| 2013 Drinking Water Revolving Fund (DWRF) & Clean Water State Revolving Funds (SRF/SWQIF) | | | | | | | |
| | 2.50% | \$10,063 - \$30,000 | 321,098 | 38,965 | (25,000) | 335,063 | 25,000 |
| Other long-term obligations: | | | | | | | |
| Compensated absences | | | 125,136 | 35,599 | (29,194) | 131,541 | 26,957 |
| Noncurrent portion of general liability claims and workers' compensation (Note 16) | | | 8,622 | 36,308 | (776) | 44,154 | 12,410 |
| Total business-type activities | | | <u>\$ 39,932,954</u> | <u>\$ 11,361,336</u> | <u>\$ (13,408,787)</u> | <u>\$ 37,885,503</u> | <u>\$ 2,707,872</u> |

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

| Years Ending June 30 | Governmental Activities | | | Business-type Activities | | |
|-------------------------|-------------------------|---------------------|----------------------|--------------------------|----------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2015 | \$ 564,131 | \$ 303,778 | \$ 867,909 | \$ 2,612,378 | \$ 1,293,774 | \$ 3,906,152 |
| 2016 | 567,975 | 292,195 | 860,170 | 2,583,904 | 1,218,002 | 3,801,906 |
| 2017 | 575,559 | 280,052 | 855,611 | 2,663,325 | 1,138,972 | 3,802,297 |
| 2018 | 590,451 | 267,365 | 857,816 | 2,525,775 | 1,061,253 | 3,587,028 |
| 2019 | 602,750 | 251,326 | 854,076 | 2,597,787 | 967,254 | 3,565,041 |
| 2020-2024 | 2,811,083 | 1,003,883 | 3,814,966 | 12,999,974 | 3,485,555 | 16,485,529 |
| 2025-2029 | 2,485,673 | 551,348 | 3,037,021 | 8,351,552 | 1,391,400 | 9,742,952 |
| 2030-2034 | 1,352,605 | 150,217 | 1,502,822 | 2,488,959 | 96,628 | 2,585,587 |
| 2035-2039 | 385,366 | 32,725 | 418,091 | - | - | - |
| Total | <u>\$ 9,935,593</u> | <u>\$ 3,132,889</u> | <u>\$ 13,068,482</u> | <u>\$ 36,823,654</u> | <u>\$ 10,652,838</u> | <u>\$ 47,476,492</u> |

Revenue Bond - The City has pledged certain revenue of the Utility Fund, net of operating expenses, to repay the revenue bond disclosed above. Proceeds from the bond provided financing for the repair of water and sewer lines within the City. The bond is payable solely from the net revenue of the utility system. The remaining principal and interest to be paid on the bond total \$646,270. During the current year, net revenue of the utility system totaled \$3,184,781 compared to the current year debt requirement of \$211,730.

Refunding - In December 2013, Macomb County issued \$14,335,000 in bonds to refund certain outstanding indebtedness previously issued related to the Lake St. Clair Clean Water Initiative project. The City's portion of the bond issue represents \$12,280,645, a portion of which is recorded in the governmental activities and the remainder in the Utility Fund. The difference between the cash flows required to service the new debt and complete the refunding is approximately \$1.50 million. The City estimates its minimum economic gain (the difference between the present value of the debt service payments on the old and new debt) is approximately \$1.02 million.

Note 7 - Restricted Assets

Specific assets of the Utility Fund have been restricted for operations and maintenance, debt service, and bond reserve in connection with covenants established by revenue bond ordinances.

In addition, the City's governmental and business-type activities have funds held by the Macomb County Department of Public Works and the Macomb County Drain Commission on behalf of the City to be used for the construction and maintenance of storm drains and the Lake St. Clair Clean Water Initiative, respectively, including related debt service.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 7 - Restricted Assets (Continued)

The following is the detail of restricted assets at June 30, 2014:

| | Governmental Activities | Business-type Activities |
|---------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Cash and cash equivalents - Utility Fund Revenue | | |
| Bonds required reserves: | | |
| Operations and maintenance | \$ - | \$ 1,590,802 |
| Debt service | - | 53,767 |
| | <u> </u> | <u> </u> |
| Total cash and cash equivalents | - | 1,644,569 |
| Assets held by the Macomb County Department of Public Works for Storm Drains | 1,027,070 | - |
| Assets held by the Macomb County Drain Commission for use in the Lake St. Clair Clean Water Initiative (unspent proceeds) | - | 2,022,717 |
| Unspent bond proceeds from the 2011 Capital Improvement bond issue | <u>1,358,521</u> | <u>526,035</u> |
| Total restricted assets | <u>\$ 2,385,591</u> | <u>\$ 4,193,321</u> |

Net position has been restricted for these amounts, net of related debt at June 30, 2014.

Note 8 - Pension Plan Description

City of St. Clair Shores Police and Fire Retirement System

Plan Administration - The City of St. Clair Shores Police and Fire Retirement Board administers the City of St. Clair Shores Police and Fire Retirement System (the "Police and Fire Plan") - a single employer defined benefit pension plan that provides pensions for covered employees, retirees, and their beneficiaries. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process.

Management of the Police and Fire Plan is vested in the Police and Fire Retirement Board, which consists of five members - one police member, one fire member, one councilperson, one citizen, and the Finance Director of the City.

Plan Membership - At June 30, 2014, plan membership consisted of the following:

| | |
|---------------------------------------------------------------------|------------|
| Inactive plan members or beneficiaries currently receiving benefits | 202 |
| Inactive plan members entitled to but not yet receiving benefits | 1 |
| Active plan members | <u>130</u> |
| Total | <u>333</u> |

Note 8 - Pension Plan Description (Continued)

Benefits Provided - The plan provides retirement, disability, and death benefits. Police and Fire plan members hired before January 1, 2010 with 25 or more years of service or age 60 with 10 years of service are eligible to participate in the plan. Fire plan members hired after January 1, 2010 age 50 with 25 years of service or age 60 with 10 years of service are eligible to participate in the plan. Depending on hire date and the applicable collective bargaining agreement, police and fire members' benefits are calculated as 2.25 or 2.80 percent of the member's final average compensation times the member's years of service up to 25 years plus 1 percent of the member's final average compensation times the member's years of service in excess of 25 years. Final average compensation (the "FAC") is based on the highest three years of compensation out of the last 10 years worked. Depending on hire date and the applicable collective bargaining agreement, maximum benefits equal 70 percent of compensation, 75 percent of compensation, or cannot exceed base pay as of termination date.

All plan members are eligible for deferred retirement benefits after 10 or more years of service, which is payable to the member or the eligible surviving spouse. Deferred retirement benefits are determined in the same manner as retirement benefits, but are based upon years of service and FAC in effect at termination. The benefit to the eligible surviving spouse is actuarially reduced in accordance with certain elections.

All plan members are eligible for death after retirement survivor's pension benefits, which are payable to the surviving spouse, if any, upon the death of a retired member who is receiving a regular straight life pension. The benefit is calculated as 60 percent of the regular straight life pension the deceased retiree was receiving.

All plan members are eligible for non-duty death-in-service survivor's pension benefits, which are payable to a surviving spouse, if any, upon the death of a member with 10 or more years of service. The benefit is calculated as the accrued straight life pension amount actuarially reduced in accordance with certain elections.

All plan members are eligible for duty death-in-service survivor's pension benefits, which are payable upon the expiration of workers' compensation to the survivors of a member who died in the line of duty. The benefit is calculated as the same amount that was paid by workers' compensation.

All plan members are eligible for non-duty disability, which is payable upon the total and permanent disability of a member with five or more years of service. The benefit is calculated as 1.5 percent of final average compensation times years of service up until age 55. After age 55, benefits are calculated in the same manner as the service retirement benefit.

Note 8 - Pension Plan Description (Continued)

All plan members are eligible for duty-related disability, which is payable upon the total and permanent disability of a member in the line of duty. The benefit is calculated as 50 percent of final average compensation up until age 55. After age 55, benefits are calculated in the same manner as the service retirement benefit, with service credit from the date of disability to age 55.

Benefit terms provide for cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. Depending on retirement date and the applicable collective bargaining agreement, members will receive a 2.5 or 5.0 percent cost-of-living increase at age 60 or three to five years after retirement, whichever occurs first. A second increase of 2.5 or 5.0 percent will occur between two and five years after the first increase; a third increase of 2.5 or 5.0 percent will occur between two and five years after the second increase; a fourth increase of 2.5 or 5.0 percent will occur three years after the third increase; a fifth increase of 2.5 percent will occur two years after the fourth increase; and a sixth increase of 2.5 percent will occur three years after the fifth increase.

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Police and Fire Retirement Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2014, the average active member contribution rate was 4.71 percent of annual pay and the City's average contribution rate was 42.84 percent of annual payroll.

City of St. Clair Shores Employees' Retirement System

Plan Administration - The City of St. Clair Shores Employees' Retirement Board administers the City of St. Clair Shores Employees' Retirement System (the "ERS Plan") - a single employer defined benefit pension plan that provides pensions for all permanent full-time general employees of the City. Benefit terms have been established by contractual agreements between the City and the various employee union representation, as well as eligible non-union full-time employees; amendments are subject to the same process.

Management of the ERS Plan is vested in the ERS Retirement Board, which consists of five members - the mayor, a councilperson, two employee representatives, and a citizen member.

Note 8 - Pension Plan Description (Continued)

Plan Membership - At June 30, 2014, plan membership consisted of the following:

| | |
|---------------------------------------------------------------------|------------|
| Inactive plan members or beneficiaries currently receiving benefits | 217 |
| Inactive plan members entitled to but not yet receiving benefits | 23 |
| Active plan members | <u>78</u> |
| Total | <u>318</u> |

Benefits Provided - The plan provides retirement, disability, and death benefits. No new hires are eligible to participate in the plan because it is a closed plan. Plan members are eligible for regular retirement benefits beginning at age 50 with 25 years of service, or at age 60 with 10 or more years of service. Depending on the applicable collective bargaining agreement, the annual benefit amount is calculated as total service multiplied by 2.5 percent of average final compensation with a maximum of either 62.5, 75, or 80 percent of average final compensation. Average final compensation is based on the highest five non-consecutive years out of the last 10 years worked. For some collective bargaining agreements, it is calculated as the highest five consecutive years out of the last 10 years worked.

All plan members are eligible for deferred retirement after 10 years of service with benefits beginning at age 60. The annual benefit amount is calculated as regular retirement but based on average final compensation and service at time of termination.

All plan members are eligible for duty and non-duty disability retirement. There is no age or service requirement for duty disability retirement, and the annual benefit is calculated as regular retirement with a minimum benefit of 20 percent of average final compensation. Upon termination of workers' compensation or age 60, whichever occurs first, the benefit is recomputed to include additional service credit for the period workers' compensation was paid. Plan members become eligible for non-duty disability retirement at 10 or more years of service. The annual benefit is calculated as regular retirement.

All plan members are eligible for the death-in-service survivor pension benefit at 10 years of service. The annual benefit is calculated as regular retirement but actuarially reduced in accordance with a 100 percent joint and survivor election.

Benefit terms provide for cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date, depending on the terms of the collective bargaining agreement. The adjustment includes a 5 percent increase at age 60 or five years after retirement, whichever is later, with a second increase of 5 percent five years after the first increase.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 8 - Pension Plan Description (Continued)

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the General Employees' Retirement Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2014, the average active member contribution rate was 0.88 percent of annual pay and the City's average contribution rate was 54.91 of annual payroll.

Note 9 - Pension Plan Investments - Policy and Rate of Return

City of St. Clair Shores Police and Fire Retirement System

Investment Policy - The Police and Fire Plan's policy in regard to the allocation of invested assets is established and may be amended by the Police and Fire Board by a majority vote of its members. It is the policy of the Police and Fire Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Police and Fire Board's adopted asset allocation policy as of June 30, 2014:

| | <u>Target Allocation</u> |
|----------------------|------------------------------|
| Asset class: | |
| Domestic large cap | 45 |
| Domestic small cap | 10 |
| International equity | 15 |
| Fixed income | 30 |

Rate of Return - For the year ended June 30, 2014, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 19.03 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 9 - Pension Plan Investments - Policy and Rate of Return (Continued)

St. Clair Shores General Employees' Retirement System

Investment Policy - The General Employees' Plan's policy in regard to the allocation of invested assets is established and may be amended by the General Employees' Retirement Board by a majority vote of its members. It is the policy of the General Employees' Retirement Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the General Employees' Retirement Board's adopted asset allocation policy as of June 30, 2014:

| | <u>Target Allocation</u> |
|--------------------------|------------------------------|
| Asset class: | |
| Domestic equity | 40 |
| International equity | 15 |
| Domestic fixed income | 30 |
| Hedge funds | 6 |
| Private equity | 2 |
| Real estate | 2 |
| Real assets | 4 |
| Cash or cash equivalents | 1 |

Rate of Return - For the year ended June 30, 2014, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 17.50 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 10 - Pension Plan Reserves

City of St. Clair Shores Police and Fire Retirement System

In accordance with City Ordinances 10.467, 10.468, and 10.469, the following reserves are required to be set aside within the plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 10 - Pension Plan Reserves (Continued)

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee, and credits interest annually at a rate of 2.0 percent. For any employee who terminates before vesting in the plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the plan after funding the above two reserves.

The balances of the reserve accounts at June 30, 2014 are as follows:

| | <u>Required Reserve</u> | <u>Amount Funded</u> |
|------------------|-----------------------------|--------------------------|
| Retiree reserve | \$ 89,025,769 | \$ 89,025,769 |
| Employee reserve | 4,892,650 | 4,892,650 |
| Employer reserve | N/A | 7,103,656 |

St. Clair Shores General Employees Retirement System

In accordance with City Ordinances 10.467, 10.468, and 10.469, the following reserves are required to be set aside within the plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee, and credits interest annually at a rate of 3.0 percent. For any employee who terminates before vesting in the plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the plan after funding the above two reserves.

The balances of the reserve accounts at June 30, 2014 are as follows:

| | <u>Required Reserve</u> | <u>Amount Funded</u> |
|------------------|-----------------------------|--------------------------|
| Retiree reserve | \$ 14,938,731 | \$ 14,938,731 |
| Employee reserve | 577,328 | 577,328 |
| Employer reserve | N/A | 25,660,642 |

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 11 - Net Pension Liability of the City

St. Clair Shores Police and Fire Retirement System

The City reports pension expense based on funding requirements, as directed by GASB Statement No. 27. Beginning next year, the City will adopt GASB Statement No. 68 which will require the measurement of pension expense as it is earned, rather than as it is funded. The net pension liability of the City related to the Police and Fire Plan has been measured as of June 30, 2014 and is composed of the following:

| | |
|----------------------------------------------------------------------------|----------------------|
| Total pension liability | \$ 146,246,009 |
| Plan fiduciary net position | <u>(101,022,075)</u> |
| City's net position liability | <u>\$ 45,223,934</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 69.1 % |

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2014. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|-------------------------------------------------------------------|
| Inflation | 3.0 % |
| Salary increases | 6.0 % average, including inflation |
| Investment rate of return | 7.5 % net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2000 table projected to 2008. This table provides no margin for future mortality improvement. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the actuarial experience study for the period 2002-2007.

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the Police and Fire Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 11 - Net Pension Liability of the City (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2014 for each major asset class included in the Police and Fire Plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

| Asset class: | <u>Long-term Expected Real Rate of Return</u> |
|----------------------|-------------------------------------------------------|
| Domestic large cap | 6.80 |
| Domestic small cap | 7.90 |
| International equity | 7.50 |
| Fixed income | 2.80 |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City related to the Police and Fire Plan, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

| | <u>1% Decrease (6.5%)</u> | <u>Current Discount Rate (7.5%)</u> | <u>1% Increase (8.5%)</u> |
|-----------------------------------|-------------------------------|---------------------------------------------|-------------------------------|
| Net pension liability of the City | \$ 61,300,082 | \$ 45,223,934 | \$ 31,657,605 |

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 11 - Net Pension Liability of the City (Continued)

St. Clair Shores General Employees' Retirement System

The City reports pension expense based on funding requirements, as directed by GASB Statement No. 27. Beginning next year, the City will adopt GASB Statement No. 68 which will require the measurement of pension expense as it is earned, rather than as it is funded. The net pension liability of the City related to the ERS Plan has been measured as of June 30, 2014 and is composed of the following:

| | |
|----------------------------------------------------------------------------|----------------------|
| Total pension liability | \$ 57,726,093 |
| Plan fiduciary net position | <u>(40,457,640)</u> |
| City's net position liability | <u>\$ 17,268,453</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 70.1 % |

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2014. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|-------------------------------------------------------------------|
| Inflation | 4.0 % |
| Salary increases | 5.85 % average, including inflation |
| Investment rate of return | 8.0 % net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2000 table projected to 2008. This table provides no margin for future mortality improvement. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the actuarial experience study for the period 2002-2007.

Discount Rate - The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the ERS Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 11 - Net Pension Liability of the City (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2014 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

| Asset class: | <u>Long-term Expected Real Rate of Return</u> |
|--------------------------|-------------------------------------------------------|
| Domestic equity | 7.30 |
| International equity | 7.20 |
| Domestic fixed income | 1.80 |
| Hedge funds | 6.70 |
| Private equity | 11.40 |
| Real estate | 7.30 |
| Real assets | 1.40 |
| Cash or cash equivalents | 0.80 |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 8.0 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

| | 1% Decrease (7.0%) | Current Discount Rate (8.0%) | 1% Increase (9.0%) |
|-----------------------------------|-----------------------|------------------------------------|-----------------------|
| Net pension liability of the City | \$ 22,777,886 | \$ 17,268,453 | \$ 12,529,223 |

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 12 - City Pension Cost and Related Asset/Obligation

St. Clair Shores Police and Fire Retirement System

The pension plan does not issue a separate financial report.

Annual Pension Cost - For the year ended June 30, 2014, the City's annual pension cost of \$4,478,945 for the Police and Fire Plan was equal to the City's required and actual contribution. The pension cost for the three most recent years is as follows:

| | Fiscal Year Ended June 30 | | |
|-------------------------------|---------------------------|--------------|--------------|
| | 2014 | 2013 | 2012 |
| Annual pension cost (APC) | \$ 4,478,945 | \$ 3,199,458 | \$ 3,147,703 |
| Percentage of APC contributed | 100.0 % | 100.0 % | 100.0 % |
| Net pension obligation | - | - | - |

Funding Status and Funding Progress - As of June 30, 2013, the most recent actuarial valuation date, the plan was 59.80 percent funded. The actuarial accrued liability for benefits was \$148,187,126, and the actuarial value of assets was \$88,557,717, resulting in an unfunded actuarial accrued liability of \$59,629,409. The covered payroll (annual payroll to active employees covered by the plan) was \$9,955,027, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 598.99 percent.

The schedule of funding progress, presented as required supplemental information ("RSI") following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at June 30, 2013, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, and (b) projected salary increases of 4.50 to 7.50 percent per year, with up to six cost of living adjustments of either 2.5 or 5.0 percent, occurring in two- to five-year increments thereafter. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 26 years.

St. Clair Shores Employees' Retirement System

The pension plan does not issue a separate financial report.

Annual Pension Cost - For the year ended June 30, 2014, the City's annual pension cost of \$2,561,038 for the plan was equal to the City's required and actual contribution. The pension cost for the three most recent years is as follows:

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 12 - City Pension Cost and Related Asset/Obligation (Continued)

| | Fiscal Year Ended June 30 | | |
|-------------------------------|---------------------------|--------------|--------------|
| | 2014 | 2013 | 2012 |
| Annual pension cost (APC) | \$ 2,561,038 | \$ 2,379,350 | \$ 2,095,060 |
| Percentage of APC contributed | 100.0 % | 100.0 % | 100.0 % |
| Net pension obligation | - | - | - |

Funding Status and Funding Progress - As of June 30, 2013, the most recent actuarial valuation date, the plan was 64.70 percent funded. The actuarial accrued liability for benefits was \$57,648,592, and the actuarial value of assets was \$37,291,564, resulting in an unfunded actuarial accrued liability of \$20,357,028. The covered payroll (annual payroll to active employees covered by the plan) was \$4,599,115, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 442.63 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at June 30, 2013, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, and (b) projected salary increases of 4.0 to 7.7 percent per year, with a 5 percent cost of living adjustment increase at age 60 or five years after retirement, whichever is later, with a second increase of 5 percent five years after the first increase. Both (a) and (b) include an inflation component of 4.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 20 years.

Note 13 - Other Postemployment Benefits

Plan Description - The City provides retiree healthcare benefits to eligible employees and their spouses through two separate postemployment benefit plans: (1) the General Retiree Healthcare Plan, covering general employees and (2) the Police and Fire Retiree Healthcare Plan, covering certain police and fire department personnel. At June 30, 2012, the date of the most recent actuarial valuation, membership in the General Retiree Healthcare Plan consisted of 236 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 112 current active employees. Membership in the Police and Fire Retiree Healthcare Plan consisted of 201 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 129 current active employees.

Both plans are single-employer defined benefit plans administered by the City. The benefits are provided under collective bargaining agreements. The plans do not issue separate stand-alone financial statements. Administrative costs are paid by the City.

Funding Policy - For members of the General Retiree Healthcare Plan, current collective bargaining agreements do not require a contribution from employees. For members of the Police and Fire Retiree Healthcare Plan, current collective bargaining agreements require a contribution from employees between 0 percent and 2 percent. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis).

Funding Progress - For the year ended June 30, 2014, the City has estimated the cost of providing retiree healthcare benefits through the General Retiree Healthcare Plan and the Police and Fire Retiree Healthcare Plan through actuarial valuations as of June 30, 2012. The valuations compute an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contributions and actual funding are summarized as follows:

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 13 - Other Postemployment Benefits (Continued)

Employer contributions and annual OPEB cost data for the current and preceding year were as follows:

| | General Retiree Healthcare Plan | Police and Fire Retiree Healthcare Plan |
|-----------------------------------------------------|------------------------------------------|--------------------------------------------------|
| Annual required contribution (recommended) | \$ 3,066,136 | \$ 5,802,498 |
| Interest on prior year's net OPEB obligation | 152,137 | 243,451 |
| Less adjustment to the annual required contribution | <u>(117,240)</u> | <u>(174,615)</u> |
| Annual OPEB cost | 3,101,033 | 5,871,334 |
| Amounts contributed: | | |
| Payments of current premiums | 2,313,024 | 2,661,146 |
| Implicit rate subsidy | <u>21,494</u> | <u>51,810</u> |
| Total amounts contributed | <u>2,334,518</u> | <u>2,712,956</u> |
| Change in OPEB obligation | 766,515 | 3,158,378 |
| Net OPEB obligation: | | |
| Beginning of year | <u>3,042,753</u> | <u>4,869,011</u> |
| End of year | <u>\$ 3,809,268</u> | <u>\$ 8,027,389</u> |

| | General Retiree Healthcare Plan | | |
|------------------------|---------------------------------|--------------|--------------|
| | Fiscal Year Ended June 30 | | |
| | 2014 | 2013 | 2012 |
| Annual OPEB cost | \$ 3,101,033 | \$ 3,627,924 | \$ 3,573,272 |
| Percentage contributed | 75% | 70% | 74% |
| Net OPEB obligation | \$ 3,809,268 | \$ 3,042,753 | \$ 1,971,660 |

| | Police and Fire Retiree Healthcare Plan | | |
|------------------------|--------------------------------------------|--------------|--------------|
| | Fiscal Year Ended June 30 | | |
| | 2014 | 2013 | 2012 |
| Annual OPEB cost | \$ 5,871,334 | \$ 4,473,634 | \$ 4,426,290 |
| Percentage contributed | 46% | 71% | 69% |
| Net OPEB obligation | \$ 8,027,389 | \$ 4,869,011 | \$ 3,579,738 |

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 13 - Other Postemployment Benefits (Continued)

The funding progress of the General Retiree Healthcare Plan as of June 30, 2012 and the two preceding valuations is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (Percent) (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll |
|-----------------------------|----------------------------------------|------------------------------------------------|---------------------------------|------------------------------------|---------------------------|--------------------------------------------------|
| 6/30/08 | \$ 452,179 | \$ 45,681,912 | \$ 45,229,733 | 1.0 | \$ 6,647,356 | 680.4 |
| 6/30/10 | 3,184,270 | 50,949,412 | 47,765,142 | 6.2 | 7,258,435 | 658.1 |
| 6/30/12 | 3,678,848 | 61,305,942 | 57,627,094 | 6.0 | 6,320,044 | 911.8 |

The funding progress of the Police and Fire Retiree Healthcare Plan as of June 30, 2012 and the two preceding valuations is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (Percent) (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll |
|-----------------------------|----------------------------------------|------------------------------------------------|---------------------------------|------------------------------------|---------------------------|--------------------------------------------------|
| 6/30/08 | \$ 2,756,100 | \$ 53,051,429 | \$ 50,295,329 | 5.2 | \$ 10,802,446 | 465.6 |
| 6/30/10 | 6,199,305 | 60,506,418 | 54,307,113 | 10.2 | 11,694,228 | 464.4 |
| 6/30/12 | 7,667,690 | 81,266,232 | 73,598,542 | 9.4 | 9,660,548 | 761.8 |

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. The schedule of funding progress, presented above, presents multi-year trend information about whether the actuarial value of the assets of both the General Retiree Healthcare Plan and the Police and Fire Retiree Healthcare Plan is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits of the plans.

Projections of benefits for financial reporting purposes are based on the substantive plans (the plans as understood by the employer and the members of each plan) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the members of each plan 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.

Note 13 - Other Postemployment Benefits (Continued)

In the June 30, 2012 actuarial valuation of the General Retiree Healthcare Plan, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 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 9 percent initially, reduced by decrements to an ultimate rate of 4 percent after 10 years. Both rates included an inflation rate assumption of 2.5 percent for years 2012 through 2019 and 4 percent thereafter. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 was 30 years.

In the June 30, 2012 actuarial valuation of the Police and Fire Retiree Healthcare Plan, the entry age actuarial cost method was used. The actuarial assumptions included a 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 9 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates included a 4.5 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 was 30 years.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 14 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the individual pension plans and postemployment healthcare plans:

| | Pension and Other Employee Benefit Trust Funds | | | | |
|---------------------------------------------------------------------------|------------------------------------------------|-----------------------------------------|------------------------------------------|--------------------------------------------------|----------------|
| | General Employees' Retirement System | Police and Fire Retirement System | General Retiree Healthcare Plan | Police and Fire Retiree Healthcare Plan | Total |
| Assets | | | | | |
| Cash and cash equivalents | \$ 1,708,860 | \$ 2,703,861 | \$ 103,259 | \$ 359,216 | \$ 4,875,196 |
| Investments: | | | | | |
| Collateralized mortgage obligations | 849,858 | - | - | - | 849,858 |
| U.S. government bonds and notes | 906,921 | 6,018,844 | - | 701,299 | 7,627,064 |
| U.S. government agency bonds and notes | 1,739,037 | 1,864,075 | - | 237,064 | 3,840,176 |
| Municipal bonds | 409,355 | - | - | - | 409,355 |
| Corporate bonds and notes | 817,371 | 4,712,970 | - | 426,663 | 5,957,004 |
| Corporate asset-backed securities | 698,419 | - | - | - | 698,419 |
| Common and preferred stock | 16,780,132 | 74,065,642 | 1,668,539 | 7,374,079 | 99,888,392 |
| Foreign bonds | 268,711 | - | - | - | 268,711 |
| Mutual funds | 16,655,899 | 11,260,216 | 3,028,399 | 1,278,344 | 32,222,858 |
| Securities lending - Mutual funds | 1,624,131 | - | - | - | 1,624,131 |
| Receivables: | | | | | |
| Accrued interest | 54,112 | 85,919 | - | 8,549 | 148,580 |
| Due from other governmental units | 811,446 | 1,138,686 | 16,295 | - | 1,966,427 |
| Total assets | 43,324,252 | 101,850,213 | 4,816,492 | 10,385,214 | 160,376,171 |
| Liabilities | | | | | |
| Accounts payable | 67,794 | 11,756 | 11,172 | - | 90,722 |
| Accrued liabilities and other | 411,817 | 816,382 | - | - | 1,228,199 |
| Obligations under securities lending agreements | 1,667,939 | - | - | - | 1,667,939 |
| Total liabilities | 2,147,550 | 828,138 | 11,172 | - | 2,986,860 |
| Net Position Held in Trust for Pension and Other Employee Benefits | | | | | |
| | \$ 41,176,702 | \$ 101,022,075 | \$ 4,805,320 | \$ 10,385,214 | \$ 157,389,311 |

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 14 - Pension and Other Employee Benefit Trust Funds (Continued)

| | General Employees' Retirement System | Police and Fire Retirement System | General Retiree Healthcare Plan | Police and Fire Retiree Healthcare Plan | Total |
|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------|------------------------------------------|--------------------------------------------------|-----------------------|
| Additions | | | | | |
| Investment income (loss): | | | | | |
| Interest and dividends | \$ 901,463 | \$ 2,510,889 | \$ 110,174 | \$ 236,971 | \$ 3,759,497 |
| Net increase in fair value of investments | 5,347,467 | 14,898,684 | 630,047 | 1,506,617 | 22,382,815 |
| Investment-related expenses | (243,404) | (882,347) | (75,489) | (73,206) | (1,274,446) |
| Net investment income | 6,005,526 | 16,527,226 | 664,732 | 1,670,382 | 24,867,866 |
| Securities lending income | 4,074 | - | - | - | 4,074 |
| Contributions: | | | | | |
| Employer | 2,561,038 | 4,478,945 | 2,298,884 | 2,661,146 | 12,000,013 |
| Employee | 41,177 | 492,602 | - | 78,350 | 612,129 |
| Net contributions | 2,602,215 | 4,971,547 | 2,298,884 | 2,739,496 | 12,612,142 |
| Total additions | 8,611,815 | 21,498,773 | 2,963,616 | 4,409,878 | 37,484,082 |
| Deductions - Benefit payments | <u>4,640,991</u> | <u>9,894,091</u> | <u>2,222,139</u> | <u>2,661,146</u> | <u>19,418,367</u> |
| Net Increase in Net Position Held in Trust | 3,970,824 | 11,604,682 | 741,477 | 1,748,732 | 18,065,715 |
| Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year | <u>37,205,878</u> | <u>89,417,393</u> | <u>4,063,843</u> | <u>8,636,482</u> | <u>139,323,596</u> |
| Net Position Held in Trust for Pension and Other Employee Benefits - End of year | <u>\$ 41,176,702</u> | <u>\$ 101,022,075</u> | <u>\$ 4,805,320</u> | <u>\$ 10,385,214</u> | <u>\$ 157,389,311</u> |

Note 15 - Defined Contribution Pension Plan

The City also provides pension benefits to full-time non-police and fire employees from either one or two defined contribution plans dependent upon date of hire or bargaining unit affiliation. The defined contribution plans are administered by International City Management Association Retirement Corporation.

Effective July 1, 2005, the General Employees' Retirement System defined benefit plan closed to new members. Accordingly, all full-time non-police and fire employees hired subsequent to this date participate in a defined contribution plan. The City contributes 10 percent of wages and the employee is required to contribute 5 percent. Vesting of employer contributions is at the rate of 20 percent for each year of completed service. Contributions to the plan for the current fiscal year totaled \$255,718, with \$169,725 representing employer contributions and \$85,993 representing employee contributions. At June 30, 2014, there were 34 active participants in the plan.

The City also offers pension benefits to members of the Professional Employees Association (PEA) and Administrative Regulations #4 (AR4) bargaining units through a separate defined contribution plan. For members of PEA, the City contributes 4 percent of wages and the employee is required to contribute 2 percent. For members of AR4, the City contributes 7 percent of wages and the employee is required to contribute 2 percent. There is no vesting requirement. Contributions to the plan for the current fiscal year totaled \$152,969, with \$110,731 representing employer contributions and \$42,238 representing employee contributions. At June 30, 2014, there were 25 active participants in the plan.

Note 16 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees.

The City participates in the Michigan Municipal Risk Management Authority (the "Authority") risk pool for claims related to liability, auto, and property. The program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City is self-funded for workers' compensation and medical benefits up to a retention amount, at which time the City's reinsurance coverage begins. Listed below is an analysis by category of the City's risk of loss.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 16 - Risk Management (Continued)

The City estimates the liability for property loss, general liability, workers' compensation, and medical benefits claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. The estimated liability for property loss, general liability, and medical claims is recorded within the governmental activities and business-type activities columns of the statement of net position. Changes in the estimated liability for the past two fiscal years were as follows:

| | Liability, Auto, and Property | | Workers' Compensation | | Medical Claims | |
|-------------------------------------------------------------|-------------------------------|-------------------|-----------------------|-------------------|--------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Estimated liability (prepaid) - Beginning of year | \$ 242,368 | \$ 559,294 | \$ 232,302 | \$ 292,418 | \$ (91,800) | \$ (492,570) |
| Incurred claims, including claims incurred but not reported | 365,550 | 28,100 | 1,669,907 | 276,891 | 4,313,847 | 5,458,559 |
| Claim payments | (228,439) | (345,026) | (848,550) | (337,007) | (4,304,066) | (5,057,789) |
| Estimated liability (prepaid) - End of year | <u>\$ 379,479</u> | <u>\$ 242,368</u> | <u>\$ 1,053,659</u> | <u>\$ 232,302</u> | <u>\$ (82,019)</u> | <u>\$ (91,800)</u> |

Note 17 - Joint Ventures

The City is a member of the Southeast Macomb Sanitary District (SEMSD), which provides sewage disposal to participating municipalities in Macomb County, Michigan. Other members include the cities of Roseville and Eastpointe, Michigan. The City appoints one member to the joint venture's governing board, who then approves the annual budgets. The City's equity interest of \$7,602,760 is recorded in the Utility Fund financial statements and within the business-type activities column in the statement of net position. Complete financial statements for the Southeast Macomb Sanitary District can be obtained from the administrative offices at 20001 Pleasant Avenue, Box 286, St. Clair Shores, MI 48080. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 17 - Joint Ventures (Continued)

The City is a member of the South Macomb Disposal Authority (SMDA), which provides refuse disposal services to participating municipalities in Macomb County, Michigan. Other members include the cities of Center Line, Roseville, Eastpointe, and Warren, Michigan. The City appoints one member to the joint venture's governing board, who then approves the annual budgets. The City's equity interest in the authority's operating reserve of \$282,868 is recorded within the governmental activities column of the statement of net position. The City also has recorded a payable due to the SMDA in the amount of \$2,713,829, which represents the estimated portion of future postclosure care costs that the City is obligated to pay in connection with certain closed landfills owned by the SMDA. The payable is recorded as an accrued liability within the governmental activities column of the statement of net position. Complete financial statements for the South Macomb Disposal Authority can be obtained from the administrative offices at 20001 Pleasant Avenue, Box 286, St. Clair Shores, MI 48080. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The City is a member of the South East Regional Emergency Services Authority (SERESA), which oversees police, fire, and emergency medical services dispatch services to participating municipalities in Macomb County, Michigan. Other members include the cities of Roseville and Eastpointe, Michigan. The City appoints one member to the joint venture's governing board, who then approves the annual budgets. The City's equity interest of \$391,217 is recorded within the governmental activities column of the statement of net position. Complete financial statements for the South East Regional Emergency Services Authority can be obtained from the administrative offices at 18961 Common Road, Roseville, MI 48066. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Note 18 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 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. This net pension liability that will be recorded on the government-wide, proprietary and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. 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 year ending June 30, 2015.

In January 2013, the Governmental Accounting Standards Board issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. Until now, governments had been accounting for mergers, acquisitions, and transfers of operations by analogizing to accounting and financial reporting guidance intended for the business environment. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. GASB Statement No. 69 is required to be adopted for years beginning after December 15, 2013. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2015 fiscal year.

In April 2013, the Governmental Accounting Standards Board issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. GASB Statement No. 70 is required to be adopted for years beginning after June 15, 2013. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2015 fiscal year.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 19 - Change in Accounting

During the current year, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and GASB Statement No. 67, *Financial Reporting for Pension Plans*. The objective of GASB Statement No. 65 is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources. Adopting GASB Statement No. 67 resulted in significant changes to the defined benefit related footnote disclosures as well as the required supplemental information schedules.

As a result of implementing GASB Statement No. 65, the following assets and liabilities have been reclassified, as indicated:

| Item | Amount | Prior Reporting Classification/Treatment | New Classification After Adoption of GASB Statement No. 65 |
|------------------------------------------------------------------------|------------|---------------------------------------------|------------------------------------------------------------------|
| Deferred amounts on debt refundings | \$ 296,003 | Adjustment to the bonds payable liability | Deferred outflow or deferred inflow of resources |
| Bond issuance costs | 222,915 | Asset | Outflow of resources (an expense) |
| Revenue in governmental funds not collected within 60 days of year end | 662,107 | Liability | Deferred inflow of resources |

The impact of adopting GASB Statement No. 65 was to restate and decrease beginning net position by \$222,915. This change occurred because the financial statements now recognize bond issuance costs as a current expense (outflow of resources) when incurred rather than amortizing these costs over the life of the bond. The current year outflow of resources related to bond issuance costs was \$125,992.

The effect of this restatement is as follows:

| | Governmental Activities | Business-type Activities - Utility Fund |
|-------------------------------------------------------------------------------------|----------------------------|-----------------------------------------------|
| Net position - Beginning of year - As previously reported | \$ 98,428,647 | \$ 75,260,494 |
| Adjustments to properly reflect change in accounting related to bond issuance costs | (148,836) | (74,079) |
| Net position - Beginning of year - As restated | <u>\$ 98,279,811</u> | <u>\$ 75,186,415</u> |

Required Supplemental Information

City of St. Clair Shores, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2014

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|-------------------------------------------|-----------------|----------------|---------------|------------------------------|
| Revenue | | | | |
| Property taxes | \$ 23,642,021 | \$ 23,536,821 | \$ 23,541,956 | \$ 5,135 |
| Licenses and permits | 592,755 | 592,755 | 760,591 | 167,836 |
| Federal grants | 376,372 | 411,368 | 344,496 | (66,872) |
| State-shared revenue and grants | 5,495,758 | 5,515,734 | 5,472,539 | (43,195) |
| Charges for services | 4,437,880 | 4,457,880 | 4,374,617 | (83,263) |
| Fines and forfeitures: | | | | |
| District court fines and fees | 1,740,700 | 1,740,700 | 1,820,471 | 79,771 |
| Library fines | 74,400 | 74,400 | 54,507 | (19,893) |
| Investment income | 150,000 | 130,000 | 75,678 | (54,322) |
| Transfers in | 130 | - | - | - |
| Other revenue: | | | | |
| Proceeds from sale of capital assets | - | - | 2,332 | 2,332 |
| Cable franchise fees | 1,100,000 | 1,200,000 | 1,305,388 | 105,388 |
| Interfund reimbursements from other funds | 3,283,881 | 3,104,859 | 3,003,259 | (101,600) |
| Other miscellaneous income | 271,974 | 480,456 | 498,591 | 18,135 |
| Total revenue | 41,165,871 | 41,244,973 | 41,254,425 | 9,452 |
| Expenditures | | | | |
| General government: | | | | |
| Legislative | 78,776 | 78,776 | 76,419 | 2,357 |
| Executive | 458,754 | 458,754 | 451,122 | 7,632 |
| Finance | 1,199,954 | 1,204,954 | 1,081,670 | 123,284 |
| Judicial | 1,907,149 | 2,061,722 | 1,989,598 | 72,124 |
| Information systems | 364,578 | 404,578 | 349,070 | 55,508 |
| Assessor | 325,029 | 325,029 | 307,355 | 17,674 |
| Election | 579,306 | 584,056 | 511,864 | 72,192 |
| Building maintenance | 604,236 | 604,236 | 488,581 | 115,655 |
| Attorney | 358,000 | 358,000 | 368,910 | (10,910) |
| General government | 2,779,064 | 2,667,991 | 1,819,195 | 848,796 |
| Boards and commissions | 410,986 | 377,022 | 400,038 | (23,016) |
| Insurance/Claims | 619,091 | 1,119,091 | 1,177,740 | (58,649) |
| Total general government | 9,684,923 | 10,244,209 | 9,021,562 | 1,222,647 |
| Public safety: | | | | |
| Police | 13,539,262 | 13,757,108 | 13,377,800 | 379,308 |
| Fire | 7,568,830 | 7,611,363 | 7,579,140 | 32,223 |
| Pre-retiree wages and retiree health care | 3,082,420 | 3,082,420 | 2,974,158 | 108,262 |
| Total public safety | 24,190,512 | 24,450,891 | 23,931,098 | 519,793 |
| Public works: | | | | |
| Public works administration | 176,615 | 178,265 | 184,837 | (6,572) |
| Sanitation | 4,445,122 | 4,895,122 | 4,609,402 | 285,720 |
| Total public works | 4,621,737 | 5,073,387 | 4,794,239 | 279,148 |

City of St. Clair Shores, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2014

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Amended Budget</u> |
|-----------------------------------------|------------------------|-----------------------|----------------------|-------------------------------------|
| Expenditures (Continued) | | | | |
| Community and economic development | \$ 1,991,615 | \$ 2,055,615 | \$ 1,836,084 | \$ 219,531 |
| Recreation and culture: | | | | |
| Library and information services | 1,525,525 | 1,525,525 | 1,336,042 | 189,483 |
| Parks and recreation | 1,689,702 | 1,689,702 | 1,803,474 | (113,772) |
| Senior center | 462,838 | 462,838 | 433,418 | 29,420 |
| Arena | 810,412 | 830,412 | 765,623 | 64,789 |
| Total recreation and culture | 4,488,477 | 4,508,477 | 4,338,557 | 169,920 |
| Transfers out | - | - | 145,000 | 145,000 |
| Total expenditures | 44,977,264 | 46,332,579 | 44,066,540 | 2,266,039 |
| Net Change in Fund Balance | (3,811,393) | (5,087,606) | (2,812,115) | 2,275,491 |
| Fund Balance - Beginning of year | 25,766,500 | 25,766,500 | 25,766,500 | - |
| Fund Balance - End of year | <u>\$ 21,955,107</u> | <u>\$ 20,678,894</u> | <u>\$ 22,954,385</u> | <u>\$ 2,275,491</u> |

City of St. Clair Shores, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2014

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|----------------------------------------------|----------------------------|--------------------------|----------------------------|------------------------------------|
| Revenue | | | | |
| State-shared revenue and grants | \$ 2,412,890 | \$ 2,585,296 | \$ 2,682,361 | \$ 97,065 |
| Investment income | 3,500 | 3,500 | 8,228 | 4,728 |
| Other revenue: | | | | |
| Interfund reimbursements from other funds | 167,406 | 167,406 | 167,406 | - |
| Other miscellaneous income | - | 5,594 | 5,593 | (1) |
| Total revenue | <u>2,583,796</u> | <u>2,761,796</u> | <u>2,863,588</u> | <u>101,792</u> |
| Expenditures | | | | |
| Public works | 2,248,961 | 2,483,144 | 1,369,732 | 1,113,412 |
| Transfers out | 696,000 | 1,206,445 | 1,480,888 | (274,443) |
| Debt service | 723,101 | 704,750 | - | 704,750 |
| Total expenditures | <u>3,668,062</u> | <u>4,394,339</u> | <u>2,850,620</u> | <u>1,543,719</u> |
| Net Change in Fund Balance | (1,084,266) | (1,632,543) | 12,968 | 1,645,511 |
| Fund Balance - Beginning of year | <u>2,506,586</u> | <u>2,506,586</u> | <u>2,506,586</u> | <u>-</u> |
| Fund Balance - End of year | <u><u>\$ 1,422,320</u></u> | <u><u>\$ 874,043</u></u> | <u><u>\$ 2,519,554</u></u> | <u><u>\$ 1,645,511</u></u> |

City of St. Clair Shores, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Fund Year Ended June 30, 2014

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|----------------------------------------------|-------------------|-------------------|-------------------|------------------------------------|
| Revenue | | | | |
| Property taxes | \$ 1,308,457 | \$ 1,308,457 | \$ 1,305,042 | \$ (3,415) |
| State-shared revenue and grants | 939,816 | 994,687 | 1,032,877 | 38,190 |
| Charges for services | 477,250 | 477,250 | 479,594 | 2,344 |
| Investment income | 3,000 | 3,000 | 2,729 | (271) |
| Transfers in | 696,000 | 1,206,445 | 776,000 | (430,445) |
| Other revenue: | | | | |
| Interfund reimbursements from other funds | 390,614 | 390,614 | 390,614 | - |
| Other miscellaneous income | 22,960 | 22,960 | 19,452 | (3,508) |
| Total revenue | 3,838,097 | 4,403,413 | 4,006,308 | (397,105) |
| Expenditures | | | | |
| Current - Public works | 3,109,945 | 3,831,917 | 3,950,874 | (118,957) |
| Transfers out | 765,921 | 765,921 | - | 765,921 |
| Debt service | 42,820 | 42,820 | 42,820 | - |
| Total expenditures | 3,918,686 | 4,640,658 | 3,993,694 | 646,964 |
| Net Change in Fund Balance | (80,589) | (237,245) | 12,614 | 249,859 |
| Fund Balance - Beginning of year | 539,745 | 539,745 | 539,745 | - |
| Fund Balance - End of year | <u>\$ 459,156</u> | <u>\$ 302,500</u> | <u>\$ 552,359</u> | <u>\$ 249,859</u> |

City of St. Clair Shores, Michigan

Note to Required Supplemental Information Year Ended June 30, 2014

Budgetary Information - The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this act:

1. Budgets must be adopted for the General Fund and special revenue funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

The City adopts its budget by budgetary center (activity/department), which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations.

The City follows these procedures in establishing budgetary data reflected in the financial statements:

1. Prior to the third Monday in April, the city manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. As provided for by the City Charter, at a minimum, prior to the fourth Monday in June, the budget is legally adopted through passage of budget resolutions for each fund. An appropriation ordinance is approved by the City Council at the above-mentioned meeting.
4. The city manager is authorized to transfer budgeted amounts within budgetary centers (activity); however, any revisions that alter the total expenditure of any budgetary center (activity) must be approved by the City Council.

City of St. Clair Shores, Michigan

Note to Required Supplemental Information (Continued)

Budgeted amounts of the revenue and expenditures presented for the General Fund, special revenue funds, and debt service funds are a summarization of the budgeted amounts as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations that were adopted. Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2014 has not been calculated. During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenue and expenditures, including budget variances, for the above funds is presented as required as other supplemental information. The City adopts a budget for the General Fund, special revenue funds, debt service funds, and certain capital projects funds. The City failed to adopt a budget for the special revenue fund HUD Homes Program.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with the following exceptions:

1. Transfers, which are budgeted as part of departmental activity expenditures, have been included in the revenue and expenditures categories, rather than as other financing sources (uses).
2. Reimbursements from other funds have been included in revenue, rather than as a reduction of expenditures.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City of St. Clair Shores, Michigan incurred expenditures that were in excess of the amounts budgeted, as follows:

| General Fund | Final Budget | Actual | Variance |
|------------------------------------|--------------|--------------|--------------|
| Public works administration | \$ 178,265 | \$ 184,837 | \$ (6,572) |
| Attorney | 358,000 | 368,910 | (10,910) |
| Boards and Commissions | 377,022 | 400,038 | (23,016) |
| Insurance/Claims | 1,119,091 | 1,177,740 | (58,649) |
| Parks and recreation | 1,689,702 | 1,803,474 | (113,772) |
| <hr/> | | | |
| HUD Home Program | Final Budget | Actual | Variance |
| Community and economic development | \$ - | \$ 2,789 | \$ (2,789) |
| <hr/> | | | |
| Family Rental Fund | Final Budget | Actual | Variance |
| Community and economic development | \$ 37,335 | \$ 37,395 | \$ (60) |
| <hr/> | | | |
| Major Streets Fund | Final Budget | Actual | Variance |
| Transfers out | \$ 1,206,445 | \$ 1,480,888 | \$ (274,443) |
| <hr/> | | | |
| Library State Aid | Final Budget | Actual | Variance |
| Recreation and culture | \$ 22,800 | \$ 27,623 | \$ (4,823) |

City of St. Clair Shores, Michigan

Note to Required Supplemental Information (Continued)

| Drug Law Enforcement | Final Budget | Actual | Variance |
|--------------------------------------------|--------------|------------|--------------|
| Public safety | \$ 364,880 | \$ 374,819 | \$ (9,939) |
| Debt Service | Final Budget | Actual | Variance |
| Public works | \$ 437,496 | \$ 470,797 | \$ (33,301) |
| Transfers out | - | 5,740 | (5,740) |
| 1994 MVH Debt Retirement | Final Budget | Actual | Variance |
| Interest on long-term debt | \$ 9,881 | \$ 10,019 | \$ (138) |
| Debt Service - SMSD Clean Water Initiative | Final Budget | Actual | Variance |
| Transfers out | \$ - | \$ 145,938 | \$ (145,938) |
| Court Building | Final Budget | Actual | Variance |
| Transfers out | \$ 108,412 | \$ 108,912 | \$ (500) |

The unfavorable variances were caused by unanticipated expenditures that became necessary during the year, transfers required due to fiscal year-end deferred inflow adjustments, or fiscal year-end valuation changes.

The budgetary comparison schedules for the General Fund and Major Special Revenue Funds are presented on the same basis of accounting used in preparing the adopted budget. The following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenue, expenditures, and changes in fund balances):

| | Total Revenue | Total Expenditures |
|----------------------------------------------------------------------|----------------------|----------------------|
| General Fund | | |
| Amounts per operating statement | \$ 38,248,834 | \$ 40,918,281 |
| Operating transfers budgeted as revenue and expenditures | - | 145,000 |
| Reimbursements from other funds budgeted as revenue and expenditures | 3,003,259 | 3,003,259 |
| Sales of capital assets recorded as revenue | 2,332 | - |
| Amounts per budget statement | <u>\$ 41,254,425</u> | <u>\$ 44,066,540</u> |
| | | |
| | | |
| | | |
| Major Streets Fund | | |
| Amounts per operating statement | \$ 2,696,182 | \$ 1,202,326 |
| Operating transfers budgeted as revenue and expenditures | - | 1,480,888 |
| Reimbursements from other funds budgeted as revenue and expenditures | 167,406 | 167,406 |
| Amounts per budget statement | <u>\$ 2,863,588</u> | <u>\$ 2,850,620</u> |

City of St. Clair Shores, Michigan

Note to Required Supplemental Information (Continued)

| | <u>Total Revenue</u> | <u>Total Expenditures</u> |
|----------------------------------------------------------------------|----------------------|-------------------------------|
| Local Streets Fund | | |
| Amounts per operating statement | \$ 2,839,694 | \$ 3,603,080 |
| Operating transfers budgeted as revenue and expenditures | 776,000 | - |
| Reimbursements from other funds budgeted as revenue and expenditures | <u>390,614</u> | <u>390,614</u> |
| Amounts per budget statement | <u>\$ 4,006,308</u> | <u>\$ 3,993,694</u> |

City of St. Clair Shores, Michigan

Required Supplemental Information Police and Fire Retirement System Schedule of Funding Progress Year Ended June 30, 2014

The schedule of funding progress is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (Percent) (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll |
|-----------------------------|-------------------------------------|------------------------------------------------|---------------------------------|------------------------------------|---------------------------|--------------------------------------------------|
| 6/30/08 | \$ 105,559,450 | \$ 117,284,024 | \$ 11,724,574 | 90.0 % | \$ 10,802,446 | 108.5 % |
| 6/30/09 | 103,972,349 | 125,940,115 | 21,967,766 | 82.6 | 11,507,841 | 190.9 |
| 6/30/10 | 102,981,697 | 128,360,004 | 25,378,307 | 80.2 | 10,654,588 | 238.2 |
| 6/30/11 | 101,229,663 | 139,365,119 | 38,135,456 | 72.6 | 11,313,370 | 337.1 |
| 6/30/12 | 94,147,081 | 145,517,428 | 51,370,347 | 64.7 | 9,660,548 | 531.8 |
| 6/30/13 | 88,557,717 | 148,187,126 | 59,629,409 | 59.8 | 9,955,027 | 599.0 |

Additional information as of June 30, 2014, the latest actuarial valuation, follows:

| | |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Actuarial cost method | Entry age |
| Amortization method | Level percent, closed |
| Remaining amortization period | 10 years if overfunded 26 years if underfunded |
| Asset valuation method | Five-year smoothed market |
| Actuarial assumptions: | |
| Investment rate of return | 7.5% |
| Projected salary increases | 4.5% - 7.5% |
| Includes inflation at | 4.5% |
| | 2.5 percent - 5 percent cost of living increases at age 60 or three to five years after retirement, whichever is first |
| Cost of living adjustments | Up to six additional increases of 2.5 percent - 5 percent occurring in two- to five-year increments thereafter |

City of St. Clair Shores, Michigan

Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios - Police and Fire Retirement System Year Ended June 30, 2014

| | |
|------------------------------------------------------------------------|------------------------------|
| Total Pension Liability | |
| Service cost | \$ 2,342,273 |
| Interest | 10,474,643 |
| Benefit payments, including refunds | <u>(10,123,362)</u> |
| Net change in total pension liability | 2,693,554 |
| Total pension liability - Beginning of year | <u>143,552,455</u> |
| Total pension liability - End of year | <u>\$ 146,246,009</u> |
| Plan Fiduciary Net Position | |
| Contributions - Employer | \$ 4,478,945 |
| Contributions - Member | 492,602 |
| Net investment income | 16,527,226 |
| Benefit payments, including refunds | <u>(9,894,091)</u> |
| Net change in plan fiduciary net position | 11,604,682 |
| Plan fiduciary net position - Beginning of year | <u>89,417,393</u> |
| Plan fiduciary net position - End of year | <u>\$ 101,022,075</u> |
| City's Net Pension Liability - Ending | <u>\$ 45,223,934</u> |
| Plan Fiduciary Net Position as a % of Total Pension Liability | 69.08 % |
| Covered Employee Payroll | \$ 10,455,941 |
| City's Net Pension Liability as a % of Covered Employee Payroll | 432.5 % |

City of St. Clair Shores, Michigan

Required Supplemental Information Schedule of City Contributions - Police and Fire Retirement System Last Ten Fiscal Years

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|----------------------------------------------------------------------|--------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|
| Actuarially determined contribution | \$ 4,478,945 | \$ 3,834,745 | \$ 3,479,418 | \$ 3,628,981 | \$ 2,873,399 | \$ 2,773,438 | \$ 2,946,876 | \$ 2,849,530 | \$ 2,116,262 | \$ 875,984 |
| Contributions in relation to the actuarially determined contribution | 4,478,945 | 3,199,458 | 3,134,333 | 3,452,136 | 2,894,223 | 2,799,831 | 3,009,786 | 2,828,715 | 2,195,707 | 918,595 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ 635,287</u> | <u>\$ 345,085</u> | <u>\$ 176,845</u> | <u>\$ (20,824)</u> | <u>\$ (26,393)</u> | <u>\$ (62,910)</u> | <u>\$ 20,815</u> | <u>\$ (79,445)</u> | <u>\$ (42,611)</u> |
| Covered employee payroll | \$10,455,941 | \$ 9,955,027 | \$ 9,660,548 | \$11,313,370 | \$10,654,588 | \$11,507,841 | \$10,802,446 | \$10,684,097 | \$10,675,665 | \$10,307,055 |
| Contributions as a percentage of covered employee payroll | 42.8 % | 32.1 % | 32.4 % | 30.5 % | 27.2 % | 24.3 % | 27.9 % | 26.5 % | 20.6 % | 8.9 % |

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

| | |
|---------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation date | Actuarially determined contribution rates are calculated as of June 30 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported. |
| Methods and assumptions used to determine contribution rates: | |
| Actuarial cost method | Entry-age normal |
| Amortization method | Level percent, closed |
| Remaining amortization period | 26 years |
| Asset valuation method | 5-year smoothed market |
| Inflation | 4.50 percent; no explicit price inflation assumption is used in the valuation |
| Salary increases | 4.50 percent to 7.50 percent, including inflation |
| Investment rate of return | 7.50 percent |
| Retirement age | Experience-based tables of rates that are specific to the type of eligibility condition. Last updated for the 2009 valuation pursuant to an experience study of the period 2002-2007. |
| Mortality | RP-2000 table projected to 2008. This table provides no margin for future mortality improvement. |
| Other information | Benefit multiplier and employee contribution rates changed for certain groups. |

City of St. Clair Shores, Michigan

Required Supplemental Information Schedule of Investment Returns - Police and Fire Retirement System Last Ten Fiscal Years

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|--------------------------------------------------------------------|--------|------|------|------|------|------|------|------|------|------|
| Annual money-weighted rate of return, net of investment expense | 19.0 % | - % | - % | - % | - % | - % | - % | - % | - % | - % |

City of St. Clair Shores, Michigan

Required Supplemental Information General Employees' Retirement System Schedule of Funding Progress Year Ended June 30, 2014

The schedule of funding progress is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (Percent) (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll |
|-----------------------------|----------------------------------------|------------------------------------------------|---------------------------------|------------------------------------|---------------------------|--------------------------------------------------|
| 6/30/08 | \$ 45,610,111 | \$ 55,873,969 | \$ 10,263,858 | 81.6 % | \$ 6,647,356 | 154.4 % |
| 6/30/09 | 43,364,264 | 56,799,726 | 13,435,462 | 76.3 | 6,726,665 | 199.7 |
| 6/30/10 | 41,130,494 | 57,727,789 | 16,597,295 | 71.2 | 6,371,328 | 260.5 |
| 6/30/11 | 38,612,848 | 56,714,374 | 18,101,526 | 68.1 | 5,865,873 | 308.6 |
| 6/30/12 | 36,435,503 | 56,805,539 | 20,370,036 | 64.1 | 5,299,757 | 384.4 |
| 6/30/13 | 37,291,564 | 57,648,592 | 20,357,028 | 64.7 | 4,599,115 | 442.6 |

Additional information as of June 30, 2014, the latest actuarial valuation, is as follows:

| | |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial cost method | Entry age |
| Amortization method | Level dollar |
| Remaining amortization period | 20 years (closed) |
| Asset valuation method | Four-year smoothed market |
| Actuarial assumptions: | |
| Investment rate of return | 8.0% |
| Projected salary increases | 4.0% - 7.7% |
| Includes inflation at | 4.0% |
| Cost of living adjustments | 5 percent cost of living increases at age 60 or five years after retirement, whichever is later, with a second increase of 5 percent five years after the first increase |

City of St. Clair Shores, Michigan

Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios - General Employees' Retirement System Year Ended June 30, 2014

| | |
|------------------------------------------------------------------------|-----------------------------|
| Total Pension Liability | |
| Service cost | \$ 549,023 |
| Interest | 4,437,488 |
| Benefit payments, including refunds | <u>(4,909,010)</u> |
| Net change in total pension liability | 77,501 |
| Total pension liability - Beginning of year | <u>57,648,592</u> |
| Total pension liability - End of year | <u>\$ 57,726,093</u> |
| Plan Fiduciary Net Position | |
| Contributions - Employer | \$ 2,561,038 |
| Contributions - Member | 41,177 |
| Net investment income | 6,005,526 |
| Benefit payments, including refunds | (4,640,991) |
| Other | <u>4,074</u> |
| Net change in plan fiduciary net position | 3,970,824 |
| Plan fiduciary net position - Beginning of year | <u>36,475,015</u> |
| Plan fiduciary net position - End of year | <u>\$ 40,445,839</u> |
| City's Net Pension Liability - Ending | <u>\$ 17,280,254</u> |
| Plan Fiduciary Net Position as a % of Total Pension Liability | 70.07 % |
| Covered Employee Payroll | \$ 4,664,037 |
| City's Net Pension Liability as a % of Covered Employee Payroll | 370.5 % |

City of St. Clair Shores, Michigan

Required Supplemental Information Schedule of City Contributions - General Employees' Retirement System Last Ten Fiscal Years

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|----------------------------------------------------------------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| Actuarially determined contribution | \$ 2,561,038 | \$ 2,379,350 | \$ 2,090,393 | \$ 1,812,824 | \$ 1,866,531 | \$ 1,822,990 | \$ 1,915,169 | \$ 1,812,227 | \$ 1,747,495 | \$ 1,572,017 |
| Contributions in relation to the actuarially determined contribution | <u>2,561,038</u> | <u>2,379,350</u> | <u>2,095,060</u> | <u>1,808,157</u> | <u>1,866,531</u> | <u>1,823,179</u> | <u>1,835,943</u> | <u>1,780,567</u> | <u>1,628,473</u> | <u>1,445,957</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (4,667)</u> | <u>\$ 4,667</u> | <u>\$ -</u> | <u>\$ (189)</u> | <u>\$ 79,226</u> | <u>\$ 31,660</u> | <u>\$ 119,022</u> | <u>\$ 126,060</u> |
| Covered employee payroll | \$ 4,664,037 | \$ 4,599,115 | \$ 5,299,757 | \$ 5,865,873 | \$ 6,371,328 | \$ 6,726,665 | \$ 6,647,356 | \$ 6,557,936 | \$ 6,783,425 | \$ 6,532,301 |
| Contributions as a percentage of covered employee payroll | 54.9 % | 51.7 % | 39.5 % | 30.8 % | 29.3 % | 27.1 % | 27.6 % | 27.2 % | 24.0 % | 22.1 % |

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

| | |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation date | Actuarially determined contribution rates are calculated as of June 30 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported. |
| Methods and assumptions used to determine contribution rates: | |
| Actuarial cost method | Entry-age normal |
| Amortization method | Level dollar, closed |
| Remaining amortization period | 20 years |
| Asset valuation method | 4-year smoothed market |
| Inflation | 4.0 percent; no explicit price inflation assumption used in the valuation |
| Salary increases | 4.0 percent to 7.7 percent, including inflation |
| Investment rate of return | 8.0 percent |
| Retirement age | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2008 valuation pursuant to an experience study of the period 2002-2007. |
| Mortality | RP-2000 table projected to 2008. This table provides no margin for future mortality improvement. |
| Other information | Benefit multiplier and employee contribution rates changed for certain groups. |

City of St. Clair Shores, Michigan

Required Supplemental Information Schedule of Investment Returns - General Employees' Retirement System Last Ten Fiscal Years

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|--------------------------------------------------------------------|--------|------|------|------|------|------|------|------|------|------|
| Annual money-weighted rate of return, net of investment expense | 17.5 % | - % | - % | - % | - % | - % | - % | - % | - % | - % |

City of St. Clair Shores, Michigan

Required Supplemental Information Police and Fire Retiree Healthcare Plan Year Ended June 30, 2014

The schedule of funding progress is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (Percent) (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll |
|-----------------------------|----------------------------------------|------------------------------------------------|---------------------------------|------------------------------------|---------------------------|--------------------------------------------------|
| 6/30/08 | \$ 2,756,100 | \$ 53,051,429 | \$ 50,295,329 | 5.2 | \$ 10,802,446 | 465.6 |
| 6/30/10 | 6,199,305 | 60,506,418 | 54,307,113 | 10.2 | 11,694,228 | 464.4 |
| 6/30/12 | 7,667,690 | 81,266,232 | 73,598,542 | 9.4 | 9,660,548 | 761.8 |

The schedule of employer contributions is as follows:

| Fiscal Year Ended | Annual Required Contribution* | Percentage Contributed |
|----------------------|-------------------------------------|---------------------------|
| 6/30/09 | \$ 4,043,049 | 100.0 % |
| 6/30/10 | 4,204,351 | 77.0 |
| 6/30/11 | 4,139,757 | 66.0 |
| 6/30/12 | 4,348,675 | 70.0 |
| 6/30/13 | 4,392,929 | 72.0 |
| 6/30/14 | 5,802,498 | 47.0 |

* Expressed as a percentage of payroll

City of St. Clair Shores, Michigan

Required Supplemental Information General Retiree Healthcare Plan Year Ended June 30, 2014

The schedule of funding progress is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (Percent) (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll |
|-----------------------------|----------------------------------------|------------------------------------------------|---------------------------------|------------------------------------|---------------------------|--------------------------------------------------|
| 6/30/08 | \$ 452,179 | \$ 45,681,912 | \$ 45,229,733 | 1.0 | \$ 6,647,356 | 680.4 |
| 6/30/10 | 3,184,270 | 50,949,412 | 47,765,142 | 6.2 | 7,258,435 | 658.1 |
| 6/30/12 | 3,678,848 | 61,305,942 | 57,627,094 | 6.0 | 6,320,044 | 911.8 |

The schedule of employer contributions is as follows:

| Fiscal Year Ended | Annual Required Contribution* | Percentage Contributed |
|----------------------|-------------------------------------|---------------------------|
| 6/30/09 | \$ 3,466,197 | 100.0 % |
| 6/30/10 | 3,313,434 | 92.0 |
| 6/30/11 | 3,538,487 | 70.0 |
| 6/30/12 | 3,531,685 | 74.5 |
| 6/30/13 | 3,579,804 | 71.4 |
| 6/30/14 | 3,066,136 | 76.0 |

* Expressed as a percentage of payroll

Other Supplemental Information

City of St. Clair Shores, Michigan

| | Special Revenue Funds | | | | | |
|----------------------------------------------------------------------------|-----------------------|------------------|-------------------|----------------------------|------------------|------------------|
| | Library State | | Drug Law | Community | HUD Home | Family Rental |
| | Aid | Library Penal | Enforcement | Development Block Grant | Program | Program |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 44,627 | \$ 28,436 | \$ 655,850 | \$ 27,651 | \$ 4,479 | \$ 48,006 |
| Receivables: | | | | | | |
| Accrued interest | 105 | 50 | - | - | 11 | - |
| Other | - | - | 4,330 | - | - | - |
| Due from other governmental units | 17,757 | 48,222 | 3,600 | 74,009 | - | - |
| Prepaid expenses and other assets | - | - | 449 | - | - | - |
| Land held for resale | - | - | - | - | 88,900 | - |
| Restricted assets | - | - | - | - | - | - |
| Total assets | \$ 62,489 | \$ 76,708 | \$ 664,229 | \$ 101,660 | \$ 93,390 | \$ 48,006 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 10,370 | \$ 8,139 | \$ 266 | \$ 6,875 |
| Due to other funds | 11,400 | 76,708 | 4,304 | 92,392 | - | 914 |
| Accrued liabilities and other | - | - | - | - | - | 5,860 |
| Total liabilities | 11,400 | 76,708 | 14,674 | 100,531 | 266 | 13,649 |
| Deferred Inflows of Resources - | | | | | | |
| Unavailable revenue | - | - | - | 21,391 | - | - |
| Fund Balances | | | | | | |
| Nonspendable | - | - | 449 | - | - | - |
| Restricted: | | | | | | |
| Roads | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - |
| Community development | - | - | - | - | - | 34,357 |
| Capital projects (unspent bond proceeds) | - | - | - | - | - | - |
| HUD homes | - | - | - | - | 93,124 | - |
| Library | 51,089 | - | - | - | - | - |
| Drug law enforcement | - | - | 649,106 | - | - | - |
| Assigned - Capital projects | - | - | - | - | - | - |
| Unassigned (deficit) | - | - | - | (20,262) | - | - |
| Total fund balances | 51,089 | - | 649,555 | (20,262) | 93,124 | 34,357 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 62,489 | \$ 76,708 | \$ 664,229 | \$ 101,660 | \$ 93,390 | \$ 48,006 |

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

| Debt Service Funds | | | | Capital Projects Funds | | | | | | Total |
|--------------------|--------------------------|---------------------------------------|-------------------------------|------------------------------|----------------------------|-------------------|------------------------------|----------------------------------|---------------------------|-----------------------------|
| Debt Service | 1994 MVH Debt Retirement | 2011 Capital Improvement Debt Service | Debt Service - Court Building | SEMSD Clean Water Initiative | Harper Avenue Street Scape | Court Building | 8 1/2 Mile Relief Drain Debt | Golf Course Capital Project Fund | 2011 Capital Improvements | Nonmajor Governmental Funds |
| \$ 152,731 | \$ 900 | \$ - | \$ - | \$ - | \$ 2,150 | \$ 233,287 | \$ - | \$ - | \$ - | \$ 1,198,117 |
| 360 | 2 | - | - | - | 5 | 555 | - | - | 3,199 | 4,287 |
| - | - | - | - | - | - | 43,850 | - | 674 | - | 48,854 |
| - | - | - | - | - | - | 16,040 | - | - | - | 159,628 |
| - | - | - | - | - | - | - | - | - | - | 449 |
| - | - | - | - | - | - | - | - | - | - | 88,900 |
| - | - | - | - | - | - | - | - | - | 1,358,521 | 1,358,521 |
| \$153,091 | \$ 902 | \$ - | \$ - | \$ - | \$ 2,155 | \$ 293,732 | \$ - | \$ 674 | \$ 1,361,720 | \$ 2,858,756 |
| \$ 3,089 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 146,599 | \$ - | \$ - | \$ 24,918 | \$ 200,256 |
| - | - | - | - | - | - | - | - | - | - | 185,718 |
| 1,053 | - | - | - | - | - | - | - | - | - | 6,913 |
| 4,142 | - | - | - | - | - | 146,599 | - | - | 24,918 | 392,887 |
| 2,926 | - | - | - | - | - | - | - | - | - | 24,317 |
| - | - | - | - | - | - | - | - | - | - | 449 |
| - | 902 | - | - | - | - | - | - | - | - | 902 |
| 146,023 | - | - | - | - | - | - | - | - | - | 146,023 |
| - | - | - | - | - | - | - | - | - | - | 34,357 |
| - | - | - | - | - | - | - | - | - | 1,336,802 | 1,336,802 |
| - | - | - | - | - | - | - | - | - | - | 93,124 |
| - | - | - | - | - | - | - | - | - | - | 51,089 |
| - | - | - | - | - | - | - | - | - | - | 649,106 |
| - | - | - | - | - | 2,155 | 147,133 | - | 674 | - | 149,962 |
| - | - | - | - | - | - | - | - | - | - | (20,262) |
| 146,023 | 902 | - | - | - | 2,155 | 147,133 | - | 674 | 1,336,802 | 2,441,552 |
| \$153,091 | \$ 902 | \$ - | \$ - | \$ - | \$ 2,155 | \$ 293,732 | \$ - | \$ 674 | \$ 1,361,720 | \$ 2,858,756 |

City of St. Clair Shores, Michigan

| | Special Revenue Funds | | | | | |
|----------------------------------------------------|-----------------------|-----------------|-------------------|----------------------------|------------------|-------------------|
| | Library State | | Drug Law | Community | HUD Home | Family |
| | Aid | Library Penal | Enforcement | Development Block Grant | Program | Rental Program |
| Revenue | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Federal grants | - | - | 140,204 | 839,252 | - | - |
| State-shared revenue and grants | 35,195 | 48,222 | - | - | - | - |
| Charges for services | - | - | - | - | - | 43,186 |
| Fines and forfeitures | - | - | - | - | - | - |
| Investment income | 182 | 194 | 377 | - | 13 | 42 |
| Other revenue | - | - | 141,931 | - | 42,900 | - |
| Total revenue | 35,377 | 48,416 | 282,512 | 839,252 | 42,913 | 43,228 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | 374,819 | - | - | - |
| Public works | - | - | - | - | - | - |
| Community and economic development | - | - | - | 859,514 | 2,789 | 37,395 |
| Recreation and culture | 27,623 | 70,024 | - | - | - | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest on long-term debt | - | - | - | - | - | - |
| Total expenditures | 27,623 | 70,024 | 374,819 | 859,514 | 2,789 | 37,395 |
| Excess of Revenue Over (Under) Expenditures | 7,754 | (21,608) | (92,307) | (20,262) | 40,124 | 5,833 |
| Other Financing Sources (Uses) | | | | | | |
| Face value of debt issue | - | - | - | - | - | - |
| Debt premium | - | - | - | - | - | - |
| Proceeds from sale of capital assets | - | - | 7,000 | - | - | - |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Payment to bond refunding escrow agent | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | 7,000 | - | - | - |
| Net Change in Fund Balances | 7,754 | (21,608) | (85,307) | (20,262) | 40,124 | 5,833 |
| Fund Balances - Beginning of year | 43,335 | 21,608 | 734,862 | - | 53,000 | 28,524 |
| Fund Balances - End of year | \$ 51,089 | \$ - | \$ 649,555 | \$ (20,262) | \$ 93,124 | \$ 34,357 |

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014

| Debt Service Funds | | | | Capital Projects Funds | | | | | | Total |
|--------------------|--------------------------------|-------------------------------------|---------------------------------------------|------------------------------------|----------------------------------|-------------------|------------------------------------|----------------------------------------|------------------------------|-----------------------------------|
| Debt Service | 1994 MVH Debt Retirement | Debt Service - Court Building | 2011 Capital Improvement Debt Service | SEMSD Clean Water Initiative | Harper Avenue Street Scope | Court Building | 8 1/2 Mile Relief Drain Debt | Golf Course Capital Project Fund | 2011 Capital Improvements | Nonmajor Governmental Funds |
| \$ 524,785 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 524,785 |
| - | - | - | - | - | - | - | - | - | - | 979,456 |
| - | - | - | - | - | - | - | - | - | - | 83,417 |
| - | - | - | - | - | - | - | - | 46,578 | - | 89,764 |
| - | - | - | - | - | - | 250,950 | - | - | - | 250,950 |
| 796 | 3 | - | - | - | 8 | 3,919 | - | 82 | 6,364 | 11,980 |
| - | - | - | - | - | - | 43,850 | - | - | - | 228,681 |
| 525,581 | 3 | - | - | - | 8 | 298,719 | - | 46,660 | 6,364 | 2,169,033 |
| - | - | - | - | - | - | 2,950,959 | - | - | - | 2,950,959 |
| - | - | - | - | - | - | - | - | - | - | 374,819 |
| 470,797 | - | - | - | 13,436 | 2 | - | 5,740 | - | 780,389 | 1,270,364 |
| - | - | - | - | - | - | - | - | - | - | 899,698 |
| - | - | - | - | - | - | - | - | 114,084 | - | 211,731 |
| 59,052 | 465,000 | 60,000 | 125,000 | - | - | - | - | - | - | 709,052 |
| 31,151 | 10,019 | 48,912 | 104,869 | - | - | - | - | - | - | 194,951 |
| 561,000 | 475,019 | 108,912 | 229,869 | 13,436 | 2 | 2,950,959 | 5,740 | 114,084 | 780,389 | 6,611,574 |
| (35,419) | (475,016) | (108,912) | (229,869) | (13,436) | 6 | (2,652,240) | (5,740) | (67,424) | (774,025) | (4,442,541) |
| - | - | - | - | 1,334,501 | - | - | - | - | - | 1,334,501 |
| - | - | - | - | 105,914 | - | - | - | - | - | 105,914 |
| - | - | - | - | - | - | - | - | - | - | 7,000 |
| - | 475,019 | 108,912 | 229,869 | - | - | - | 5,740 | 22,789 | - | 842,329 |
| (5,740) | - | - | - | - | - | (108,912) | - | - | - | (114,652) |
| - | - | - | - | (1,426,979) | - | - | - | - | - | (1,426,979) |
| (5,740) | 475,019 | 108,912 | 229,869 | 13,436 | - | (108,912) | 5,740 | 22,789 | - | 748,113 |
| (41,159) | 3 | - | - | - | 6 | (2,761,152) | - | (44,635) | (774,025) | (3,694,428) |
| 187,182 | 899 | - | - | - | 2,149 | 2,908,285 | - | 45,309 | 2,110,827 | 6,135,980 |
| \$ 146,023 | \$ 902 | \$ - | \$ - | \$ - | \$ 2,155 | \$ 147,133 | \$ - | \$ 674 | \$ 1,336,802 | \$ 2,441,552 |

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Library State Aid Budgetary Comparison Year Ended June 30, 2014

| | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|----------------------------------------------|----------------------------------|------------------|------------------------------------|
| Revenue | | | |
| State-shared revenue and grants | \$ 22,800 | \$ 35,195 | \$ 12,395 |
| Investment income | 100 | 182 | 82 |
| Total revenue | 22,900 | 35,377 | 12,477 |
| Expenditures - Recreation and culture | 22,800 | 27,623 | (4,823) |
| Net Change in Fund Balance | 100 | 7,754 | 7,654 |
| Fund Balance - Beginning of year | 43,335 | 43,335 | - |
| Fund Balance - End of year | \$ 43,435 | \$ 51,089 | \$ 7,654 |

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Library Penal Budgetary Comparison Year Ended June 30, 2014

| | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|----------------------------------------------|----------------------------------|-------------|------------------------------------|
| Revenue | | | |
| State-shared revenue and grants | \$ 55,000 | \$ 48,222 | \$ (6,778) |
| Investment income | 100 | 194 | 94 |
| Total revenue | 55,100 | 48,416 | (6,684) |
| Expenditures - Recreation and culture | 76,708 | 70,024 | 6,684 |
| Net Change in Fund Balance | (21,608) | (21,608) | - |
| Fund Balance - Beginning of year | 21,608 | 21,608 | - |
| Fund Balance - End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Drug Law Enforcement Budgetary Comparison Year Ended June 30, 2014

| | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|-----------------------------------------|----------------------------------|-------------------|------------------------------------|
| Revenue | | | |
| Federal grants | \$ - | \$ 140,204 | \$ 140,204 |
| Proceeds from sale of capital assets | - | 7,000 | 7,000 |
| Investment income | 3,000 | 377 | (2,623) |
| Other revenue | 183,300 | 141,931 | (41,369) |
| Total revenue | 186,300 | 289,512 | 103,212 |
| Expenditures - Public safety | 364,880 | 374,819 | (9,939) |
| Net Change in Fund Balance | (178,580) | (85,307) | 93,273 |
| Fund Balance - Beginning of year | 734,862 | 734,862 | - |
| Fund Balance - End of year | \$ 556,282 | \$ 649,555 | \$ 93,273 |

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund Community Development Block Grant Budgetary Comparison Year Ended June 30, 2014

| | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|-------------------------------------------------------------|----------------------------------|--------------------|------------------------------------|
| Revenue - Federal grants | \$ 1,235,112 | \$ 839,252 | \$ (395,860) |
| Expenditures - Community and economic development | <u>1,235,112</u> | <u>859,514</u> | <u>375,598</u> |
| Net Change in Fund Balance | - | (20,262) | (20,262) |
| Fund Balance - Beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance - End of year | <u>\$ -</u> | <u>\$ (20,262)</u> | <u>\$ (20,262)</u> |

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Family Rental Program Budgetary Comparison Year Ended June 30, 2014

| | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|-------------------------------------------------------------|----------------------------------|------------------|------------------------------------|
| Revenue | | | |
| Charges for services | \$ 40,000 | \$ 43,186 | \$ 3,186 |
| Investment income | - | 42 | 42 |
| Total revenue | 40,000 | 43,228 | 3,228 |
| Expenditures - Community and economic development | 37,335 | 37,395 | (60) |
| Net Change in Fund Balance | 2,665 | 5,833 | 3,168 |
| Fund Balance - Beginning of year | 28,524 | 28,524 | - |
| Fund Balance - End of year | \$ 31,189 | \$ 34,357 | \$ 3,168 |

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Debt Service Budgetary Comparison Year Ended June 30, 2014

| | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|-----------------------------------------|----------------------------------|-------------------|------------------------------------|
| Revenue | | | |
| Property taxes | \$ 527,681 | \$ 524,785 | \$ (2,896) |
| Investment income | - | 796 | 796 |
| Total revenue | 527,681 | 525,581 | (2,100) |
| Expenditures | | | |
| Public works | 437,496 | 470,797 | (33,301) |
| Debt service: | | | |
| Principal | 59,056 | 59,052 | 4 |
| Interest on long-term debt | 31,152 | 31,151 | 1 |
| Transfers out | - | 5,740 | (5,740) |
| Total expenditures | 527,704 | 566,740 | (39,036) |
| Net Change in Fund Balance | (23) | (41,159) | (41,136) |
| Fund Balance - Beginning of year | 187,182 | 187,182 | - |
| Fund Balance - End of year | \$ 187,159 | \$ 146,023 | \$ (41,136) |

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund - 1994 MVH Debt Retirement Budgetary Comparison Year Ended June 30, 2014

| | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|-----------------------------------------|----------------------------------|---------------|------------------------------------|
| Revenue | | | |
| Investment income | \$ - | \$ 3 | \$ 3 |
| Transfers in | 474,881 | 475,019 | 138 |
| Total revenue | 474,881 | 475,022 | 141 |
| Expenditures - Debt service | | | |
| Principal | 465,000 | 465,000 | - |
| Interest on long-term debt | 9,881 | 10,019 | (138) |
| Total expenditures | 474,881 | 475,019 | (138) |
| Net Change in Fund Balance | - | 3 | 3 |
| Fund Balance - Beginning of year | 899 | 899 | - |
| Fund Balance - End of year | <u>\$ 899</u> | <u>\$ 902</u> | <u>\$ 3</u> |

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund - 2011 Capital Improvement Debt Service Budgetary Comparison Year Ended June 30, 2014

| | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|-----------------------------------------|----------------------------------|--------------------|------------------------------------|
| Revenue - Transfers in | \$ 229,869 | \$ 229,869 | \$ - |
| Expenditures - Debt service | | | |
| Principal | 125,000 | 125,000 | - |
| Interest on long-term debt | 104,869 | 104,869 | - |
| Total expenditures | <u>229,869</u> | <u>229,869</u> | <u>-</u> |
| Net Change in Fund Balance | - | - | - |
| Fund Balance - Beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance - End of year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

City of St. Clair Shores, Michigan

Other Supplemental Information Major Governmental Fund - Debt Service SEMSD Clean Water Initiative Budgetary Comparison Year Ended June 30, 2014

| | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|-----------------------------------------|----------------------------------|---------------------|------------------------------------|
| Revenue | | | |
| Property taxes | \$ 2,695,002 | \$ - | \$ (2,695,002) |
| Investment income | - | 10,770 | 10,770 |
| Total revenue | 2,695,002 | 10,770 | (2,684,232) |
| Expenditures | | | |
| Debt service: | | | |
| Principal | 2,120,847 | 240,716 | 1,880,131 |
| Interest on long-term debt | 1,228,413 | 128,320 | 1,100,093 |
| Transfers out | - | 145,938 | (145,938) |
| Total expenditures | 3,349,260 | 514,974 | 2,834,286 |
| Net Change in Fund Balance | (654,258) | (504,204) | 150,054 |
| Fund Balance - Beginning of year | 5,141,806 | 5,141,806 | - |
| Fund Balance - End of year | \$ 4,487,548 | \$ 4,637,602 | \$ 150,054 |

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Court Building Budgetary Comparison Year Ended June 30, 2014

| | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|-----------------------------------------|----------------------------------|-------------------|------------------------------------|
| Revenue | | | |
| Fines and forfeitures | \$ 215,000 | \$ 250,950 | \$ 35,950 |
| Investment income | 8,000 | 3,919 | (4,081) |
| Other revenue | 43,850 | 43,850 | - |
| Total revenue | 266,850 | 298,719 | 31,869 |
| Expenditures | | | |
| General government | 3,035,148 | 2,950,959 | 84,189 |
| Transfers out | 108,412 | 108,912 | (500) |
| Total expenditures | 3,143,560 | 3,059,871 | 83,689 |
| Net Change in Fund Balance | (2,876,710) | (2,761,152) | 115,558 |
| Fund Balance - Beginning of year | 2,908,285 | 2,908,285 | - |
| Fund Balance - End of year | \$ 31,575 | \$ 147,133 | \$ 115,558 |

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Debt Service - Court Building Budgetary Comparison Year Ended June 30, 2014

| | Amended Budget (unaudited) | Actual | Variance with Amended Budget |
|-----------------------------------------|----------------------------------|-------------|------------------------------------|
| Revenue - Transfers in | \$ 108,662 | \$ 108,912 | \$ 250 |
| Expenditures - Debt service | 108,662 | 108,912 | (250) |
| Net Change in Fund Balance | - | - | - |
| Fund Balance - Beginning of year | - | - | - |
| Fund Balance - End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2014

| | Motor Pool | Computer Replacement | Total |
|-----------------------------------------|---------------------|-------------------------|---------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and investments | \$ 900,963 | \$ 444,200 | \$ 1,345,163 |
| Receivables: | | | |
| Accrued interest | 2,119 | 1,045 | 3,164 |
| Other | 3,229 | - | 3,229 |
| Total current assets | 906,311 | 445,245 | 1,351,556 |
| Noncurrent assets - Capital assets | 2,522,452 | 225,797 | 2,748,249 |
| Total assets | 3,428,763 | 671,042 | 4,099,805 |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | 69,846 | 142 | 69,988 |
| Due to other governmental units | 22,006 | - | 22,006 |
| Accrued liabilities and other | 4,547 | - | 4,547 |
| Current portion of long-term debt | 6,795 | - | 6,795 |
| Total current liabilities | 103,194 | 142 | 103,336 |
| Noncurrent liabilities - Long-term debt | 23,552 | - | 23,552 |
| Total liabilities | 126,746 | 142 | 126,888 |
| Net Position | | | |
| Net investment in capital assets | 2,522,452 | 225,797 | 2,748,249 |
| Unrestricted | 779,565 | 445,103 | 1,224,668 |
| Total net position | \$ 3,302,017 | \$ 670,900 | \$ 3,972,917 |

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2014

| | Motor Pool | Computer Replacement | Total |
|-----------------------------------------------|---------------------|-------------------------|---------------------|
| Operating Revenue | | | |
| Charges for services | \$ 2,214,685 | \$ 186,714 | \$ 2,401,399 |
| Other | 62,108 | - | 62,108 |
| Total operating revenue | 2,276,793 | 186,714 | 2,463,507 |
| Operating Expenses | | | |
| Salaries and fringe benefits | 262,970 | - | 262,970 |
| Billing and administrative costs | 122,105 | - | 122,105 |
| Supplies and utilities | 546,807 | 69,223 | 616,030 |
| Repairs and maintenance | 302,779 | 14,006 | 316,785 |
| Depreciation | 527,631 | 78,720 | 606,351 |
| Total operating expenses | 1,762,292 | 161,949 | 1,924,241 |
| Operating Income | 514,501 | 24,765 | 539,266 |
| Nonoperating Revenue | | | |
| Investment income | 2,826 | 1,654 | 4,480 |
| Gain on sale of assets | 29,127 | 382 | 29,509 |
| Income - Before contributions | 546,454 | 26,801 | 573,255 |
| Capital Contributions - Capital grants | 25,345 | - | 25,345 |
| Change in Net Position | 571,799 | 26,801 | 598,600 |
| Net Position - Beginning of year | 2,730,218 | 644,099 | 3,374,317 |
| Net Position - End of year | \$ 3,302,017 | \$ 670,900 | \$ 3,972,917 |

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2014

| | Motor Pool | Computer Replacement | Total |
|----------------------------------------------------------------------------------|---------------------|-------------------------|---------------------|
| Cash Flows from Operating Activities | | | |
| Receipts from customers | \$ 2,275,011 | \$ 186,767 | \$ 2,461,778 |
| Payments to suppliers | (952,789) | (102,268) | (1,055,057) |
| Payments to employees | (259,879) | - | (259,879) |
| Internal activity - Payments to other funds | 1,550 | - | 1,550 |
| Other receipts | 7,292 | - | 7,292 |
| | <u>1,071,185</u> | <u>84,499</u> | <u>1,155,684</u> |
| Net cash provided by operating activities | 1,071,185 | 84,499 | 1,155,684 |
| Cash Flows from Capital and Related Financing Activities | | | |
| Receipt of capital grants | 25,345 | - | 25,345 |
| Proceeds from sales of capital assets | 78,230 | 382 | 78,612 |
| Purchase of capital assets | (582,524) | (51,063) | (633,587) |
| | <u>(478,949)</u> | <u>(50,681)</u> | <u>(529,630)</u> |
| Net cash used in capital and related financing activities | (478,949) | (50,681) | (529,630) |
| Cash Flows from Investing Activities | | | |
| Interest received on investments | 2,826 | 1,654 | 4,480 |
| Net purchase of investment securities | (366,760) | (52,453) | (419,213) |
| | <u>(363,934)</u> | <u>(50,799)</u> | <u>(414,733)</u> |
| Net cash used in investing activities | (363,934) | (50,799) | (414,733) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 228,302 | (16,981) | 211,321 |
| Cash and Cash Equivalents - Beginning of year | 153,543 | 205,112 | 358,655 |
| Cash and Cash Equivalents - End of year | <u>\$ 381,845</u> | <u>\$ 188,131</u> | <u>\$ 569,976</u> |
| Balance Sheet Classification of Cash and Cash Equivalents | | | |
| Cash and investments | \$ 900,963 | \$ 444,200 | \$ 1,345,163 |
| Less amounts classified as investments | (519,118) | (256,069) | (775,187) |
| | <u>\$ 381,845</u> | <u>\$ 188,131</u> | <u>\$ 569,976</u> |
| Total cash and cash equivalents | \$ 381,845 | \$ 188,131 | \$ 569,976 |
| Reconciliation of Operating Income to Net Cash from Operating Activities | | | |
| Operating income | \$ 514,501 | \$ 24,765 | \$ 539,266 |
| Adjustments to reconcile operating income to net cash from operating activities: | | | |
| Depreciation and amortization | 527,631 | 78,720 | 606,351 |
| Changes in assets and liabilities: | | | |
| Receivables | 5,510 | 53 | 5,563 |
| Prepaid and other assets | 1,500 | - | 1,500 |
| Accounts payable | 17,402 | (19,039) | (1,637) |
| Due to others | 1,550 | - | 1,550 |
| Accrued and other liabilities | 3,091 | - | 3,091 |
| | <u>\$ 1,071,185</u> | <u>\$ 84,499</u> | <u>\$ 1,155,684</u> |
| Net cash provided by operating activities | \$ 1,071,185 | \$ 84,499 | \$ 1,155,684 |

City of St. Clair Shores, Michigan

Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds June 30, 2014

| | Pension and Other Employee Benefit Trust Funds | | | | | Agency Funds | | |
|-------------------------------------------------------------------------------|------------------------------------------------|-----------------------------------------|------------------------------------|-----------------------------------------------|------------------------------------------------------------------|----------------------------------|------------------------|-----------------------|
| | General Employees' Retirement System | Police and Fire Retirement System | General Retiree Healthcare Plan | Police and Fire Retiree Healthcare Plan | Total Pension and Other Employee Benefit Trust Funds | County and School Tax Fund | 40th District Court | Total Agency Funds |
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ 1,708,860 | \$ 2,703,861 | \$ 103,259 | \$ 359,216 | \$ 4,875,196 | \$ 233,945 | \$ 395,530 | \$ 629,475 |
| Investments: | | | | | | | | |
| Collateralized mortgage obligations | 849,858 | - | - | - | 849,858 | - | - | - |
| U.S. government bonds and notes | 906,921 | 6,018,844 | - | 701,299 | 7,627,064 | - | - | - |
| U.S. government agency bonds and notes | 1,739,037 | 1,864,075 | - | 237,064 | 3,840,176 | - | - | - |
| Municipal bonds | 409,355 | - | - | - | 409,355 | - | - | - |
| Corporate bonds and notes | 817,371 | 4,712,970 | - | 426,663 | 5,957,004 | - | - | - |
| Corporate asset-backed securities | 698,419 | - | - | - | 698,419 | - | - | - |
| Common and preferred stock | 16,780,132 | 74,065,642 | 1,668,539 | 7,374,079 | 99,888,392 | - | - | - |
| Foreign bonds | 268,711 | - | - | - | 268,711 | - | - | - |
| Mutual funds | 16,655,899 | 11,260,216 | 3,028,399 | 1,278,344 | 32,222,858 | - | - | - |
| Securities lending - Mutual funds: | | | | | | | | |
| U.S. government securities | 1,624,131 | - | - | - | 1,624,131 | - | - | - |
| Receivables: | | | | | | | | |
| Accrued interest | 54,112 | 85,919 | - | 8,549 | 148,580 | - | - | - |
| Due from other governmental units | 811,446 | 1,138,686 | 16,295 | - | 1,966,427 | - | 19,876 | 19,876 |
| Total assets | <u>43,324,252</u> | <u>101,850,213</u> | <u>4,816,492</u> | <u>10,385,214</u> | <u>160,376,171</u> | <u>\$ 233,945</u> | <u>\$ 415,406</u> | <u>\$ 649,351</u> |
| Liabilities | | | | | | | | |
| Accounts payable | 67,794 | 11,756 | 11,172 | - | 90,722 | \$ - | \$ 23,307 | \$ 23,307 |
| Due to other governmental units | - | - | - | - | - | 233,945 | 253,681 | 487,626 |
| Refundable deposits, bonds, etc. | - | - | - | - | - | - | 138,418 | 138,418 |
| Accrued liabilities and other | 411,817 | 816,382 | - | - | 1,228,199 | - | - | - |
| Obligations under securities lending agreements | 1,667,939 | - | - | - | 1,667,939 | - | - | - |
| Total liabilities | <u>2,147,550</u> | <u>828,138</u> | <u>11,172</u> | <u>-</u> | <u>2,986,860</u> | <u>\$ 233,945</u> | <u>\$ 415,406</u> | <u>\$ 649,351</u> |
| Net Position Held in Trust for Pension and Other Employee Benefits | <u>\$ 41,176,702</u> | <u>\$ 101,022,075</u> | <u>\$ 4,805,320</u> | <u>\$ 10,385,214</u> | <u>\$ 157,389,311</u> | | | |

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2014

| | General Employees' Retirement System | Police and Fire Retirement System | General Retiree Healthcare Plan | Police and Fire Retiree Healthcare Plan | Total Pension and Other Employee Benefit Trust Funds |
|-------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------|------------------------------------------|--------------------------------------------------|------------------------------------------------------------------|
| Additions | | | | | |
| Investment income (loss): | | | | | |
| Interest and dividends | \$ 901,463 | \$ 2,510,889 | \$ 110,174 | \$ 236,971 | \$ 3,759,497 |
| Net increase in fair value of investments | 5,347,467 | 14,898,684 | 630,047 | 1,506,617 | 22,382,815 |
| Investment-related expenses | (243,404) | (882,347) | (75,489) | (73,206) | (1,274,446) |
| Net investment income | 6,005,526 | 16,527,226 | 664,732 | 1,670,382 | 24,867,866 |
| Securities lending income: | | | | | |
| Interest and dividends | 728 | - | - | - | 728 |
| Securities lending - Investment expense | 3,346 | - | - | - | 3,346 |
| Total securities lending income | 4,074 | - | - | - | 4,074 |
| Contributions: | | | | | |
| Employer | 2,561,038 | 4,478,945 | 2,298,884 | 2,661,146 | 12,000,013 |
| Employee | 41,177 | 492,602 | - | 78,350 | 612,129 |
| Total contributions | 2,602,215 | 4,971,547 | 2,298,884 | 2,739,496 | 12,612,142 |
| Total additions | 8,611,815 | 21,498,773 | 2,963,616 | 4,409,878 | 37,484,082 |
| Deductions - Benefit payments | 4,640,991 | 9,894,091 | 2,222,139 | 2,661,146 | 19,418,367 |
| Net Increase in Net Position Held in Trust | 3,970,824 | 11,604,682 | 741,477 | 1,748,732 | 18,065,715 |
| Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year | 37,205,878 | 89,417,393 | 4,063,843 | 8,636,482 | 139,323,596 |
| Net Position Held in Trust for Pension and Other Employee Benefits - End of year | \$ 41,176,702 | \$ 101,022,075 | \$ 4,805,320 | \$ 10,385,214 | \$ 157,389,311 |

City of St. Clair Shores, Michigan

Other Supplemental Information Statement of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2014

| | Balance at July 1, 2013 | Additions | Reductions | Balance at June 30, 2014 |
|------------------------------------------------------|----------------------------|----------------------|------------------------|-----------------------------|
| <u>County and School Tax Fund</u> | | | | |
| Assets - Cash and investments | <u>\$ 96,689</u> | <u>\$ 66,500,198</u> | <u>\$ (66,362,942)</u> | <u>\$ 233,945</u> |
| Liabilities - Due to other governmental units | <u>\$ 96,689</u> | <u>\$ 233,945</u> | <u>\$ (96,689)</u> | <u>\$ 233,945</u> |
| <u>40th District Court</u> | | | | |
| Assets | | | | |
| Cash and investments | \$ 336,851 | \$ 1,819,201 | \$ (1,760,522) | \$ 395,530 |
| Due from primary government | 16,517 | 19,876 | (16,517) | 19,876 |
| Total assets | <u>\$ 353,368</u> | <u>\$ 1,839,077</u> | <u>\$ (1,777,039)</u> | <u>\$ 415,406</u> |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 23,307 | \$ - | \$ 23,307 |
| Due to other governmental units | 243,691 | 1,787,029 | (1,777,039) | 253,681 |
| Refundable deposits, bonds, etc. | 109,677 | 28,741 | - | 138,418 |
| Total liabilities | <u>\$ 353,368</u> | <u>\$ 1,839,077</u> | <u>\$ (1,777,039)</u> | <u>\$ 415,406</u> |
| <u>Total - All Agency Funds</u> | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 433,540 | \$ 68,319,399 | \$ (68,123,464) | \$ 629,475 |
| Due from primary government | 16,517 | 19,876 | (16,517) | 19,876 |
| Total assets | <u>\$ 450,057</u> | <u>\$ 68,339,275</u> | <u>\$ (68,139,981)</u> | <u>\$ 649,351</u> |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 23,307 | \$ - | \$ 23,307 |
| Due to other governmental units | 340,380 | 2,020,974 | (1,873,728) | 487,626 |
| Refundable deposits, bonds, etc. | 109,677 | 28,741 | - | 138,418 |
| Total liabilities | <u>\$ 450,057</u> | <u>\$ 2,073,022</u> | <u>\$ (1,873,728)</u> | <u>\$ 649,351</u> |

City of St. Clair Shores, Michigan

Statistical Section Contents

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

Financial Trend Information

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time:

| | |
|-----------------------------------------------------------------------------------------|---------|
| Change in Net Position - Governmental, Business-type Activities, and Primary Government | 118-119 |
| Change in Fund Balance - Governmental Funds | 120-121 |
| Governmental Fund Balance by Designations | 122-123 |
| Government-wide Net Position by Component | 124-125 |

Revenue Capacity Information

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

| | |
|--------------------------------------------------------|---------|
| Taxable Value and Actual Value of Taxable Property | 126-127 |
| Property Tax Rates - Direct and Overlapping Government | 128-130 |
| General Fund Revenue from the State of Michigan | 131 |
| Property Tax Levy and Collections | 132 |
| Principal Taxpayers | 133 |

Debt Capacity Information

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. The computation of legal debt margin schedule, which includes debt capacity information, has been presented as part of the continuing disclosure items:

| | |
|--------------------------------------------|---------|
| Pledged Revenue Coverage | 134-135 |
| Ratio of Outstanding Debt | 136-137 |
| Ratio of General Bonded Debt Outstanding | 138-139 |
| Computation of Direct and Overlapping Debt | 140 |
| Computation of Legal Debt Margin | 141-142 |

City of St. Clair Shores, Michigan

Statistical Section Contents (Continued)

Demographic and Economic Information

The following schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. The principal employers schedule, which includes demographic and economic information, has been presented as part of the continuing disclosure items:

| | |
|-------------------------------------|-----|
| Demographic and Economic Statistics | 143 |
| Principal Employers | 144 |

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

| | |
|-------------------------------------------|---------|
| Full-time Equivalent Government Employees | 145-146 |
| Operating Indicators | 147-152 |
| Capital Asset Statistics | 153-154 |

City of St. Clair Shores, Michigan

| | Year Ended June 30 | | | | | | |
|-----------------------------------------------------|--------------------|----------------|--------------|--------------|---------------|---------------|---------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Expenses | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 9,762,287 | \$ 8,238,831 | \$ 8,085,370 | \$ 9,321,719 | \$ 11,816,052 | \$ 14,032,252 | \$ 10,096,733 |
| Public safety | 26,761,831 | 23,644,361 | 22,672,349 | 23,186,390 | 24,152,357 | 21,544,706 | 22,090,192 |
| Public works | 11,023,094 | 14,889,175 | 12,859,549 | 10,130,736 | 11,138,961 | 10,982,929 | 11,232,063 |
| Community and economic development | 2,120,494 | 2,083,239 | 2,359,218 | 3,091,233 | 1,490,405 | 2,006,546 | 1,666,117 |
| Recreation and culture | 6,375,305 | 6,246,939 | 6,263,728 | 6,183,031 | 6,580,556 | 6,462,398 | 6,456,535 |
| Interest on long-term debt | 187,893 | 371,361 | 391,004 | 335,481 | 397,814 | 486,618 | 532,035 |
| Total governmental activities expenses | 56,230,904 | 55,473,906 | 52,631,218 | 52,248,590 | 55,576,145 | 55,515,449 | 52,073,675 |
| Business-type activities - Water and sewer expenses | 18,792,719 | 19,251,763 | 18,367,200 | 18,888,014 | 17,100,043 | 15,218,336 | 15,864,463 |
| Total primary government expenses | 75,023,623 | 74,725,669 | 70,998,418 | 71,136,604 | 72,676,188 | 70,733,785 | 67,938,138 |
| Program Revenue | | | | | | | |
| Governmental activities: | | | | | | | |
| Charges for services: | | | | | | | |
| General government | 2,043,080 | 2,014,756 | 1,745,423 | 1,955,729 | 2,608,536 | 2,812,834 | 2,234,427 |
| Public safety | 2,405,594 | 2,495,954 | 2,309,202 | 2,250,809 | 2,410,190 | 2,311,312 | 2,027,871 |
| Public works | 593,736 | 574,993 | 324,665 | 525,712 | 639,376 | 359,332 | 328,587 |
| Community and economic development | 1,192,070 | 1,193,182 | 1,562,009 | 896,816 | 285,789 | 290,397 | 326,564 |
| Recreation and culture | 3,152,512 | 2,954,631 | 3,130,544 | 3,052,121 | 3,149,343 | 3,183,870 | 3,111,409 |
| Interest on long-term debt | - | - | - | - | - | 854 | 3,552 |
| Total charges for services | 9,386,992 | 9,233,516 | 9,071,843 | 8,681,187 | 9,093,234 | 8,958,599 | 8,032,410 |
| Operating grants and contributions | 5,062,369 | 4,946,291 | 5,058,257 | 4,600,065 | 5,553,208 | 5,535,945 | 5,433,694 |
| Capital grants and contributions | 2,656,116 | 959,340 | 1,384,901 | 3,024,409 | 1,678,396 | 2,755,143 | 1,777,500 |
| Total governmental activities program revenue | 17,105,477 | 15,139,147 | 15,515,001 | 16,305,661 | 16,324,838 | 17,249,687 | 15,243,604 |
| Business-type activities: | | | | | | | |
| Charges for services | 18,770,597 | 19,603,858 | 18,977,513 | 18,688,301 | 15,561,231 | 12,372,072 | 13,870,002 |
| Capital grants and contributions | - | - | 42,555 | 61,208 | 99,343 | 3,484,527 | 675,196 |
| Total business-type program revenue | 18,770,597 | 19,603,858 | 19,020,068 | 18,749,509 | 15,660,574 | 15,856,599 | 14,545,198 |
| Total primary government program revenue | 35,876,074 | 34,743,005 | 34,535,069 | 35,055,170 | 31,985,412 | 33,106,286 | 29,788,802 |
| Net (Expense) Revenue | | | | | | | |
| Governmental activities | (39,125,427) | (40,334,759) | (37,116,217) | (35,942,929) | (39,251,307) | (38,265,762) | (36,830,071) |
| Business-type activities | (22,122) | 352,095 | 652,868 | (138,505) | (1,439,469) | 638,263 | (1,319,265) |
| Total primary government net expense | (39,147,549) | (39,982,664) | (36,463,349) | (36,081,434) | (40,690,776) | (37,627,499) | (38,149,336) |
| General Revenue | | | | | | | |
| Governmental activities: | | | | | | | |
| Property taxes | 25,355,315 | 24,931,891 | 30,280,929 | 31,042,262 | 35,806,728 | 36,253,362 | 35,128,250 |
| State-shared revenue | 5,063,862 | 4,934,360 | 4,852,875 | 4,817,474 | 4,822,095 | 5,567,178 | 5,789,951 |
| Investment earnings | 98,185 | 93,994 | 191,762 | 176,139 | 303,086 | 1,135,446 | 2,478,795 |
| Cable franchise fees | 1,305,388 | 1,343,942 | 1,232,644 | 1,057,472 | 974,399 | 944,112 | 840,918 |
| Gain on sale of assets | - | 5,118 | - | - | - | - | - |
| Miscellaneous | 398,596 | 337,998 | 584,058 | 386,425 | 594,149 | 775,348 | 642,205 |
| Transfers/Special items | (145,938) | (171,458) | (3,426,277) | (3,591,713) | (13,350,884) | (5,591,725) | (3,410,752) |
| Total governmental activities | 32,075,408 | 31,475,845 | 33,715,991 | 33,888,059 | 29,149,573 | 39,083,721 | 41,469,367 |
| Business-type activities: | | | | | | | |
| Property taxes | 2,695,822 | 2,804,116 | - | - | - | 2,075,657 | 2,048,368 |
| Investment earnings | 75,576 | 65,785 | 81,327 | 82,671 | 59,775 | 173,591 | 449,731 |
| Transfers/Special items | 145,938 | 171,458 | 2,969,999 | 3,591,713 | 13,350,884 | 2,780,947 | 2,786,644 |
| Total business-type activities | 2,917,336 | 3,041,359 | 3,051,326 | 3,674,384 | 13,410,659 | 5,030,195 | 5,284,743 |
| Total primary government | 34,992,744 | 34,517,204 | 36,767,317 | 37,562,443 | 42,560,232 | 44,113,916 | 46,754,110 |
| Change in Net Position | | | | | | | |
| Governmental activities | (7,050,019) | (8,858,914) | (3,400,226) | (2,054,870) | (10,101,734) | 817,959 | 4,639,296 |
| Business-type activities | 2,895,214 | 3,393,454 | 3,704,194 | 3,535,879 | 11,971,190 | 5,668,458 | 3,965,478 |
| Total primary government | \$ (4,154,805) | \$ (5,465,460) | \$ 303,968 | \$ 1,481,009 | \$ 1,869,456 | \$ 6,486,417 | \$ 8,604,774 |

Note: Certain expenses for 2005-2012 have been reclassified to conform to the 2013 presentation. In addition, those years have been restated to reflect the prior period adjustment described in Note 2 of the 2011 CAFR.

Changes in Net Position - Governmental Activities, Business-type Activities, and Primary Government Last Ten Fiscal Years

| | Year Ended June 30 | | |
|-----------|--------------------|----------------------|---------------------|
| | 2007 | 2006 | 2005 |
| \$ | 9,204,299 | \$ 8,687,213 | \$ 8,009,575 |
| | 20,844,856 | 19,586,252 | 18,208,700 |
| | 10,354,967 | 9,953,412 | 8,558,207 |
| | 1,911,690 | 1,306,292 | 1,658,320 |
| | 6,615,490 | 6,699,876 | 6,525,861 |
| | 217,605 | 1,610,333 | 2,170,937 |
| | 49,148,907 | 47,843,378 | 45,131,600 |
| | 15,510,422 | 13,625,089 | 14,585,737 |
| | 64,659,329 | 61,468,467 | 59,717,337 |
| | 2,176,094 | 2,113,145 | 2,044,894 |
| | 1,900,183 | 1,901,412 | 2,005,409 |
| | 566,966 | 516,875 | 443,775 |
| | 324,650 | 522,988 | 498,743 |
| | 3,502,611 | 3,262,167 | 3,246,565 |
| | 6,337 | - | - |
| | 8,476,841 | 8,316,587 | 8,239,386 |
| | 5,706,069 | 8,804,915 | 5,123,863 |
| | 1,818,773 | 1,462,990 | 4,093,110 |
| | 16,001,683 | 18,584,492 | 17,456,359 |
| | 13,101,997 | 14,374,437 | 12,848,164 |
| | 1,270,769 | 63,001 | 17,246 |
| | 14,372,766 | 14,437,438 | 12,865,410 |
| | 30,374,449 | 33,021,930 | 30,321,769 |
| | (33,147,224) | (29,258,886) | (27,675,241) |
| | (1,137,656) | 812,349 | (1,720,327) |
| | (34,284,880) | (28,446,537) | (29,395,568) |
| | 33,662,454 | 31,194,126 | 26,356,518 |
| | 6,382,952 | 5,818,277 | 5,890,777 |
| | 2,725,257 | 2,820,653 | 604,229 |
| | 788,875 | 727,726 | 708,795 |
| | - | 83,826 | 189 |
| | 856,544 | 1,375,096 | 481,439 |
| | (4,047,292) | 58,000 | 74,420 |
| | 40,368,790 | 42,077,704 | 34,116,367 |
| | 1,988,159 | 1,760,731 | 1,706,740 |
| | 515,235 | 280,866 | 162,060 |
| | 2,794,348 | (58,000) | (74,420) |
| | 5,297,742 | 1,983,597 | 1,794,380 |
| | 45,666,532 | 44,061,301 | 35,910,747 |
| | 7,221,566 | 12,818,818 | 6,441,126 |
| | 4,160,086 | 2,795,946 | 74,053 |
| \$ | 11,381,652 | \$ 15,614,764 | \$ 6,515,179 |

City of St. Clair Shores, Michigan

| | Year Ended June 30 | | | | |
|----------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Revenue | | | | | |
| Property taxes | \$ 25,371,783 | \$ 24,920,412 | \$ 30,263,845 | \$ 31,033,861 | \$ 35,787,029 |
| Federal grants | 1,323,952 | 1,152,129 | 1,407,627 | 2,656,763 | 1,716,223 |
| State-shared revenue | 9,271,194 | 8,801,539 | 8,680,732 | 8,614,685 | 8,677,159 |
| Licenses and permits | 760,591 | 640,544 | 657,724 | 499,917 | 487,139 |
| Charges for services | 4,943,975 | 4,952,596 | 4,422,078 | 4,030,792 | 3,751,260 |
| Investment income | 109,385 | 114,787 | 212,606 | 197,679 | 328,302 |
| Fines and forfeitures | 2,125,928 | 2,120,582 | 2,039,988 | 1,750,206 | 1,754,020 |
| Other | 2,057,705 | 2,288,570 | 2,420,330 | 2,518,918 | 3,785,095 |
| Total revenue | 45,964,513 | 44,991,159 | 50,104,930 | 51,302,821 | 56,286,227 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 10,742,521 | 8,173,525 | 7,471,657 | 10,790,426 | 14,567,831 |
| Public safety | 24,305,917 | 21,617,545 | 21,346,442 | 19,218,407 | 19,768,074 |
| Public works | 9,941,525 | 9,703,547 | 9,293,198 | 9,808,019 | 10,620,673 |
| Community and economic development | 2,073,735 | 2,120,496 | 2,493,266 | 3,389,863 | 1,752,257 |
| Recreation and culture | 4,324,740 | 4,506,866 | 4,216,962 | 3,974,286 | 4,511,927 |
| Debt service principal | 992,588 | 938,141 | 867,435 | 823,802 | 752,250 |
| Debt service interest | 323,271 | 320,735 | 309,406 | 259,108 | 301,489 |
| Total expenditures | 52,704,297 | 47,380,855 | 45,998,366 | 48,263,911 | 52,274,501 |
| Excess of Revenue (Under) Over Expenditures | (6,739,784) | (2,389,696) | 4,106,564 | 3,038,910 | 4,011,726 |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from long-term debt | 1,440,415 | 1,822,308 | 3,880,547 | 289,013 | 304,176 |
| Refund of long-term debt payments | - | - | - | - | (415,981) |
| Proceeds from sale of capital assets | 9,332 | 10,517 | - | - | - |
| Transfers in | 1,618,329 | 1,436,987 | 2,467,026 | 2,442,210 | 3,294,342 |
| Transfers out | (1,886,478) | (1,907,699) | (5,614,025) | (5,637,265) | (17,194,049) |
| Special items | (1,426,979) | - | (456,278) | - | - |
| Total other financing (uses) sources | (245,381) | 1,362,113 | 277,270 | (2,906,042) | (14,011,512) |
| Net Change in Fund Balances | (6,985,165) | (1,027,583) | 4,383,834 | 132,868 | (9,999,786) |
| Fund Balances - Beginning of year | 40,090,617 | 41,118,200 | 36,734,366 | 36,601,498 | 46,601,284 |
| Fund Balances - End of year | \$ 33,105,452 | \$ 40,090,617 | \$ 41,118,200 | \$ 36,734,366 | \$ 36,601,498 |
| Debt Service as a Percentage of Noncapital Expenditures | 3.42% | 2.94% | 2.81% | 2.58% | 2.68% |

Note: Certain revenue for 2005-2010 has been reclassified to conform to the 2011 presentation.

Change in Fund Balance Governmental Funds Last Ten Fiscal Years

| Year Ended June 30 | | | | | |
|--------------------|-------------------|----------------------|----------------------|----------------------|----------------------|
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| \$ | 36,243,324 | \$ 35,102,159 | \$ 33,591,277 | \$ 31,610,755 | \$ 26,216,797 |
| | 1,754,636 | 1,464,263 | 1,897,040 | 4,801,939 | 1,070,467 |
| | 9,424,629 | 9,818,797 | 10,506,607 | 9,852,997 | 9,941,755 |
| | 433,363 | 466,355 | 473,209 | 701,684 | 691,247 |
| | 3,779,208 | 3,913,285 | 4,171,727 | 3,581,274 | 3,559,584 |
| | 1,194,962 | 2,494,662 | 2,667,263 | 2,758,482 | 572,690 |
| | 1,844,585 | 1,788,361 | 1,878,181 | 2,014,115 | 2,096,828 |
| | 2,763,866 | 1,983,921 | 2,190,874 | 2,939,772 | 2,954,518 |
| | 57,438,573 | 57,031,803 | 57,376,178 | 58,261,018 | 47,103,886 |
| | 15,322,106 | 11,505,649 | 10,874,131 | 10,813,706 | 9,747,056 |
| | 19,198,441 | 19,569,224 | 18,529,292 | 17,410,562 | 16,016,638 |
| | 10,199,173 | 10,861,415 | 13,536,576 | 16,767,625 | 12,597,379 |
| | 1,960,672 | 1,642,157 | 1,894,797 | 1,295,692 | 1,539,660 |
| | 4,785,146 | 4,802,822 | 4,656,469 | 4,611,104 | 4,534,909 |
| | 815,004 | 786,715 | 749,111 | 2,563,378 | 2,128,282 |
| | 398,502 | 422,775 | 450,875 | 2,131,669 | 2,028,811 |
| | 52,679,044 | 49,590,757 | 50,691,251 | 55,593,736 | 48,592,735 |
| | 4,759,529 | 7,441,046 | 6,684,927 | 2,667,282 | (1,488,849) |
| | 747,385 | - | - | 16,023,220 | 1,699,146 |
| | - | - | - | - | - |
| | - | - | - | - | - |
| | 3,231,924 | 3,753,828 | 4,392,014 | 3,961,860 | 4,561,746 |
| | (6,825,871) | (6,812,472) | (7,518,362) | (4,098,022) | (5,021,423) |
| | - | - | - | - | - |
| | (2,846,562) | (3,058,644) | (3,126,348) | 15,887,058 | 1,239,469 |
| | 1,912,967 | 4,382,402 | 3,558,579 | 18,554,340 | (249,380) |
| | 44,688,317 | 40,305,915 | 36,747,336 | 18,192,996 | 18,442,376 |
| \$ | 46,601,284 | \$ 44,688,317 | \$ 40,305,915 | \$ 36,747,336 | \$ 18,192,996 |
| | 2.74% | 2.85% | 2.95% | 11.25% | 10.84% |

City of St. Clair Shores, Michigan

| | Year Ended June 30 | | | | |
|-------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2014 (1) | 2013 (1) | 2012 (1) | 2011 (1) | 2010 |
| General Fund: | | | | | |
| Nonspendable | \$ 1,098,973 | \$ 839,339 | \$ 856,732 | \$ 149,847 | \$ - |
| Restricted | 7,852,505 | 8,787,065 | 9,706,270 | 9,327,592 | - |
| Assigned | 1,984,149 | 3,651,687 | 2,865,386 | 3,492,912 | - |
| Unassigned | 12,018,758 | 12,488,409 | 13,328,810 | 11,995,921 | - |
| Reserved | - | - | - | - | 9,400,961 |
| Unreserved | - | - | - | - | 14,700,919 |
| Total General Fund | \$ 22,954,385 | \$ 25,766,500 | \$ 26,757,198 | \$ 24,966,272 | \$ 24,101,880 |
| All other governmental funds: | | | | | |
| Nonspendable | \$ 4,321 | \$ 28,290 | \$ 71,192 | \$ - | \$ - |
| Restricted | 10,017,046 | 12,258,447 | 12,423,612 | 10,021,853 | - |
| Assigned | - | 2,037,380 | 1,866,198 | 1,746,241 | - |
| Reserved | - | - | - | - | 7,256,393 |
| Unreserved - Reported in: | | | | | |
| Special revenue funds | (20,262) | - | - | - | 5,026,788 |
| Capital project funds | 149,962 | - | - | - | 14,181 |
| Debt service funds | - | - | - | - | 202,256 |
| Total all other governmental funds | \$ 10,151,067 | \$ 14,324,117 | \$ 14,361,002 | \$ 11,768,094 | \$ 12,499,618 |

(1) Reflects the implementation of Government Accounting Standards Board Statement No. 54.

Prior years have not been restated to reflect this change

**Governmental Fund Balance by Designations
Last Ten Fiscal Years**

| Year Ended June 30 | | | | |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| 2009 | 2008 | 2007 | 2006 | 2005 |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| 8,735,084 | 7,830,389 | 6,741,190 | 5,965,913 | 5,409,134 |
| <u>14,878,636</u> | <u>16,263,295</u> | <u>14,462,287</u> | <u>11,679,907</u> | <u>6,936,977</u> |
| <u>\$ 23,613,720</u> | <u>\$ 24,093,684</u> | <u>\$ 21,203,477</u> | <u>\$ 17,645,820</u> | <u>\$ 12,346,111</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| - | - | - | - | - |
| 19,809,020 | 10,799,346 | 10,653,805 | 13,471,341 | 289,206 |
| 2,975,092 | 4,805,401 | 4,272,419 | 2,209,025 | 2,174,926 |
| 16,700 | 95,965 | 92,413 | 309,760 | - |
| <u>186,752</u> | <u>301,218</u> | <u>126,888</u> | <u>160,338</u> | <u>152,637</u> |
| <u>\$ 22,987,564</u> | <u>\$ 16,001,930</u> | <u>\$ 15,145,525</u> | <u>\$ 16,150,464</u> | <u>\$ 2,616,769</u> |

City of St. Clair Shores, Michigan

| | Year Ended June 30 | | | | |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Governmental Activities | | | | | |
| Net investment in capital assets | \$ 76,959,683 | \$ 75,527,845 | \$ 75,963,401 | \$ 77,442,067 | \$ 84,532,981 |
| Restricted | 14,741,937 | 16,249,076 | 20,179,090 | 20,463,168 | 21,253,966 |
| Unrestricted | (471,828) | 6,651,726 | 11,145,070 | 12,782,552 | 6,955,708 |
| Total net position | <u>\$ 91,229,792</u> | <u>\$ 98,428,647</u> | <u>\$ 107,287,561</u> | <u>\$ 110,687,787</u> | <u>\$ 112,742,655</u> |
| Business-type Activities | | | | | |
| Net investment in capital assets | \$ 49,202,641 | \$ 47,950,691 | \$ 46,507,112 | \$ 46,695,971 | \$ 32,524,512 |
| Restricted | 1,639,552 | 1,583,213 | 1,458,254 | 1,402,727 | 11,452,711 |
| Unrestricted | 27,239,436 | 25,726,590 | 23,901,674 | 20,064,148 | 20,649,744 |
| Total net position | <u>\$ 78,081,629</u> | <u>\$ 75,260,494</u> | <u>\$ 71,867,040</u> | <u>\$ 68,162,846</u> | <u>\$ 64,626,967</u> |
| Primary Government in Total | | | | | |
| Net investment in capital assets | \$ 126,162,324 | \$ 123,478,536 | \$ 122,470,513 | \$ 124,138,038 | \$ 117,057,493 |
| Restricted | 16,381,489 | 17,832,289 | 21,637,344 | 21,865,895 | 32,706,677 |
| Unrestricted | 26,767,608 | 32,378,316 | 35,046,744 | 32,846,700 | 27,605,452 |
| Total net position | <u>\$ 169,311,421</u> | <u>\$ 173,689,141</u> | <u>\$ 179,154,601</u> | <u>\$ 178,850,633</u> | <u>\$ 177,369,622</u> |

Note: Certain categories for 2005-2010 have been reclassified to conform to the 2011 presentation. In addition, those years have been restated to reflect the prior period adjustment described in Note 2 of the 2011 CAFR.

Government-wide Net Position by Component Last Ten Fiscal Years

| Year Ended June 30 | | | | |
|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| 2009 | 2008 | 2007 | 2006 | 2005 |
| \$ 84,915,252 | \$ 88,143,586 | \$ 86,851,692 | \$ 89,266,605 | \$ 83,718,862 |
| 26,425,668 | 22,396,322 | 19,633,213 | 12,025,159 | 12,134,571 |
| <u>11,503,469</u> | <u>11,486,522</u> | <u>10,902,230</u> | <u>8,873,805</u> | <u>4,342,667</u> |
| <u>\$ 122,844,389</u> | <u>\$ 122,026,430</u> | <u>\$ 117,387,135</u> | <u>\$ 110,165,569</u> | <u>\$ 100,196,100</u> |
| | | | | |
| \$ 30,729,368 | \$ 25,470,151 | \$ 22,084,903 | \$ 22,121,451 | \$ 20,561,223 |
| 1,403,585 | 1,358,426 | 1,314,898 | 1,399,865 | 1,247,015 |
| <u>20,522,842</u> | <u>20,158,742</u> | <u>19,622,040</u> | <u>15,340,439</u> | <u>14,257,571</u> |
| <u>\$ 52,655,795</u> | <u>\$ 46,987,319</u> | <u>\$ 43,021,841</u> | <u>\$ 38,861,755</u> | <u>\$ 36,065,809</u> |
| | | | | |
| \$ 115,644,620 | \$ 113,613,737 | \$ 108,936,595 | \$ 111,388,056 | \$ 104,280,085 |
| 27,829,253 | 23,754,748 | 20,948,111 | 13,425,024 | 13,381,586 |
| <u>32,026,311</u> | <u>31,645,264</u> | <u>30,524,270</u> | <u>24,214,244</u> | <u>18,600,238</u> |
| <u>\$ 175,500,184</u> | <u>\$ 169,013,749</u> | <u>\$ 160,408,976</u> | <u>\$ 149,027,324</u> | <u>\$ 136,261,909</u> |

City of St. Clair Shores, Michigan

Ad Valorem Taxable Value by Property Type

Real Property

| Tax Year | Fiscal Year Ended June 30 | Residential | Commercial | Industrial | Agricultural and Other |
|----------|------------------------------|------------------|----------------|---------------|---------------------------|
| 2004 | 2005 | \$ 1,490,343,700 | \$ 183,426,900 | \$ 20,569,000 | \$ - |
| 2005 | 2006 | 1,552,879,800 | 196,817,900 | 19,873,700 | - |
| 2006 | 2007 | 1,631,850,600 | 208,359,300 | 20,933,800 | - |
| 2007 | 2008 | 1,689,087,100 | 227,526,100 | 19,031,600 | - |
| 2008 | 2009 | 1,682,096,650 | 243,758,200 | 18,833,100 | - |
| 2009 | 2010 | 1,630,308,000 | 238,812,753 | 18,149,500 | - |
| 2010 | 2011 | 1,402,142,380 | 222,682,900 | 16,948,800 | - |
| 2011 | 2012 | 1,267,263,790 | 205,710,250 | 12,151,500 | - |
| 2012 | 2013 | 1,139,032,410 | 192,064,820 | 11,893,000 | - |
| 2013 | 2014 | 1,096,823,250 | 175,708,600 | 10,313,700 | - |

Note 1: Under Michigan law, the revenue base is referred to as “taxable value.” This amount represents assessed value (50 percent of true cash value), limited for each property by the lower of 5 percent or inflation.

Note 2: Taxes levied in a particular “tax year” become revenue of the subsequent fiscal year.

Taxable Value and Actual Value of Taxable Property Last Ten Fiscal Years

Taxable Value by Property Type

| Personal Property | Industrial Facilities Tax Property | Total Value | Direct City Tax Rate (Mills) | Estimated Actual Value | Taxable Value as a Percentage of Actual |
|----------------------|------------------------------------------|------------------|------------------------------------|---------------------------|-----------------------------------------------|
| \$ 65,265,200 | \$ - | \$ 1,759,604,800 | \$ 15.8504 | \$ 4,668,175,800 | 37.69 |
| 67,585,300 | - | 1,837,156,700 | 17.9863 | 4,812,009,400 | 38.18 |
| 62,338,900 | - | 1,923,482,600 | 18.2755 | 4,956,830,400 | 38.80 |
| 63,238,100 | - | 1,998,882,900 | 18.3316 | 4,940,905,600 | 40.46 |
| 63,381,700 | - | 2,008,069,650 | 18.8982 | 4,676,513,100 | 42.94 |
| 62,033,500 | - | 1,949,303,753 | 18.2280 | 4,261,265,400 | 45.74 |
| 62,532,000 | - | 1,704,306,080 | 18.0406 | 3,567,493,160 | 47.77 |
| 63,823,300 | 1,507,600 | 1,550,456,440 | 19.3562 | 3,181,323,680 | 48.74 |
| 65,118,200 | 2,951,700 | 1,411,060,130 | 19.4518 | 2,884,439,590 | 48.92 |
| 64,655,300 | 3,964,000 | 1,351,464,850 | 20.5388 | 2,749,693,500 | 49.15 |

City of St. Clair Shores, Michigan

Direct City Taxes

| Fiscal Year Ended June 30 | Operating | Sanitation | Police and Fire Retirement System | Other ACT 359 | Police and Fire Operating | Residential Streets | Water | Debt Service | Library | Total Direct Taxes |
|---------------------------------|-----------|------------|-----------------------------------------|------------------|---------------------------------|------------------------|--------|-----------------|---------|-----------------------|
| 2005 | 6.4073 | 2.4026 | 1.9296 | 0.0289 | - | 0.9417 | 0.9893 | 2.2106 | 0.9404 | 15.8504 |
| 2006 | 6.3310 | 2.3740 | 2.5549 | 0.0277 | 1.5737 | 0.9881 | 0.9775 | 2.2302 | 0.9292 | 17.9863 |
| 2007 | 6.2987 | 2.3618 | 2.9149 | 0.0265 | 1.5656 | 0.9830 | 0.9725 | 2.2281 | 0.9244 | 18.2755 |
| 2008 | 6.2987 | 2.3618 | 2.9363 | 0.0255 | 1.5656 | 0.9830 | 0.9725 | 2.2638 | 0.9244 | 18.3316 |
| 2009 | 6.2987 | 2.3618 | 3.5799 | 0.0254 | 1.5656 | 0.9830 | 0.9725 | 2.1869 | 0.9244 | 18.8982 |
| 2010 | 6.2987 | 2.3618 | 3.8085 | 0.0261 | 1.5656 | 0.9830 | - | 2.2599 | 0.9244 | 18.2280 |
| 2011 | 6.2987 | 2.3618 | 3.5566 | 0.0298 | 1.5656 | 0.9830 | - | 2.3207 | 0.9244 | 18.0406 |
| 2012 | 6.2987 | 2.3618 | 4.4032 | 0.0328 | 2.0000 | 0.9830 | - | 2.3523 | 0.9244 | 19.3562 |
| 2013 | 6.2987 | 2.3618 | 4.4657 | 0.0360 | 2.0000 | 0.9830 | - | 2.3822 | 0.9244 | 19.4518 |
| 2014 | 6.2987 | 2.3618 | 5.5418 | 0.0375 | 2.0000 | 0.9830 | - | 2.3916 | 0.9244 | 20.5388 |

**Property Tax Rates
Direct and Overlapping Government
(Per \$1,000 of Assessed Valuation)
Last Ten Fiscal Years**

| Overlapping Taxes | | | | | | | | | | | | |
|--------------------------------|-----------------------------------|------------------|------------------|-------------------|--------------------|-------------------|--------------------|-------------------|------------------------|-------------------|----------------------|--|
| | | | Lakeview Schools | | Lake Shore Schools | | South Lake Schools | | L' Anse Creuse Schools | | | |
| Macomb Community College | Macomb Intermediate Schools | Macomb County | Homestead | Non- homestead | Homestead | Non- homestead | Homestead | Non- homestead | Homestead | Non- homestead | State of Michigan | |
| 1.5002 | 2.9615 | 5.0161 | 4.6700 | 22.6700 | 3.9500 | 21.9500 | 8.8737 | 21.7191 | 6.6900 | 24.6900 | 6.0000 | |
| 1.4212 | 2.9430 | 5.0116 | 4.4700 | 22.4700 | 3.9500 | 21.9500 | 8.7232 | 21.3210 | 7.0000 | 25.0000 | 6.0000 | |
| 1.4212 | 2.9430 | 5.0101 | 4.4700 | 22.4700 | 3.9500 | 21.9500 | 8.7197 | 21.7016 | 7.0000 | 25.0000 | 6.0000 | |
| 1.4212 | 2.9430 | 5.0101 | 4.4700 | 22.4700 | 3.9500 | 21.9500 | 8.2367 | 21.3716 | 7.0000 | 25.0000 | 6.0000 | |
| 1.4212 | 2.9430 | 5.1501 | 4.4700 | 22.4700 | 3.9500 | 21.9500 | 7.7112 | 21.3716 | 7.0000 | 25.0000 | 6.0000 | |
| 1.4212 | 2.9430 | 5.5131 | 4.4700 | 22.4700 | 3.9500 | 21.9500 | 7.8368 | 21.3716 | 7.0000 | 25.0000 | 6.0000 | |
| 1.4212 | 2.9430 | 5.5181 | 5.4700 | 23.4700 | 3.9500 | 21.9500 | 8.8316 | 21.7716 | 7.0000 | 25.0000 | 6.0000 | |
| 1.5712 | 2.9430 | 5.5181 | 7.7800 | 25.7800 | 6.2000 | 24.2000 | 10.4816 | 23.4216 | 7.0000 | 25.0000 | 6.0000 | |
| 1.5712 | 2.9430 | 5.7181 | 6.7400 | 24.7400 | 6.2000 | 24.2000 | 10.4816 | 23.4216 | 7.0000 | 25.0000 | 6.0000 | |
| 1.5312 | 2.9430 | 5.7181 | 7.7400 | 25.7400 | 6.3250 | 24.3250 | 11.5416 | 24.4816 | 7.0000 | 25.0000 | 6.0000 | |

City of St. Clair Shores, Michigan

Property Tax Rates Direct and Overlapping Government (Continued) (Per \$1,000 of Assessed Valuation) Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Total Tax Rate | | | | | | | |
|---------------------------------|------------------|---------------|--------------------|---------------|--------------------|---------------|------------------------|---------------|
| | Lakeview Schools | | Lake Shore Schools | | South Lake Schools | | L' Anse Creuse Schools | |
| | Homestead | Non-homestead | Homestead | Non-homestead | Homestead | Non-homestead | Homestead | Non-homestead |
| 2005 | 35.9982 | 53.9982 | 35.2782 | 53.2782 | 40.2019 | 53.0473 | 38.0182 | 56.0182 |
| 2006 | 37.8321 | 55.8321 | 37.3121 | 55.3121 | 42.0853 | 54.6831 | 40.3621 | 58.3621 |
| 2007 | 38.1198 | 56.1198 | 37.5998 | 55.5998 | 42.3695 | 55.3514 | 40.6498 | 58.6498 |
| 2008 | 38.1759 | 56.1759 | 37.6559 | 55.6559 | 41.9426 | 55.0775 | 40.7059 | 58.7059 |
| 2009 | 38.8825 | 56.8825 | 38.3625 | 56.3625 | 42.1237 | 55.7841 | 41.4125 | 59.4125 |
| 2010 | 38.5753 | 56.5753 | 38.0553 | 56.0553 | 41.9421 | 55.4769 | 41.1053 | 59.1053 |
| 2011 | 39.3929 | 57.3929 | 37.8729 | 55.8729 | 42.7545 | 55.6945 | 40.9229 | 58.9229 |
| 2012 | 43.1685 | 61.1685 | 41.5885 | 59.5885 | 45.8701 | 58.8101 | 42.3885 | 60.3885 |
| 2013 | 42.4241 | 60.4241 | 41.8841 | 59.8841 | 46.1657 | 59.1057 | 42.6841 | 60.6841 |
| 2014 | 44.4711 | 62.4711 | 43.0561 | 61.0561 | 48.2727 | 61.2127 | 43.7311 | 61.7311 |

City of St. Clair Shores, Michigan

General Fund Revenue from the State of Michigan Last Five Fiscal Years

| Years Ended June 30 | Revenue- sharing Payments |
|------------------------|---------------------------------|
| 2010 | \$ 5,359,811 |
| 2011 | 5,232,574 |
| 2012 | 5,259,462 |
| 2013 | 5,351,441 |
| 2014 | 5,472,539 |

City of St. Clair Shores, Michigan

Property Tax Levy and Collections Last Ten Fiscal Years

| Tax Year | Fiscal | Total Tax Levy (1) | Current Collections | Percent of | | Total Tax Collections | Percent of Total Collections to Tax Levy |
|----------|---------------------------|-----------------------|------------------------|-------------------|---------------------------|--------------------------|------------------------------------------------|
| | Years Ended June 30 | | | Levy Collected | Delinquent Collections | | |
| 2003 | 2004 | \$ 25,733,163 | \$ 24,737,402 | 96.13 | \$ 831,459 | \$ 25,568,861 | 99.36 |
| 2004 | 2005 | 27,422,108 | 26,439,347 | 96.42 | 843,573 | 27,282,920 | 99.49 |
| 2005 | 2006 | 32,480,499 | 31,051,615 | 95.60 | 1,243,001 | 32,294,616 | 99.43 |
| 2006 | 2007 | 34,541,050 | 32,938,808 | 95.36 | 1,540,009 | 34,478,817 | 99.82 |
| 2007 | 2008 | 35,972,347 | 33,927,038 | 94.31 | 1,929,122 | 35,856,160 | 99.68 |
| 2008 | 2009 | 37,108,956 | 35,179,922 | 94.80 | 1,858,640 | 37,038,562 | 99.81 |
| 2009 | 2010 | 34,833,301 | 33,077,278 | 94.96 | 1,687,832 | 34,765,110 | 99.80 |
| 2010 | 2011 | 30,273,649 | 28,885,658 | 95.42 | 1,339,741 | 30,225,399 | 99.84 |
| 2011 | 2012 | 29,549,546 | 28,334,458 | 95.89 | 1,158,479 | 29,492,937 | 99.81 |
| 2012 | 2013 | 27,066,682 | 25,963,516 | 95.92 | 1,051,978 | 27,015,494 | 99.81 |
| 2013 | 2014 | 27,617,874 | 26,565,182 | 96.19 | 1,013,850 | 27,579,032 | 99.86 |

(1) Includes operational, sanitation, police and fire pension, police and operating, Act 359, voted water levy and road levy, library, and long-term debt, but does not include penalty and interest on late payment of taxes.

City of St. Clair Shores, Michigan

Principal Taxpayers Current and Ten Years Ago Year Ended June 30, 2014

| Taxpayer | June 30, 2014 | | | June 30, 2005 | | |
|-----------------------------|--------------------------|------|---------------------------|--------------------------|------|---------------------------|
| | 2013 Taxable Value | Rank | Percentage of Total | 2004 Taxable Value | Rank | Percentage of Total |
| Detroit Edison | \$ 15,012,900 | 1 | 1.10% | \$ 16,721,100 | 1 | 0.72% |
| Fisher Dynamics | 12,119,900 | 2 | 0.90% | 8,868,600 | 4 | 0.38% |
| Consumers Energy | 8,031,200 | 3 | 0.59% | 7,235,700 | 5 | 0.31% |
| Shore Club Apartments, LLC | 6,417,100 | 4 | 0.47% | - | - | - |
| WBH ALF #2, LLC | 5,139,800 | 5 | 0.38% | - | - | - |
| North Shore Partners of SCS | 3,299,100 | 6 | 0.24% | 4,670,000 | 8 | .020% |
| The Kroger Company | 3,231,000 | 7 | 0.24% | - | - | - |
| Comcast Cable Investors | 3,081,400 | 8 | 0.23% | - | - | - |
| Wideopenwestmichigan, LLC | 2,898,900 | 9 | 0.21% | - | - | - |
| Littoral Associates, LLC | 2,712,000 | 10 | 0.20% | - | - | - |
| 400 Monroe Association | - | - | - | 15,655,200 | 2 | 0.67% |
| Jefferson Beach Marina | - | - | - | 9,003,600 | 3 | 0.39% |
| St. John Health System | - | - | - | 5,725,700 | 6 | 0.25% |
| SSC Associates | - | - | - | 4,834,500 | 7 | 0.21% |
| Michigan Harbor Marina | - | - | - | 3,842,700 | 9 | 0.16% |
| Roy O'Brien | - | - | - | 3,319,800 | 10 | 0.14% |
| Total | \$ 61,943,300 | | 4.56% | \$ 79,876,900 | | 3.43% |

Source: City of St. Clair Shores

City of St. Clair Shores, Michigan

Water and Sewer Revenue Bonds

| Fiscal Year | Gross Revenue | Applicable Expenses | Net Revenue | Debt Service | | Coverage |
|-------------|---------------|---------------------|-------------|--------------|-----------|----------|
| | | | | Principal | Interest | |
| 2005 | \$ 14,716,964 | \$ 13,752,029 | \$ 964,935 | \$ 130,000 | \$ 66,798 | 4.90 |
| 2006 | 16,416,028 | 12,544,782 | 3,871,246 | 150,000 | 62,948 | 18.18 |
| 2007 | 15,605,391 | 12,133,719 | 3,471,672 | 150,000 | 58,823 | 16.62 |
| 2008 | 16,368,101 | 12,717,911 | 3,650,190 | 150,000 | 54,510 | 17.85 |
| 2009 | 14,621,320 | 12,732,158 | 1,889,162 | 160,000 | 49,660 | 9.01 |
| 2010 | 15,621,006 | 13,721,058 | 1,899,948 | 165,000 | 44,379 | 9.07 |
| 2011 | 18,770,972 | 15,409,910 | 3,361,062 | 175,000 | 38,854 | 15.72 |
| 2012 | 19,058,840 | 14,885,732 | 4,173,108 | 175,000 | 33,035 | 20.06 |
| 2013 | 19,669,643 | 15,846,032 | 3,823,611 | 185,000 | 26,730 | 18.06 |
| 2014 | 18,846,173 | 15,661,392 | 3,184,781 | 195,000 | 19,793 | 14.83 |

**Pledged Revenue Coverage
Last Ten Fiscal Years**

| Recreational Revenue Bonds | | | | | |
|----------------------------|---------------------|-------------|--------------|------------|----------|
| Gross Revenue | Applicable Expenses | Net Revenue | Debt Service | | Coverage |
| | | | Principal | Interest | |
| \$ 1,818,624 | \$ 1,430,147 | \$ 388,477 | \$ 270,000 | \$ 121,590 | 0.99 |
| 1,853,656 | 1,474,654 | 379,002 | 275,000 | 116,190 | 0.97 |
| 1,729,840 | 1,455,677 | 274,163 | 285,000 | 109,590 | 0.69 |
| 1,679,455 | 1,532,505 | 146,950 | 290,000 | 101,040 | 0.38 |
| 1,582,934 | 1,484,652 | 98,282 | 300,000 | 92,340 | 0.25 |
| 1,485,608 | 1,535,124 | (49,516) | 310,000 | 82,440 | (0.13) |
| 1,439,549 | 1,333,710 | 105,839 | 320,000 | 71,590 | 0.27 |
| 1,610,592 | 1,350,875 | 259,717 | 335,000 | 58,790 | 0.66 |
| 1,464,249 | 1,346,651 | 117,598 | - | - | - |
| 1,511,355 | 1,462,583 | 48,772 | - | - | - |

Bonds called on May 1, 2013

City of St. Clair Shores, Michigan

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental Activities | | | | | |
| General obligation bonds | \$ 4,818,785 | \$ 5,323,490 | \$ 4,095,000 | \$ 1,490,000 | \$ 2,050,000 |
| County drain obligations | 4,923,441 | 5,212,138 | 5,501,304 | 5,611,502 | 5,586,291 |
| Special assessment bonds | - | - | - | - | - |
| Capital leases | - | - | - | - | - |
| Municipal purchase agreement | 327,658 | 388,829 | 450,000 | - | - |
| Total | 10,069,884 | 10,924,457 | 10,046,304 | 7,101,502 | 7,636,291 |
| Business-type Activities | | | | | |
| General obligation bonds | 7,551,360 | 7,778,826 | 8,195,000 | 3,060,000 | 3,205,000 |
| County drain obligations | 28,963,669 | 30,873,914 | 32,591,168 | 34,366,591 | 35,893,761 |
| Special assessment bonds | - | - | - | - | - |
| Revenue bonds | 930,867 | 1,054,444 | 2,385,000 | 2,880,000 | 3,355,000 |
| Capital leases | - | - | - | - | - |
| Total | 37,445,897 | 39,707,184 | 43,171,168 | 40,306,591 | 42,453,761 |
| Total debt of the government | <u>\$ 47,515,781</u> | <u>\$ 50,631,641</u> | <u>\$ 53,217,472</u> | <u>\$ 47,408,093</u> | <u>\$ 50,090,052</u> |
| Total Residential Personal Income | Not available | Not available | \$ 2,237,957,216 | \$ 2,132,840,655 | \$ 2,031,444,585 |
| Ratio of total debt to personal income | - | - | 2.38% | 2.22% | 2.47% |
| Total Population | 60,120 | 59,721 | 59,419 | 59,715 | 60,070 |
| Total debt per capita | \$ 790 | \$ 848 | \$ 896 | \$ 794 | \$ 834 |

Note: Information related to the City's outstanding debt can be found within the notes to the financial statements.

Ratio of Outstanding Debt Last Ten Fiscal Years

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|-----------|-------------------|----------------------|----------------------|----------------------|----------------------|
| \$ | 2,585,000 | \$ 3,100,000 | \$ 3,595,000 | \$ 4,060,000 | \$ 4,965,000 |
| | 5,499,365 | 7,269,688 | 7,561,403 | 16,993,909 | 33,130,581 |
| | - | - | - | - | - |
| | 50,000 | 142,375 | 274,946 | 436,349 | 625,053 |
| | - | - | - | - | - |
| | 8,134,365 | 10,512,063 | 11,431,349 | 21,490,258 | 38,720,634 |
| | 3,345,000 | 3,480,000 | 3,610,000 | - | - |
| | 37,521,979 | 36,792,849 | 38,240,401 | 30,501,908 | - |
| | - | - | - | - | - |
| | 3,815,000 | 4,255,000 | 4,690,000 | 5,115,000 | 5,515,000 |
| | - | - | - | - | - |
| | 44,681,979 | 44,527,849 | 46,540,401 | 35,616,908 | 5,515,000 |
| \$ | 52,816,344 | \$ 55,039,912 | \$ 57,971,750 | \$ 57,107,166 | \$ 44,235,634 |
| \$ | 1,991,609,724 | \$ 2,166,963,325 | \$ 2,219,954,528 | \$ 2,133,856,080 | \$ 2,121,359,547 |
| | 2.65% | 2.54% | 2.61% | 2.68% | 2.09% |
| | 59,588 | 60,035 | 61,028 | 60,759 | 61,027 |
| \$ | 886 | \$ 917 | \$ 950 | \$ 940 | \$ 725 |

City of St. Clair Shores, Michigan

| Fiscal Year | Tax-limited | | Less Pledged Debt Service Funds | Other General Obligation Debt | Net General Bonded Debt |
|-------------|---------------------------------------|-------------------------------|---------------------------------------|----------------------------------|----------------------------|
| | General Obligation Bonds (LTGO) | Tax Supported Bonds (UTGO) | | | |
| 2005 | \$ 4,965,000 | \$ - | \$ (3,382,753) | \$ 33,755,634 | \$ 35,337,881 |
| 2006 | 4,060,000 | - | (3,111,389) | 47,932,167 | 48,880,778 |
| 2007 | 7,205,000 | - | (4,083,801) | 46,076,750 | 49,197,949 |
| 2008 | 6,580,000 | - | (4,893,921) | 44,204,912 | 45,890,991 |
| 2009 | 5,930,000 | - | (5,696,614) | 43,071,339 | 43,304,725 |
| 2010 | 5,255,000 | - | (6,570,285) | 41,480,057 | 40,164,772 |
| 2011 | 4,550,000 | - | (6,159,138) | 39,978,093 | 38,368,955 |
| 2012 | 12,290,000 | - | (5,911,372) | 38,542,386 | 44,921,014 |
| 2013 | 13,102,316 | - | (5,329,887) | 36,474,793 | 44,247,222 |
| 2014 | 12,370,145 | - | (4,784,526) | 34,214,768 | 41,800,387 |

**Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years**

| Taxable Value | Debt as a Percentage of Taxable Value | Population | Debt per Capita |
|------------------|---------------------------------------------|------------|--------------------|
| \$ 1,759,604,800 | 2.01 | 61,027 | \$ 579 |
| 1,837,156,700 | 2.66 | 60,759 | 805 |
| 1,923,482,600 | 2.56 | 61,028 | 806 |
| 1,998,882,900 | 2.30 | 60,035 | 764 |
| 2,008,069,650 | 2.16 | 59,588 | 727 |
| 1,949,303,753 | 2.06 | 60,070 | 669 |
| 1,704,306,080 | 2.25 | 59,715 | 643 |
| 1,550,456,440 | 2.90 | 59,419 | 756 |
| 1,411,060,130 | 3.14 | 59,721 | 741 |
| 1,351,567,250 | 3.09 | 60,120 | 695 |

City of St. Clair Shores, Michigan

Computation of Direct and Overlapping Debt June 30, 2014

| Jurisdiction | General Bonded Debt Obligation | Percent Applicable to St. Clair Shores Taxpayers | Amount Applicable to St. Clair Shores Taxpayers |
|----------------------------------------|-----------------------------------|--------------------------------------------------------|-------------------------------------------------------|
| Direct debt - City of St. Clair Shores | \$ 39,033,554 | 100.00 | \$ 39,033,554 |
| Overlapping debt: | | | |
| County of Macomb | 37,770,528 | 5.59 | 2,111,373 |
| Macomb Intermediate | | - | - |
| Macomb Community College | 15,625,000 | 5.59 | 873,438 |
| L'Anse Creuse Schools | 296,240,215 | 0.07 | 207,368 |
| Lake Shore Schools | 22,735,000 | 100.00 | 22,735,000 |
| Lakeview Schools | 31,910,000 | 100.00 | 31,910,000 |
| South Lake Schools | 18,080,000 | 86.56 | 15,650,048 |
| Total overlapping debt | <u>422,360,743</u> | | <u>73,487,227</u> |
| Total | <u>\$ 461,394,297</u> | | <u>\$ 112,520,781</u> |

Note 1: The percent of overlap is the value of the property in the overlapping area divided by the total value of property of the overlapping government.

Note 2: The 2001 Lake St. Clair Clean Water Initiative obligation recorded in the City's Utility Fund is included in the above calculation. The entire Clean Water Initiative obligation was initially recorded within the City's governmental activities. A portion of the obligation was subsequently transferred to the Utility Fund along with the capital assets that were to benefit the Utility Fund. Proceeds from the Clean Water Initiative debt tax levy are used to pay debt service requirements of this obligation.

City of St. Clair Shores, Michigan

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|----------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Calculation of Debt Limit - | | | | | |
| State equalized valuation | \$ 1,378,913,150 | \$ 1,445,171,495 | \$ 1,590,661,840 | \$ 1,783,746,580 | \$ 2,130,632,700 |
| Debt limit (10% of equalized value) | 137,891,315 | 144,517,150 | 159,066,184 | 178,374,658 | 213,063,270 |
| Calculation of Debt Subject to Limit | | | | | |
| Total debt | 46,759,269 | 50,714,305 | 53,217,386 | 47,823,091 | 50,900,057 |
| Less debt not subject to limit: | | | | | |
| Special assessment bonds | - | - | - | - | - |
| Revenue bonds | 945,063 | 1,116,098 | 2,385,000 | 3,020,000 | 3,630,000 |
| LTGO bonds | 7,465,000 | 9,720,000 | 8,195,000 | 3,060,000 | 3,205,000 |
| Michigan transportation bonds | 2,930,000 | 3,520,000 | 4,095,000 | 1,350,000 | 1,775,000 |
| TIFA | - | - | - | 415,000 | 810,000 |
| Net direct debt | 35,419,206 | 36,358,207 | 38,542,386 | 39,978,091 | 41,480,057 |
| Indirect debt - Share of County/ Federal issued bonds | - | - | - | - | - |
| Net debt subject to limit | 35,419,206 | 36,358,207 | 38,542,386 | 39,978,091 | 41,480,057 |
| Legal debt margin | \$ 102,472,109 | \$ 108,158,943 | \$ 120,523,798 | \$ 138,396,567 | \$ 171,583,213 |
| Net debt subject to limit as percent of debt limit | 25.69% | 25.16% | 24.23% | 22.41% | 19.47% |

- (1) Ratio calculation changed for all years to represent outstanding net debt/debt limit. Prior statements included a variety of formulas.
- (2) Effective June 30, 2004 - TIFA debt was included with total debt and also debt not subject to limit. Consequently, adjusted 1998-2003 schedules for comparability and consistency purposes.

Computation of Legal Debt Margin Last Ten Fiscal Years

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|-----------|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ | 2,338,256,550 | \$ 2,470,452,800 | \$ 2,478,415,200 | \$ 2,406,004,700 | \$ 2,334,087,900 |
| | 233,825,655 | 247,045,280 | 247,841,520 | 240,600,470 | 233,408,790 |
| | 53,951,345 | 56,417,537 | 59,531,804 | 58,790,818 | 45,975,976 |
| | - | - | - | - | - |
| | 4,215,000 | 4,775,000 | 5,325,000 | 5,860,000 | 6,365,000 |
| | 3,345,000 | 3,480,000 | 3,610,000 | - | - |
| | 2,185,000 | 2,580,000 | 2,960,000 | 3,315,000 | 4,115,000 |
| | 1,185,000 | 1,520,000 | 1,835,000 | 2,120,000 | 2,365,000 |
| | 43,021,345 | 44,062,537 | 45,801,804 | 47,495,818 | 33,130,976 |
| | - | - | - | - | - |
| | 43,021,345 | 44,062,537 | 45,801,804 | 47,495,818 | 33,130,976 |
| \$ | 190,804,310 | \$ 202,982,743 | \$ 202,039,716 | \$ 193,104,652 | \$ 200,277,814 |
| | 18.40% | 17.84% | 18.48% | 19.74% | 14.19% |

City of St. Clair Shores, Michigan

Demographic and Economic Statistics Last Ten Years

| Fiscal Year Ended June 30 | Estimated Population | Personal Income (in Thousands) | Per Capita Personal Income (in Thousands) | Unemployment Rate (Percent) |
|------------------------------|-------------------------|-----------------------------------|-------------------------------------------------|-----------------------------------|
| 2005 | 61,027 (3) | \$ 28,613,119 (1) | \$ 34,713 (1) | 7.6 (2) |
| 2006 | 60,759 (3) | 29,069,237 (1) | 35,120 (1) | 7.1 (2) |
| 2007 | 61,028 (3) | 30,151,164 (1) | 36,376 (1) | 7.2 (2) |
| 2008 | 60,035 (3) | 30,242,237 (1) | 36,095 (1) | 8.5 (2) |
| 2009 | 59,588 (3) | 28,056,145 (1) | 33,423 (1) | 15.4 (2) |
| 2010 | 59,715 (3) | 28,608,244 (1) | 34,019 (1) | 15.2 (2) |
| 2011 | 59,715 (3) | 30,079,004 (1) | 35,717 (1) | 13.3 (2) |
| 2012 | 59,419 (3) | 31,916,194 (1) | 37,664 (1) | 10.6 (2) |
| 2013 | 59,721 (3) | Not available (4) | Not available (4) | 10.5 (2) |
| 2014 | 60,120 (3) | Not available (4) | Not available (4) | 9.6 (2) |

(1) Yearly total for Macomb County; data not available on a local level. Updated data was available and obtained from the Bureau of Economic Analysis (BEA) which is the original source of this information.

(2) All unemployment data is from Michigan Employment Security Commission.

(3) State demographer (SEMCOG)

(4) Data not yet available

City of St. Clair Shores, Michigan

Principal Employers Current and Ten Years Ago June 30, 2014

| Employer | 2014 | | | 2005 | | |
|-------------------------------|-----------|------|--------------------------|-----------|------|--------------------------|
| | Employees | Rank | Total City Employment | Employees | Rank | Total City Employment |
| Fisher Dynamics | 463 | 1 | (1) | 793 | 1 | (1) |
| Lakeview Schools | 290 | 2 | (1) | 252 | 7 | (1) |
| Lake Shore Public Schools | 278 | 3 | (1) | 384 | 3 | (1) |
| Stahl's | 259 | 4 | (1) | 262 | 6 | (1) |
| City of St. Clair Shores | 243 | 5 | (1) | 280 | 5 | (1) |
| St. John Health System | 234 | 6 | (1) | 390 | 2 | (1) |
| South Lake Public Schools | 230 | 7 | (1) | 346 | 4 | (1) |
| Michigan Institute of Urology | 155 | 8 | (1) | - | - | (1) |
| Kroger | 136 | 9 | (1) | - | - | (1) |
| Roy O'Brien Ford | 111 | 10 | (1) | 94 | 10 | (1) |
| NGS American | - | - | (1) | 146 | 8 | (1) |
| First State Bank | - | - | (1) | 101 | 9 | (1) |

(1) Data not available

Source: City of St. Clair Shores

City of St. Clair Shores, Michigan

| Function/Program | Fiscal Year | | | | |
|-----------------------------------------------|-------------|------------|------------|------------|------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| General government: | | | | | |
| Court | 19 | 19 | 19 | 20 | 21 |
| City manager | 3 | 3 | 3 | 3 | 3 |
| Finance | 9 | 9 | 9 | 9 | 9 |
| Clerk/Elections | 5.5 | 5.5 | 5.5 | 6 | 5 |
| Assessing | 2.5 | 2 | 2 | 2.58 | 3 |
| Communications | 1 | 2 | 2 | 2 | 2 |
| Information systems | 2 | 2 | 2 | 2 | 2 |
| Building maintenance | 3 | 3 | 3 | 3 | 3 |
| Police | 90 | 90 | 90 | 90 | 101 |
| Fire | 50 | 50 | 50 | 50 | 50 |
| Community development | 11 | 11.5 | 11.5 | 11.5 | 15 |
| DPW administration (2) | 1 | 1 | 1 | 1 | 1 |
| Sanitation | 7 | 7 | 3 | 3 | 2 |
| Parks and recreation administration | 5.5 | 5.5 | 6.5 | 6 | 7 |
| Recreation | 5 | 5 | 5 | 5 | 5 |
| Arena (3) | 7 | 7 | 6 | 6 | 6 |
| Parks | 12.5 | 12.5 | 14.5 | 15 | 14 |
| Senior activity center | 10 | 10 | 9 | 8 | 7 |
| Library and information services (1) | 18 | 18 | 18 | 19 | 20 |
| Utility Fund: | | | | | |
| Water | 20 | 18 | 14.5 | 14 | 16 |
| Sewer | 7 | 7 | 7 | 7 | 7 |
| Storm sewer | - | - | - | - | - |
| Motor pool | 2 | 2 | 2 | 2 | 3 |
| Streets | 5.5 | 6 | 9 | 10 | 11 |
| Recreational revenue system: | | | | | |
| Boating | 7 | 7 | 7 | 7 | 6 |
| Swimming pool | 6 | 6 | 7.5 | 8 | 7 |
| Golf | 15 | 14.9 | 16.1 | 16.6 | 17 |
| Total | 325 | 323 | 323 | 327 | 343 |
| Full-time employees | 243 | 245 | 246 | 250 | 267 |
| Part-time employees (at full-time equivalent) | 82 | 70 | 77 | 77 | 76 |
| Total | 325 | 315 | 323 | 327 | 343 |

Source: City of St. Clair Shores' Fiscal Operating Budget

- (1) Beginning with fiscal year 2008, the communications director, communications technician, and budgeted co-op hours were moved from the library to board and commissions.
- (2) Beginning with fiscal year 2006, the DPW supervisor position was moved to the sanitation department.
- (3) Beginning with fiscal year 2013, the Rec Sports Manager position was moved from Parks and Recreation Administration to the Arena.

**Full-time Equivalent Government Employees
June 30, 2014**

| Fiscal Year | | | | |
|-------------|------------|------------|------------|------------|
| 2009 | 2008 | 2007 | 2006 | 2005 |
| 21 | 21 | 22 | 21 | 19 |
| 3 | 3 | 3 | 3 | 3 |
| 9 | 10 | 10 | 10 | 10 |
| 8 | 7 | 6 | 5 | 5 |
| 3 | 3 | 3 | 4 | 4 |
| 3 | 3 | - | - | - |
| 2 | 2 | 2 | 3 | 3 |
| 3 | 3 | 3 | 4 | 4 |
| 101 | 101 | 101 | 101 | 99 |
| 51 | 50 | 50 | 50 | 50 |
| 16 | 16 | 16 | 15 | 14 |
| 1 | 1 | 1 | 1 | 2 |
| 2 | 2 | 2 | 2 | 1 |
| 8 | 8 | 8 | 8 | 8 |
| 6 | 6 | 7 | 7 | 7 |
| 8 | 8 | 7 | 8 | 8 |
| 15 | 15 | 15 | 15 | 15 |
| 7 | 8 | 7 | 7 | 7 |
| 21 | 21 | 22 | 22 | 20 |
| 17 | 16 | 16 | 16 | 21 |
| 7 | 7 | 8 | 8 | 8 |
| - | - | 1 | - | - |
| 3 | 3 | 3 | 3 | 3.5 |
| 11 | 11 | 12 | 13 | 14.5 |
| 7 | 9 | 9 | 9 | 9 |
| 8 | 8 | 7 | 7 | 7 |
| 20 | 21 | 21 | 21 | 18 |
| 361 | 363 | 362 | 363 | 360 |
| 268 | 269 | 269 | 273 | 280 |
| 93 | 94 | 93 | 90 | 80 |
| 361 | 363 | 362 | 363 | 360 |

City of St. Clair Shores, Michigan

| Function/Program | Fiscal Year | | | | |
|----------------------------------------|-------------|---------|---------|---------|---------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Police protection: | | | | | |
| Part 1 crimes (1) | 1,349 | 1,600 | 1,593 | 1,294 | 1,371 |
| Part 2 crimes (2) | 3,236 | 3,950 | 3,977 | 2,175 | 2,261 |
| Injury accidents | 260 | 275 | 290 | 332 | 281 |
| Property damage | 1,246 | 991 | 1,168 | 1,337 | 1,153 |
| Private property damage | 60 | 62 | 68 | 14 | 100 |
| Civil infractions | 10,470 | 15,053 | 13,411 | 16,516 | 12,547 |
| Parking violations | 6,765 | 5,296 | 5,359 | 5,168 | 3,513 |
| Adult arrests | 1,813 | 2,042 | 1,827 | 1,636 | 1,770 |
| Juvenile arrests | 56 | 68 | 83 | 104 | 106 |
| OUIL arrests | 160 | 149 | 144 | 131 | 122 |
| False alarm billings | 752 | 980 | 923 | 1,393 | 1,304 |
| Fire protection: | | | | | |
| Fire alarms answered | 6,966 | 2,372 | 2,497 | 2,609 | 2,397 |
| Medical emergencies (EMS) | 5,524 | 6,774 | 5,382 | 5,211 | 4,615 |
| Fire inspections conducted - All types | 716 | 656 | 720 | 778 | 1,035 |
| Code violations | 1,844 | 2,164 | 2,439 | 2,305 | 3,575 |
| Training hours completed | 120 | 120 | 120 | 120 | 120 |
| Library: | | | | | |
| Registered borrowers | 28,038 | 28,701 | 29,311 | 29,328 | 28,945 |
| Items circulated | 283,401 | 309,639 | 320,835 | 345,945 | 363,726 |
| Reference transactions | 17,936 | 22,665 | 25,973 | 26,864 | 28,178 |
| Program attendance | 19,033 | 18,643 | 17,900 | 12,485 | 10,348 |
| Library visits | 219,155 | 236,778 | 243,485 | 241,598 | 246,483 |
| Museum visits | 2,024 | 2,729 | 2,718 | 2,598 | 2,619 |
| Hours of literacy tutoring | 1,798 | 1,508 | 1,564 | 1,533 | 1,181 |
| Library website logins | 113,629 | 95,200 | 96,838 | 116,588 | 125,929 |
| Electronic database logins | 87,667 | 92,241 | 82,142 | 39,670 | 34,453 |
| Internet sessions | 27,016 | 27,357 | 27,296 | 29,574 | 31,082 |

Sources: Various city departments and prior year Comprehensive Annual Financial Reports

- (1) Murder, criminal sexual conduct, robbery, aggravated assault, burglary, larceny, arson, vehicle theft
- (2) Malicious destruction of property, disorderly conduct, assault, family trouble, etc.

Operating Indicators June 30, 2014

| Fiscal Year | | | | |
|-------------|---------|---------|---------|---------|
| 2009 | 2008 | 2007 | 2006 | 2005 |
| 1,437 | 1,785 | 2,139 | 2,725 | 2,515 |
| 3,427 | 3,625 | 4,330 | 4,713 | 4,435 |
| 249 | 265 | 280 | 279 | 339 |
| 1,185 | 1,252 | 1,205 | 1,231 | 1,429 |
| 416 | 562 | 383 | 149 | 158 |
| 15,657 | 16,560 | 18,022 | 23,947 | 18,949 |
| 4,770 | 4,633 | 5,351 | 7,440 | 6,592 |
| 2,144 | 2,290 | 2,505 | 2,420 | 2,315 |
| 93 | 142 | 177 | 126 | 103 |
| 264 | 257 | 216 | 206 | 189 |
| 1,406 | 1,397 | 1,281 | 1,392 | 1,374 |
| 2,386 | 2,473 | 2,273 | 1,377 | 1,783 |
| 4,662 | 4,577 | 4,635 | 4,894 | 4,510 |
| 717 | 542 | 582 | 1,258 | 538 |
| 3,061 | 2,317 | 2,554 | 3,018 | 2,182 |
| 120 | 120 | 845 | 853 | 844 |
| 28,587 | 27,583 | 24,218 | 23,850 | 23,451 |
| 354,384 | 330,731 | 338,157 | 336,518 | 322,508 |
| 26,337 | 25,346 | 24,218 | 20,816 | 22,196 |
| 8,623 | 8,878 | 6,810 | 8,148 | 7,174 |
| 255,562 | 177,294 | 174,379 | 183,515 | 203,730 |
| 2,293 | 2,441 | 2,746 | 2,507 | 2,487 |
| 1,764 | 954 | 1,347 | 1,293 | 1,413 |
| 125,625 | 115,502 | 101,215 | 94,831 | 95,427 |
| 22,393 | 16,897 | 14,465 | 11,894 | 14,874 |
| 33,704 | 25,984 | 25,733 | 26,316 | 24,099 |

City of St. Clair Shores, Michigan

| Function/Program | Fiscal Year | | | | |
|-------------------------------------------------|-------------|----------|----------|----------|----------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Election data (November general election data): | | | | | |
| Registered voters | 48,420 | 48,869 | 48,311 | 48,326 | 48,252 |
| Voters at polls | 4,569 | 23,480 | 7,220 | 17,127 | 5,919 |
| Absentee ballots | 5,283 | 10,177 | 5,804 | 7,946 | 6,031 |
| Percent voting | 20.25% | 68.86% | 29.96% | 51.88% | 24.77% |
| 40th District Court - Cases handled: | | | | | |
| Civil | 1,918 | 1,918 | 1,893 | 2,034 | 1,946 |
| Criminal | 1,712 | 1,980 | 1,622 | 1,481 | 1,706 |
| Traffic | 16,862 | 17,493 | 15,786 | 16,267 | 15,420 |
| Landlord and tenant | 569 | 638 | 736 | 703 | 592 |
| Small claims | 182 | 227 | 229 | 235 | 235 |
| Parking | 7,596 | 6,833 | 5,677 | 5,160 | 4,215 |
| Code violations | 457 | 613 | 485 | 333 | 407 |
| Water and sewer services: | | | | | |
| Customers: | | | | | |
| Residential | 23,945 | 23,952 | 23,972 | 23,972 | 23,976 |
| Commercial | 1,323 | 1,316 | 1,312 | 1,314 | 1,318 |
| Water (in thousand cubic feet): | | | | | |
| Purchased from Detroit | 221,170 | 219,745 | 250,578 | 266,800 | 246,914 |
| Sold to residents | 198,914 | 220,926 | 220,087 | 211,951 | 219,493 |
| Water rates (in thousand cubic feet): | | | | | |
| 1,000 CU feet | \$ 34.62 | \$ 34.62 | \$ 30.84 | \$ 26.55 | \$ 25.90 |
| 2,000 CU feet | \$ 34.62 | \$ 34.62 | \$ 30.84 | \$ 26.55 | \$ 25.90 |
| Over 3,000 CU feet | \$ 34.62 | \$ 34.62 | \$ 30.84 | \$ 26.55 | \$ 25.90 |
| Sewer rates (in thousand cubic feet): | | | | | |
| 1,000 CU feet | \$ 50.36 | \$ 48.66 | \$ 46.27 | \$ 40.68 | \$ 34.53 |
| 2,000 CU feet | \$ 50.36 | \$ 48.66 | \$ 46.27 | \$ 40.68 | \$ 34.53 |
| Over 3,000 CU feet | \$ 50.36 | \$ 48.66 | \$ 46.27 | \$ 40.68 | \$ 34.53 |

Sources: Various city departments and prior year Comprehensive Annual Financial Report

Operating Indicators (Continued)
June 30, 2014

| Fiscal Year | | | | |
|-------------|----------|----------|----------|----------|
| 2009 | 2008 | 2007 | 2006 | 2005 |
| 49,193 | 48,605 | 47,547 | 47,798 | 47,531 |
| 24,336 | 8,850 | 20,444 | 8,956 | 25,618 |
| 11,387 | 6,458 | 8,411 | 5,886 | 10,573 |
| 72.68% | 31.49% | 60.69% | 31.05% | 76.14% |
| 2,154 | 2,105 | 1,860 | 1,593 | 1,396 |
| 1,982 | 2,155 | 2,274 | 1,890 | 1,795 |
| 15,657 | 16,052 | 17,556 | 19,718 | 21,213 |
| 679 | 556 | 436 | 372 | 268 |
| 271 | 285 | 288 | 332 | 373 |
| 4,770 | 4,572 | 5,190 | 7,525 | 6,533 |
| 475 | 451 | 256 | 73 | 53 |
| 23,998 | 23,997 | 24,002 | 23,958 | 23,952 |
| 1,302 | 1,296 | 1,277 | 1,272 | 1,277 |
| 253,742 | 291,292 | 279,684 | 307,220 | 334,315 |
| 236,677 | 249,874 | 241,595 | 261,208 | 239,213 |
| \$ 21.55 | \$ 19.60 | \$ 18.93 | \$ 17.60 | \$ 18.95 |
| \$ 21.55 | \$ 19.60 | \$ 18.93 | \$ 17.60 | \$ 18.95 |
| \$ 21.55 | \$ 19.60 | \$ 18.93 | \$ 17.60 | \$ 18.95 |
| \$ 28.49 | \$ 27.06 | \$ 27.06 | \$ 26.53 | \$ 26.53 |
| \$ 28.49 | \$ 27.06 | \$ 27.06 | \$ 26.53 | \$ 26.53 |
| \$ 28.49 | \$ 27.06 | \$ 27.06 | \$ 26.53 | \$ 26.53 |

City of St. Clair Shores, Michigan

| Function/Program | Fiscal Year | | | | |
|-------------------------------------------|-------------|--------|--------|--------|--------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Parks and recreation: | | | | | |
| Adult athletic attendance | 1,074 | 1,069 | 1,088 | 1,092 | 1,073 |
| Youth athletic attendance | 7,689 | 7,632 | 7,571 | 7,651 | 7,562 |
| Instructional swim attendance | 925 | 858 | 839 | 902 | 870 |
| Instructional rec. attendance | 2,482 | 2,311 | 2,297 | 2,315 | 2,292 |
| Senior program attendance | 43,291 | 41,386 | 39,623 | 37,544 | 36,498 |
| SMART program attendance | 22,106 | 21,049 | 20,751 | 19,765 | 18,210 |
| USDA meals program/senior meals | 8,610 | 8,520 | 8,434 | 8,293 | 7,421 |
| Health-O-Rama attendance (1) | N/A | N/A | N/A | N/A | N/A |
| Seniors apple pie sale (number sold) | 945 | 910 | 750 | 910 | 1,100 |
| Senior volunteer hours | 10,213 | 9,217 | 8,159 | 11,743 | 19,210 |
| Summer playground attendance | 868 | 1,229 | 905 | 947 | 935 |
| Pool attendance | 19,558 | 20,744 | 17,112 | 11,621 | 11,219 |
| Boat wells rented (2) | 222 | 194 | 198 | 198 | 216 |
| Pool/Waterslide attendance | 26,772 | 25,777 | 22,659 | 18,989 | 18,698 |
| Boat ramp usage | 9,377 | 8,661 | 4,351 | 16,484 | 14,347 |
| Golf course attendance | 46,578 | 46,870 | 48,548 | 45,289 | 47,064 |
| Ice rental - Number of hours | 6,511 | 6,373 | 6,334 | 7,418 | 7,358 |
| Public skating attendance (3) | 8,078 | 7,366 | 7,184 | 7,322 | 7,629 |
| Ice skating lessons attendance (4) | 1,171 | 1,083 | 1,030 | 1,563 | 1,666 |
| Special events attendance (5) | 21,692 | 20,768 | 21,041 | 20,648 | 19,377 |
| Special recreation program attendance (6) | 1,989 | 1,862 | 1,940 | 1,980 | 1,940 |

Sources: Various city departments and prior year Comprehensive Annual Financial Report

- (1) Beginning in fiscal year 2007/2008, we are no longer a host site for this program.
- (2) Number of rentals may exceed wells available for rent due to wells being reserved for more than one party during a season.
- (3) Includes public skate, adult skate, shift hockey, and parent/tot skates, high school shift hockey, Parents & Pucks
- (4) Classes converted from 6-8 weeks reducing enrollment by one season
- (5) Includes the Ice Show, Autumn Classic, Silver Stick Tournaments, High School Christmas & State Tournament, Youth State Tournament, Youth Great Lakes Thanksgiving Tournament, Benefit Hockey Game-Mutart and Redwings Alumni Game - GTJ
- (6) Includes Coney for Kids, Special Needs Golf Outing, end of year picnic, and Special Friends Skating (weekly ice skating)

Operating Indicators (Continued)
June 30, 2014

| Fiscal Year | | | | |
|-------------|--------|--------|--------|--------|
| 2009 | 2008 | 2007 | 2006 | 2005 |
| 989 | 919 | 867 | 880 | 1,050 |
| 7,321 | 7,195 | 6,895 | 7,165 | 3,425 |
| 747 | 1,200 | 1,211 | 1,000 | 1,000 |
| 2,418 | 2,330 | 2,313 | 2,350 | 2,300 |
| 32,198 | 39,487 | 39,684 | 40,050 | 38,939 |
| 16,700 | 22,795 | 21,002 | 20,905 | 19,259 |
| 5,656 | 10,072 | 5,861 | 5,719 | 5,441 |
| N/A | N/A | 163 | 109 | 215 |
| 1,000 | 1,000 | 1,000 | 1,260 | 1,260 |
| 18,500 | 17,682 | 16,405 | 16,351 | 16,305 |
| 1,080 | 1,000 | 1,180 | 1,200 | 1,300 |
| 6,857 | 22,500 | 22,000 | 21,800 | 13,400 |
| 223 | 247 | 278 | 315 | 325 |
| 20,177 | 14,100 | 13,900 | 12,000 | 10,500 |
| 22,204 | 14,800 | 15,200 | 15,000 | 14,500 |
| 48,352 | 49,548 | 51,167 | 54,124 | 54,771 |
| 7,133 | 7,182 | 7,487 | 7,730 | 8,443 |
| 6,997 | 6,864 | 6,834 | 8,110 | 5,607 |
| 1,781 | 1,765 | 1,648 | 1,696 | 1,570 |
| 19,224 | 16,053 | 16,286 | 16,383 | 14,231 |
| 1,367 | 1,200 | 1,200 | 1,200 | 900 |

City of St. Clair Shores, Michigan

| Function/Program | Fiscal Year | | | | |
|-----------------------------------|-------------|---------|---------|---------|---------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Police stations | 1 | 1 | 1 | 1 | 1 |
| Fire stations: | | | | | |
| Stations | 3 | 3 | 3 | 3 | 3 |
| Number of fire hydrants | 1,759 | 1,758 | 1,758 | 1,758 | 1,758 |
| Library: | | | | | |
| Book collections | 136,172 | 143,114 | 142,548 | 141,038 | 139,753 |
| Other collections (1) | 26,161 | 25,386 | 27,491 | 28,485 | 32,182 |
| Other public works: | | | | | |
| Miles of city streets - Primary | 35.08 | 35.08 | 35.08 | 35.08 | 35.08 |
| Miles of city streets - Secondary | 152.04 | 152.04 | 152.04 | 152.04 | 152.04 |
| Estimated miles of sidewalks | 366 | 366 | 366 | 366 | 366 |
| Bridges | 4 | 4 | 4 | 4 | 4 |
| Streetlights | 4,079 | 4,079 | 4,090 | 4,090 | 4,090 |
| Parks and recreation: | | | | | |
| Acres | 371 | 371 | 371 | 371 | 371 |
| Developed parks | 14 | 14 | 14 | 14 | 14 |
| Boat wells | 362 | 362 | 362 | 362 | 362 |
| Ice rinks | 2 | 2 | 2 | 2 | 2 |
| Senior center | 1 | 1 | 1 | 1 | 1 |
| Golf course | 1 | 1 | 1 | 1 | 1 |
| Water and sewer: | | | | | |
| Miles of water mains | 220 | 220 | 220 | 220 | 220 |
| Miles of sanitary sewers | 229 | 229 | 229 | 229 | 229 |

Sources: Various city departments and prior year Comprehensive Annual Financial Report

Note: No capital asset indicators are available for the general government

(1) Includes audio/video cassettes, compact discs, talking books, magazines, etc.

Capital Asset Statistics
June 30, 2014

| Fiscal Year | | | | |
|-------------|---------|---------|---------|---------|
| 2009 | 2008 | 2007 | 2006 | 2005 |
| 1 | 1 | 1 | 1 | 1 |
| 3 | 3 | 3 | 3 | 3 |
| 1,758 | 1,706 | 1,706 | 1,706 | 1,701 |
| 146,656 | 142,524 | 140,542 | 125,188 | 120,583 |
| 17,810 | 16,865 | 15,034 | 24,571 | 22,538 |
| 35.08 | 35 | 35.08 | 35.08 | 35.08 |
| 152.04 | 152 | 152.04 | 152.04 | 152.04 |
| 366 | 366 | 366 | 365 | 365 |
| 4 | 4 | 4 | 4 | 4 |
| 4,090 | 4,090 | 4,090 | 4,090 | 4,090 |
| 371 | 371 | 371 | 371 | 371 |
| 14 | 14 | 14 | 14 | 14 |
| 362 | 362 | 362 | 362 | 362 |
| 2 | 2 | 2 | 2 | 2 |
| 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 |
| 220 | 220 | 220 | 220 | 220 |
| 229 | 229 | 229 | 229 | 229 |

City of St. Clair Shores, Michigan

Continuing Disclosure Items Contents

| | |
|-----------------------------------------------------------------------------------------------------------|---------|
| State Equalized Valuation and Taxable Valuation | 156 |
| Breakdown of Current Taxable Valuation | 157 |
| Tax Rate Limitations | 158 |
| Population | 159 |
| Receipts of Gas and Weight Taxes | 160 |
| Debt Statement | 161 |
| Revenue-sharing Payments from the State of Michigan - General, Special Revenue, and Debt Service Funds | 162 |
| Water Sold vs. Water Purchased | 163 |
| Water Customers and Consumption | 164 |
| History of Utility Rates | 165-166 |
| Sewer Rates - Commercial and Industrial Users | 167 |
| History of Residential Water and Sewer Rate Increases | 168 |
| Ten Largest Water and Sewer Customers | 169 |
| Historical Net Earnings, Cash Flow, and Debt Service Coverage - Utility Fund | 170 |
| Schedule of Bond Maturities | 171 |
| General Fund - Fund Balance | 172 |

City of St. Clair Shores, Michigan

State Equalized Valuation and Taxable Valuation Five-year History

| Assessed Value as of December 31 | Year of State Equalization and Tax Levy | Fiscal Year Ended June 30 | State Equalized Valuation | Taxable Valuation |
|-------------------------------------|-----------------------------------------------|---------------------------------|------------------------------|-------------------|
| 2012 | 2013 | 2014 | \$ 1,378,913,150 | \$ 1,351,567,250 |
| 2011 | 2012 | 2013 | 1,445,171,495 | 1,411,060,130 |
| 2010 | 2011 | 2012 | 1,590,661,840 | 1,550,456,440 |
| 2009 | 2010 | 2011 | 1,783,746,580 | 1,704,306,080 |
| 2008 | 2009 | 2010 | 2,130,632,700 | 1,949,303,753 |

Per capita 2014 Ad Valorem Taxable Value is \$22,481 based on the 2014 estimated population of 60,120

City of St. Clair Shores, Michigan

Breakdown of Current Taxable Valuation June 30, 2014

| | <u>Percent</u> |
|-------------------|-------------------|
| By Use | |
| Residential | 81 |
| Commercial | 18 |
| Industrial | <u>1</u> |
| Total | <u><u>100</u></u> |
| By Class | |
| Real property | 95 |
| Personal property | <u>5</u> |
| Total | <u><u>100</u></u> |

City of St. Clair Shores, Michigan

Tax Rate Limitations June 30, 2014

The City Charter provides tax rate limitations as follows:

| Purpose | Rate (per \$1,000 of State Equalized Valuation) | Maximum Permitted Rate per \$1,000 of Taxable Valuation |
|---------------------------------|-------------------------------------------------------|---------------------------------------------------------------|
| General operating | 8.00 | 6.2987 |
| Voted street | 1.00 | 0.9830 |
| Voted police and fire operating | 2.00 | 2.0000 |

The City may levy taxes in excess of the above limitation pursuant to State law for the following purposes:

| Purpose | Authority | Rate (per \$1,000 of Taxable Valuation) |
|--------------------------------------|-----------------------------------------------|--------------------------------------------|
| Refuse collection and disposal | Act 298, P.A. of Michigan 1917, as amended | 2.3618 |
| Police and fire pension requirements | Act 345, P.A. of Michigan 1937, as amended | Amount required to make contribution |
| Community promotion | Act 359, P.A. of Michigan 1925, as amended | 4.0 or \$50,000 (the lesser of the two) |
| Library | Act 164, P.A. of Michigan 1877, as amended | 0.9244 |

In addition, Article IX, Section 6 of the State of Michigan Constitution permits the levy of millage in excess of the above for the following:

1. All debt service on tax-supported bonds issued prior to December 23, 1978 or tax-supported issues that have been approved by the voters for which the issuer has pledged its full faith and credit
2. Operating purposes for a specified period of time provided that said increase is approved by a majority of the qualified electors of the local unit

City of St. Clair Shores, Michigan

Population

| | |
|-------------------|--------|
| 2014 (estimated)* | 60,120 |
| 2013 (estimated)* | 59,721 |
| 2012 (estimated)* | 59,419 |
| 2011 (estimated)* | 59,715 |
| 2010 (estimated)* | 59,715 |
| 2009 (estimated)* | 59,588 |
| 2008 (estimated)* | 60,035 |
| 2007 (estimated)* | 61,028 |
| 2006 (estimated)* | 60,759 |
| 2000 U.S. Census | 63,096 |
| 1990 U.S. Census | 68,107 |
| 1980 U.S. Census | 76,210 |
| 1970 U.S. Census | 88,093 |

* Source: Southeast Michigan Council of Governments (SEMCOG)

City of St. Clair Shores, Michigan

Receipts of Gas and Weight Taxes Last Five Fiscal Years

| <u>Fiscal Year Ended June 30</u> | <u>Gas and Weight Tax Monies Received</u> |
|--------------------------------------|---------------------------------------------------|
| 2014 | \$ 3,487,965 |
| 2013 | 3,382,720 |
| 2012 | 3,357,263 |
| 2011 | 3,283,783 |
| 2010 | 3,235,869 |

City of St. Clair Shores, Michigan

Debt Statement June 30, 2014

| City Direct Debt | Gross | Self-supporting | Net | Net Debt (1) | |
|---------------------------------------|----------------------|---------------------|----------------------|------------------|-------------------------------------|
| | | | | Per Capita | Percentage of Taxable Valuation (3) |
| MTF/MVH bonds LTGO | \$ 2,988,988 | \$ 2,988,988 | \$ - | | |
| Revenue refunding bonds LTGO | - | - | - | | |
| Governmental LTGO Bonds | 1,829,797 | 1,829,797 | | | |
| Building authority revenue bonds LTGO | - | - | - | | |
| Share of County-issued bonds | 33,887,110 | - | 33,887,110 | | |
| Contractual obligations | 327,658 | 327,658 | - | | |
| TIFA revenue bonds | - | - | - | | |
| Total direct debt | \$ 39,033,553 | \$ 5,146,443 | \$ 33,887,110 | \$ 563.66 | 2.51 |

| City Overlapping Debt (2) | Gross | City Share as Percentage of Gross | Net City Share | Net Debt (1) | |
|-----------------------------------------------|-----------------------|-----------------------------------|-----------------------|--------------------|-------------------------------------|
| | | | | Per Capita | Percentage of Taxable Valuation (3) |
| South Lake School District | \$ 18,080,000 | 86.56 | \$ 15,650,048 | | |
| Lakeview School District | 31,910,000 | 100.00 | 31,910,000 | | |
| Lake Shore School District | 22,735,000 | 100.00 | 22,735,000 | | |
| L'Anse Creuse School District | 296,240,215 | 0.07 | 207,368 | | |
| Macomb ISD | - | - | - | | |
| Macomb Community College | 15,625,000 | 5.59 | 873,438 | | |
| Macomb County at large | 37,770,528 | 5.59 | 2,111,373 | | |
| Total overlapping debt | 422,360,743 | | 73,487,227 | \$ 1,222.34 | 5.44 |
| Total City direct and overlapping debt | \$ 461,394,296 | | \$ 107,374,337 | \$ 1,786.00 | 7.95 |

(1) Based upon the Southeastern Michigan Council of Governments 2014 estimated population of 60,120 and 2014 ad valorem valuation of \$1,351,567,250

(2) Overlapping debt is the portion of other taxing units debt for which a City taxpayer is responsible in addition to debt of the City.

(3) The percent of overlap is the value of the property in the overlapping area divided by the total value of property of the overlapping government.

City of St. Clair Shores, Michigan

Revenue-sharing Payments from the State of Michigan General, Special Revenue, and Debt Service Funds Last Five Fiscal Years

| <u>Years Ended June 30</u> | <u>Revenue- sharing Payments</u> |
|--------------------------------|------------------------------------------|
| 2010 | \$ 8,677,159 |
| 2011 | 8,614,685 |
| 2012 | 8,680,732 |
| 2013 | 8,801,539 |
| 2014 | 9,271,194 |

City of St. Clair Shores, Michigan

Water Sold vs. Water Purchased

| <u>Fiscal Year</u> <u>Ended June 30</u> | <u>Purchased (1)</u> | <u>Sold (1) (2)</u> |
|--------------------------------------------|----------------------|---------------------|
| 2005 | 334,315 | 239,213 |
| 2006 | 307,220 | 261,208 |
| 2007 | 279,684 | 241,595 |
| 2008 | 291,292 | 249,874 |
| 2009 | 253,742 | 236,677 |
| 2010 | 246,914 | 219,493 |
| 2011 | 266,800 | 211,951 |
| 2012 | 250,578 | 220,087 |
| 2013 | 219,745 | 220,926 |
| 2014 | 221,170 | 198,914 |

(1) Unit = 1,000 metered cubic feet (MCF)

(2) Data taken from monthly billing summaries.

Each of the three districts are billed quarterly.

Figures do not reflect accruals for unbilled amounts.

City of St. Clair Shores, Michigan

Water Customers and Consumption

| Type of User | Fiscal Year Ended June 30 | | | | |
|-------------------------------------------------|---------------------------|----------------|----------------|----------------|----------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Number of Water Customers | | | | | |
| Residential | 23,945 | 23,952 | 23,972 | 23,972 | 23,976 |
| Commercial | 1,323 | 1,316 | 1,312 | 1,314 | 1,318 |
| Total | 25,268 | 25,268 | 25,284 | 25,286 | 25,294 |
| Water Consumption by Number of Units (1) | | | | | |
| Residential | 171,066 | 189,996 | 189,275 | 182,278 | 188,764 |
| Commercial | 27,848 | 30,930 | 30,812 | 29,673 | 30,729 |
| Total | 198,914 | 220,926 | 220,087 | 211,951 | 219,493 |
| Percent of Water Consumption by Category | | | | | |
| Residential | 86% | 86% | 86% | 86% | 86% |
| Commercial | 14% | 14% | 14% | 14% | 14% |
| Total | 100% | 100% | 100% | 100% | 100% |

(1) Unit = 1,000 metered cubic feet

City of St. Clair Shores, Michigan

| Fiscal Years Ended June 30 | Water | | Sanitary Sewer | |
|-------------------------------|----------|-------------------|----------------|-------------------|
| | Per MCF | Percent Change | Per MCF | Percent Change |
| 2005 | \$ 18.95 | (0.63) | \$ 26.53 | 1.57 |
| 2006 | 17.60 | (7.12) | 26.53 | - |
| 2007 | 18.93 | 7.56 | 27.06 | 2.00 |
| 2008 | 19.60 | 3.54 | 27.06 | - |
| 2009 | 21.55 | 9.95 | 28.49 | 5.28 |
| 2010 | 25.90 | 20.18 | 34.53 | 21.20 |
| 2011 | 26.55 | 2.51 | 40.68 | 17.81 |
| 2012 | 30.84 | 16.16 | 46.27 | 13.74 |
| 2013 | 34.62 | 12.26 | 48.66 | 5.17 |
| 2014 | 34.62 | 0.00 | 50.36 | 3.49 |

(1) Based on a non-lakefront residential lot

(2) Based on average consumption of 2.5 thousand cubic feet

History of Utility Rates

| Storm Sewer | | | Average Quarterly Bill | | | |
|-----------------------|-------------------|-------------------------------|-------------------------------------------------------|---------------|-------------------|--|
| Per Quarter (1) | Percent Change | Billing Charge Per Quarter | Operation and Maintenance Charge Per Quarter | Amount (2) | Percent Change | |
| \$ 6.00 | - | \$ 3.00 | \$ 0.49 | \$ 123.91 | 0.08 | |
| 10.59 | 76.50 | 3.00 | 0.49 | 124.39 | 0.39 | |
| 11.15 | 5.29 | 3.00 | 0.49 | 129.62 | 4.20 | |
| 10.09 | (9.51) | 3.00 | 0.49 | 130.23 | 0.47 | |
| 10.43 | 3.37 | 3.00 | 0.49 | 139.02 | 6.75 | |
| 10.43 | - | 3.00 | 0.49 | 165.00 | 18.69 | |
| 10.41 | (0.19) | 5.00 | 0.49 | 183.98 | 11.50 | |
| 7.89 | (24.20) | 5.00 | 0.49 | 206.16 | 12.06 | |
| 7.80 | (1.14) | 5.00 | 0.49 | 221.49 | 7.44 | |
| 8.04 | 3.08 | 5.00 | 0.49 | 225.98 | 2.03 | |

City of St. Clair Shores, Michigan

Sewer Rates - Commercial and Industrial Users (1)

| Meter Size | Fiscal Year Ended June 30 | | | | |
|------------|---------------------------|----------|----------|----------|----------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| 5/8" | \$ 26.55 | \$ 25.38 | \$ 23.55 | \$ 20.55 | \$ 18.75 |
| 3/4" | 39.94 | 38.07 | 35.34 | 30.84 | 28.14 |
| 1" | 66.39 | 63.45 | 58.89 | 51.39 | 46.89 |
| 1-1/2" | 146.04 | 139.59 | 129.54 | 113.04 | 103.14 |
| 2" | 212.40 | 203.04 | 188.40 | 164.40 | 150.00 |
| 3" | 384.99 | 368.01 | 341.49 | 297.99 | 271.89 |
| 4" | 531.00 | 507.60 | 471.00 | 411.00 | 375.00 |
| 6" | 796.50 | 761.70 | 706.50 | 616.50 | 562.50 |

- (1) Commercial and industrial users pay this additional charge quarterly based on the size of their water meter.

City of St. Clair Shores, Michigan

History of Residential Water and Sewer Rate Increases

| | Average Quarterly Bill (1) | Percent Change |
|--------------------|----------------------------------|-------------------|
| Effective 07/01/04 | \$ 123.91 | 0.08 |
| Effective 07/01/05 | 124.39 | 0.39 |
| Effective 07/01/06 | 129.62 | 4.19 |
| Effective 07/01/07 | 130.23 | 0.47 |
| Effective 07/01/08 | 139.04 | 6.77 |
| Effective 07/01/09 | 164.99 | 18.67 |
| Effective 07/01/10 | 183.98 | 11.51 |
| Effective 07/01/11 | 206.15 | 12.05 |
| Effective 07/01/12 | 221.48 | 7.44 |
| Effective 07/01/13 | 225.97 | 2.03 |

(1) Average monthly bill assumes approximately 2,500 metered cubic feet usage and 5/8" water meter.

City of St. Clair Shores, Michigan

Ten Largest Water and Sewer Customers Fiscal Year Ended June 30, 2014

| Customer | Usage (1) | Percent of Total (2) | Revenue | Percent of Total (3) |
|------------------------------------|----------------------|----------------------------|----------------------------|-------------------------|
| Lakeshore Village | 2,984 | 1.50 | \$ 255,780 | 1.30 |
| Butcher Boy | 1,875 | 0.94 | 162,777 | 0.83 |
| Shore Club | 1,613 | 0.81 | 144,042 | 0.73 |
| Shorepointe Nursing/Village | 1,353 | 0.68 | 123,478 | 0.63 |
| Williamsburg | 1,312 | 0.66 | 117,289 | 0.60 |
| Woodbridge East | 1,219 | 0.61 | 108,612 | 0.55 |
| Northshore | 1,211 | 0.61 | 105,165 | 0.54 |
| Gordon Russell/Russell Investments | 1,008 | 0.51 | 89,649 | 0.46 |
| Leisure Manor | 957 | 0.48 | 86,756 | 0.44 |
| Riviera Terrace | 762 | 0.38 | 65,217 | 0.33 |
| Total | <u>14,294</u> | <u>7.18</u> | <u>\$ 1,258,765</u> | <u>6.41</u> |

(1) Unit = 1,000 metered cubic feet

(2) Based on June 30, 2014 total water sales of 198,914 units

(3) Based on June 30, 2014 operating revenue of \$18,770,597

City of St. Clair Shores, Michigan

Historical Net Earnings, Cash Flow, and Debt Service Coverage - Utility Fund Last Five Years

| | Fiscal Year Ended June 30 | | | | |
|----------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Operating revenue | \$ 18,770,597 | \$ 19,603,858 | \$ 18,977,513 | \$ 18,688,301 | \$ 15,561,231 |
| Operating expenses | <u>17,502,768</u> | <u>17,863,583</u> | <u>16,861,791</u> | <u>17,284,843</u> | <u>15,501,805</u> |
| Operating income | 1,267,829 | 1,740,275 | 2,115,722 | 1,403,458 | 59,426 |
| Other revenue | 2,917,336 | 3,041,359 | 3,051,326 | 2,925,726 | 13,468,659 |
| Other expenses | <u>(1,289,951)</u> | <u>(1,388,180)</u> | <u>(1,505,409)</u> | <u>(1,603,171)</u> | <u>(1,656,238)</u> |
| Net income | 2,895,214 | 3,393,454 | 3,661,639 | 2,726,013 | 11,871,847 |
| Plus: | | | | | |
| Depreciation | 2,145,472 | 2,017,551 | 1,976,059 | 1,874,933 | 1,780,747 |
| Interest expense | <u>1,259,221</u> | <u>1,347,196</u> | <u>1,505,409</u> | <u>1,603,171</u> | <u>1,559,232</u> |
| Cash available for debt service | <u>\$ 6,299,907</u> | <u>\$ 6,758,201</u> | <u>\$ 7,143,107</u> | <u>\$ 6,204,117</u> | <u>\$ 15,211,826</u> |
| Debt service (1) | \$ 211,955 | \$ 208,260 | \$ 214,079 | \$ 209,604 | \$ 209,885 |
| Historical debt service coverage | 28.29x | 32.45x | 33.37x | 29.60x | 72.48x |

(1) Includes principal and interest payments on all current and prior revenue bonds

City of St. Clair Shores, Michigan

Schedule of Bond Maturities

| Fiscal Year | Municipal Purchase | | | | | |
|--------------|--------------------|-------------------|---------------------|----------------------|---------------------|---------------------|
| | Agreement | Revenue Bonds | Court | Drain | Water | MTF Bonds |
| 2015 | \$ 61,171 | \$ 195,000 | \$ 60,000 | \$ 2,330,339 | \$ 405,000 | \$ 125,000 |
| 2016 | 61,171 | 200,000 | 60,000 | 2,290,708 | 410,000 | 130,000 |
| 2017 | 61,171 | 215,000 | 60,000 | 2,347,713 | 425,000 | 130,000 |
| 2018 | 61,171 | - | 65,000 | 2,425,055 | 435,000 | 130,000 |
| 2019 | 61,171 | - | 65,000 | 2,489,367 | 450,000 | 135,000 |
| 2020 | 21,803 | - | 65,000 | 2,578,312 | 465,000 | 140,000 |
| 2021 | - | - | 65,000 | 2,662,121 | 485,000 | 145,000 |
| 2022 | - | - | 65,000 | 2,757,215 | 500,000 | 150,000 |
| 2023 | - | - | 70,000 | 2,863,443 | 520,000 | 155,000 |
| 2024 | - | - | 70,000 | 1,328,164 | 545,000 | 160,000 |
| 2025 | - | - | 70,000 | 1,366,414 | 565,000 | 165,000 |
| 2026 | - | - | 75,000 | 1,434,342 | 585,000 | 170,000 |
| 2027 | - | - | 75,000 | 1,481,551 | 310,063 | 180,000 |
| 2028 | - | - | 75,000 | 1,561,960 | 310,000 | 185,000 |
| 2029 | - | - | 80,000 | 1,627,896 | 325,000 | 195,000 |
| 2030 | - | - | 80,000 | 1,694,672 | 340,000 | 205,000 |
| 2031 | - | - | 80,000 | 27,285 | 355,000 | 210,000 |
| 2032 | - | - | 85,000 | - | 370,000 | 220,000 |
| 2033 | - | - | 85,000 | - | - | - |
| 2034 | - | - | 90,000 | - | - | - |
| 2035 | - | - | 90,000 | - | - | - |
| 2036 | - | - | 95,000 | - | - | - |
| 2037 | - | - | 100,000 | - | - | - |
| 2038 | - | - | 100,000 | - | - | - |
| Total | \$ 327,658 | \$ 610,000 | \$ 1,825,000 | \$ 33,266,557 | \$ 7,800,063 | \$ 2,930,000 |

Debt history: There is no record of default.

Note: The difference between this schedule and the LTD note relates to unamortized deferred refunding cost and issue cost for the Water and Sewer 2004 Refunding Bonds, Water and Sewer 2006 Limited Tax Obligation Bonds, 2011 Capital Project Bonds, and the 2001 Lake St. Clair Clean Water Initiative Bonds.

City of St. Clair Shores, Michigan

General Fund - Fund Balance Last Five Fiscal Years

| <u>Fiscal Year</u> <u>Ended June 30</u> | <u>Fund</u> <u>Balance</u> |
|--------------------------------------------|-------------------------------|
| 2014 | \$ 22,954,385 |
| 2013 | 25,766,500 |
| 2012 | 26,757,198 |
| 2011 | 24,966,272 |
| 2010 | 24,101,880 |