

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, 2015**

City of St. Clair Shores, Michigan

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City of St. Clair Shores

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Phone: (586) 447-3322 Fax: (586) 445-5245 www.scsmi.net

Mayor

Kip C. Walby

Mayor Pro-Tem

John D. Caron

City Manager

Michael E. Smith

Finance Director/Treasurer

Douglas M. Haag



Council Members:

Peter A. Accica

Ronald J. Frederick

Peter A. Rubino

Candice B. Rusie

Chris M. Vitale

November 24, 2015

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, 2015 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 and 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 compliment 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 and the Brownfield Redevelopment Authority.

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 the 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 tremendous improvement. As of June 2015, the City had a 4.8 percent unemployment rate as compared to a statewide and national average of 5.3%. This compares to a year ago (June 30, 2014) when the numbers showed a City unemployment rate of 9.6%, statewide of 7.5% and a national unemployment rate of 6.1%. And, 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.

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 (i.e. property taxes for FY 2017 will be capped at the 2016 Consumer Price Index of .3%) 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 \$16.0 million, representing 34 percent of fiscal year 2015 budgeted expenditures of \$46.1 million. However, 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. Administration is currently looking at renewal options that will provide longer and broader financial sustainability.

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 May, 2015, Proposal 1 for road funding was overwhelmingly defeated by the electorate and remains unresolved by the legislature, placing a further burden on an already stressed City budget. Fortunately, City residents were pro-active with a local street millage. The current street millage of .9830 was last approved in 2009 and expired June 30, 2015. A renewal of 1.25 mills was approved on the November, 2014 ballot and expires June 30, 2020.

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 23 percent since fiscal year 2002. In doing so, a total of 74 positions have been eliminated. The annual savings from those positions exceeds \$7.4 million. 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 continue to seriously affect future budgets.

Other challenges include a drop in taxable property values of 37% since 2007 which equates to lost revenues of over \$34 million for just the General Fund. 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 loss is the equivalent of losing 1.0 mill in property tax each year. Finally, a study completed last year by the Michigan Municipal League showed 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 \$2 - \$3 million in the coming years. Management recognizes that this model is not sustainable and is in the early stages 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 2014-2015:

- 1) Conservative budgeting practices continued throughout the year. The unrestricted fund balance stands at \$16.0 million, which is an increase of \$800,000 (5%) from last year's level of \$15.2 million.
- 2) Once again, all staff positions were re-evaluated when they became open. As a result, further reductions included eliminating the Assistant Library Director position, the Animal Control Officer and a Construction Inspector. However, the positions for Deputy Clerk and Controller were filled.
- 3) The Community Development Department continued to enforce an active blight program aimed at maintaining property values. This included over 4,500 code enforcement inspections during the year. In addition, five substandard homes were demolished, seven tax foreclosed properties were rehabilitated and six new homes were built on vacant tax foreclosed properties.
- 4) The Library replaced carpeting, damaged bookshelves and computer workstations due to water damage and implemented an online & in-house credit card payment service for library fines and fees. In partnership with the Friends of the Library, a *Buy A Chair Campaign* to replace meeting room chairs was initiated.
- 5) The Finance Department assisted over 1,000 residents with flood damage claims, successfully completed an upgrade of the City's financial software and received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the 19th straight year.
- 6) The Communications Department reenergized it's 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 resulted in savings of nearly \$2 million over the 8 year life of the contract. Also, continued to operate the four million gallon Water Storage Reservoir and Pumping Station at 10 Mile & Harper to reduce the cost to purchase water from the Detroit Water and Sewerage Department (DWSD) which results in an annual savings of \$350,000 – \$500,000.
- 8) The Public Works Department also responded effectively to catastrophic record-breaking snowstorms and accumulations; windstorms and tree damage; and rain flood events. They purchased two new plow trucks with scraper and wing blades to better maintain

our roads during snow events. These were purchased with a \$320,000 Federal Highway Administration grant

- 9) As you can see, the City is ever vigilant in seeking out grant programs. 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.
- 10) The City Clerk's Office was awarded two Help America Vote Act (HAVA) grants. This paid for the cost of a new computer server and relocating Precinct 17 to the VFW Bruce Post. There were also two state elections administered in which 31,964 ballots were cast.
- 11) The Police Department responded to nearly 28,000 calls for service which resulted in over 1,800 arrests and 24,000 violations overall.
- 12) The Fire Department continued to operate effectively with 9,514 incident responses, up slightly from 9,146 last year. In addition, the department hired and trained 2 new firefighters, re-classified the A3 ambulance and added a repaired A5 ambulance back into the fleet. Finally, Video-Conferencing & Rope Rescue Equipment was added to all three fire stations for training.
- 13) 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.
- 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) Local volunteers were instrumental in launching two new and highly successful events: The Nautical Mile weekly bike ride thru the Shores and a monthly Farmers Market at Blossom Heath.
- 16) 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.

- 17) Communications Department produced and aired over 194 cable programs, special event programming, PSAs, station promos, commercials and business profiles for SCSTV. In our *Open for Business* segment, we spotlight some of the businesses that provide the economic backbone of our City.
- 18) Information Technology installed a Video Arraignment System to and from the 40th District Court to the Police Department. Also, implemented an on-line boat well reservation system with the DNR and Parks & Recreation Department on the City's website

Some of the Major Initiatives for July 1, 2015 and thereafter are as follows:

- 1) Several key development projects were initiated in 2014 that are moving forward in the coming year. The first is the replacement of the old Chapoton Apartments with a 147-bed skilled nursing facility and senior apartments. The other is the repurposing of the St. Gertrude campus into a Senior Living Facility with 139 apartments.
- 2) The Assessing Department will implement a state law that allows cities to greatly reduce the number of Winter Tax Bills that are mailed by combining them with the Summer Tax Bill if the amount added is less than \$100. The City will be able to realize a savings of \$26,000 as a result.
- 3) Replace several water mains and reconstruct residential streets as part of the long overdue infrastructure upgrade program.
- 4) 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.
- 5) 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).
- 6) Pre-approval has been given by HUD for up to \$1.7 million in improvements to the Senior Center.
- 7) The TIFA Board approved funding to restore the seawall at Blossom Heath marina.
- 8) Secure funding from a grant from the Michigan Natural Resources Trust Fund, Land and Water Conservation Fund, and Recreation Passport Fund to build Phase I of the proposed Skate Park.
- 9) The water meter replacement program continues and is nearing completion. 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.

- 10) Produce a City commercial in-house and use it as a marketing tool to attract new business and residents.
- 11) Establish a dedicated SCSTV Production studio to accommodate the growing need for programming.
- 12) Replace in-car mobile units for the Police Department and upgrade Fire Department software.
- 13) Paint the exterior of the Selinsky-Green Farmhouse Museum.
- 14) Redesign the Library newsletter and distribute it to all households in the City and Celebrate the Library's 80th Anniversary in September, 2015.
- 15) Implement on-line registrations for all Parks & Recreation programming.
- 16) The vacant parking lot behind city hall is being repurposed during the winter months to provide a new revenue stream in the form of storage rentals for boats, RV's vehicles, etc.
- 17) Establish a Community Foundation.
- 18) Create a Community Garden.
- 19) Continue with an austere budget program that includes careful evaluation of all positions and capital outlay requests.

Awards

For the nineteenth consecutive year, 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, 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards of state and local government accounting and financial reporting. Its attainment represents a significant accomplishment by a municipality and its management.

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 CAFR's must satisfy both generally accepted accounting principles and applicable legal requirements. The CAFR has been judged by an impartial panel to meet the high standards of the program including demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the CAFR.

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 nineteen 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.

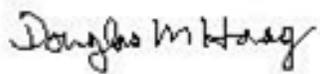
Acknowledgments

The preparation of the comprehensive 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 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



Laura Stowell
Controller/Deputy Treasurer



Government Finance Officers Association

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

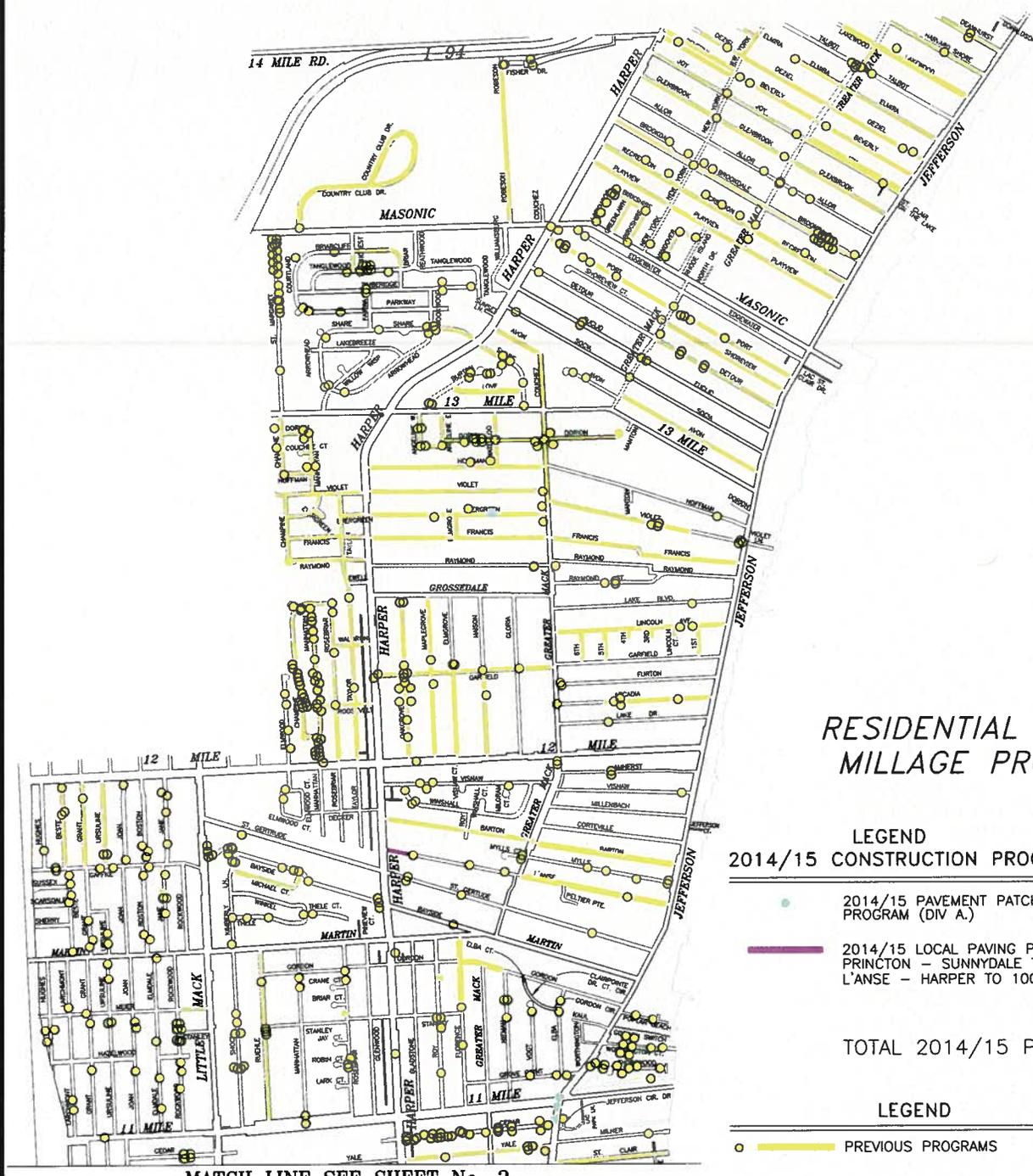
Presented to

**City of St. Clair Shores
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO



RESIDENTIAL STREET MILLAGE PROGRAM

LEGEND		COST
	2014/15 PAVEMENT PATCH REPAIR PROGRAM (DIV A.)	\$ 404,558
	2014/15 LOCAL PAVING PROJECT - PRINCETON - SUNNYDALE TO ALEXANDER L'ANSE - HARPER TO 1000 EAST	\$ 691,896
TOTAL 2014/15 PROGRAM		\$ 1,096,454

LEGEND		COST
	PREVIOUS PROGRAMS	\$ 27,682,660

TOTAL RESIDENTIAL STREETS PROGRAM \$ 28,779,114

MATCH LINE SEE SHEET No. 2



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

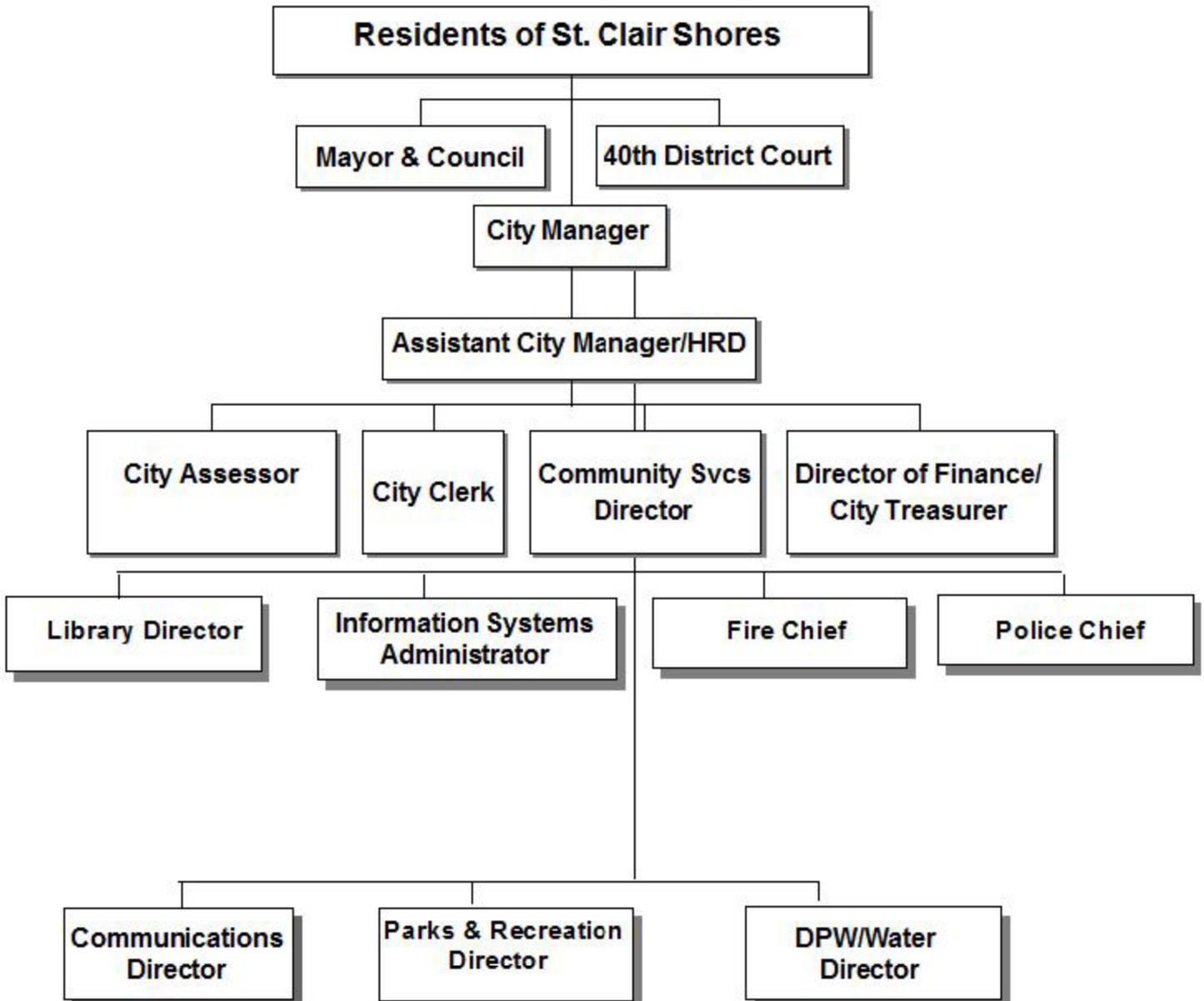
1 of 2

MATCH LINE SEE SHEET No. 1



	ANDERSON, ECKSTEIN AND WESTRICK, INC.	2 of 2
	Civil Engineers Surveyors Architects	
	51301 Schoenherr Road, Shelby Township, Michigan 48315	
	Phone 586 726 1234 Fax 586 726 8780	

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



City of St. Clair Shores, Michigan

List of Principal Officials June 30, 2015

City Manager

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

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, 2015, 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.

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, 2015 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 18 to the basic financial statements, the City of St. Clair Shores adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of implementing GASB Statement No. 68, the City of St. Clair Shores recognized its unfunded pension benefit obligation as a liability for the first time, and more comprehensively and comparably measured the annual costs of pension benefits. Adopting GASB Statement No. 68 also resulted in revised note disclosures and required supplemental information. Our opinion is not modified with respect to this matter.

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 24, 2015 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 24, 2015

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, 2015. Please read it in conjunction with the transmittal letter on pages i-ix and the City's financial statements which begin on page 11.

Financial Highlights

- The City's overall net position decreased \$3 million or 2.8 percent as a result of this year's operations. Net position of our governmental activities decreased \$6.4 million or 19.9 percent; net position of our business-type activities increased \$3.4 million or 4.5 percent.
- The General Fund reported revenues and transfers exceeding expenditures and transfers of \$.7 million. Public Safety expenditures were \$0.4 million, or 1.5 percent less than in the previous fiscal year.
- Current year property tax revenues reported in the General Fund increased \$773,000 or 3.2 percent from the previous fiscal year. Comparatively, property tax revenues are \$5.2 million or 17.6 percent less than revenues reported five years ago in fiscal year 2010.
- State-shared revenues increased \$88,197, or 1.7 percent from the previous year. This increase brings the City to within \$415,000 of revenues reported in fiscal year 2009.
- General Fund revenues were about \$268,000 more than the amended budget. Expenditures after transfers were \$2.9 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 \$3.1 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 \$103.9 million at June 30, 2015. Business-type activities make up \$78.2 million and governmental activities make up \$25.7 million. Combined revenues are \$76.2 million. Revenue from governmental-type activities makes up \$53.2 million and business-type activities is \$23.0 million. The four tables that follow show a comparison of the current year to previous year.

Net Position (in millions)

	Governmental Activities		Business-type Activities		Total	
	2015	2014 (restated)	2015	2014 (restated)	2015	2014 (restated)
Assets						
Current and other assets	\$ 42.5	\$ 41.4	\$ 33.7	\$ 34.4	\$ 76.2	\$ 75.8
Capital assets	84.5	85.4	85.1	84.4	169.6	169.8
Total assets	127.0	126.8	118.8	118.8	245.8	245.6
Deferred Outflows of Resources	7.3	-	0.8	0.3	8.1	0.3
Liabilities						
Long-term liabilities outstanding	97.0	84.8	37.2	39.2	134.2	124.0
Other liabilities	11.7	10.0	4.1	5.1	15.8	15.1
Total liabilities	108.7	94.8	41.3	44.3	150.0	139.1
Net Position						
Net investment in capital assets	76.5	77.0	52.0	49.2	128.5	126.2
Restricted	13.1	14.6	1.7	1.7	14.8	16.3
Unrestricted	(63.9)	(59.5)	24.5	23.9	(39.4)	(35.6)
Total net position	<u>\$ 25.7</u>	<u>\$ 32.1</u>	<u>\$ 78.2</u>	<u>\$ 74.8</u>	<u>\$ 103.9</u>	<u>\$ 106.9</u>

Due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, beginning net position was restated by approximately (\$62.5) million. Total net position of the City's governmental activities decreased by 64.8 percent to \$32.1 million at June 30, 2015 compared to \$91.3 million at June 30, 2014. The change occurred because the financial statements now recognize pension expense as it is earned and not as it is funded. This change affects the government-wide statements and does not impact the General Fund or any other governmental funds.

Net position of the City's only business-type activity decreased \$3.4 million from \$78.2 million to \$74.8 million and \$0.5 million in the Recreation Revenue Fund where the beginning net position changed from \$2.2 million to \$1.7 million.

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

Changes in Net Position (in millions)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue						
Program revenue:						
Charges for services	\$ 10.3	\$ 9.4	\$ 19.7	\$ 18.8	\$ 30.0	\$ 28.2
Operating grants and contributions	5.6	5.1	-	-	5.6	5.1
Capital grants and contributions	4.0	2.7	0.6	-	4.6	2.7
General revenue:						
Property taxes	26.1	25.3	2.7	2.7	28.8	28.0
Unrestricted state-shared revenue	5.2	5.0	-	-	5.2	5.0
Unrestricted investment earnings	0.1	0.1	-	0.1	0.1	0.2
Cable franchise fees	1.4	1.3	-	-	1.4	1.3
Other	0.5	0.4	-	-	0.5	0.4
Total revenue	53.2	49.3	23.0	21.6	76.2	70.9
Expenses						
General government	8.2	9.8	-	-	8.2	9.8
Public safety	29.2	26.8	-	-	29.2	26.8
Public works	12.5	11.0	-	-	12.5	11.0
Community and economic development	2.4	2.1	-	-	2.4	2.1
Recreation and culture	6.8	6.4	-	-	6.8	6.4
Interest on long-term debt	0.3	0.1	-	-	0.3	0.1
Water and sewer	-	-	19.8	18.8	19.8	18.8
Total expenses	59.4	56.2	19.8	18.8	79.2	75.0
(Loss) Income - Before transfers	(6.2)	(6.9)	3.2	2.8	(3.0)	(4.1)
Transfers	(0.2)	(0.1)	0.2	0.1	-	-
(Decrease) Increase in Net Position	(6.4)	(7.0)	3.4	2.9	(3.0)	(4.1)
Net Position - Beginning of year (as restated)	32.1	98.3	74.8	75.2	106.8	173.5
Net Position - End of year	<u>\$ 25.7</u>	<u>\$ 91.3</u>	<u>\$ 78.2</u>	<u>\$ 78.1</u>	<u>\$ 103.8</u>	<u>\$ 169.4</u>

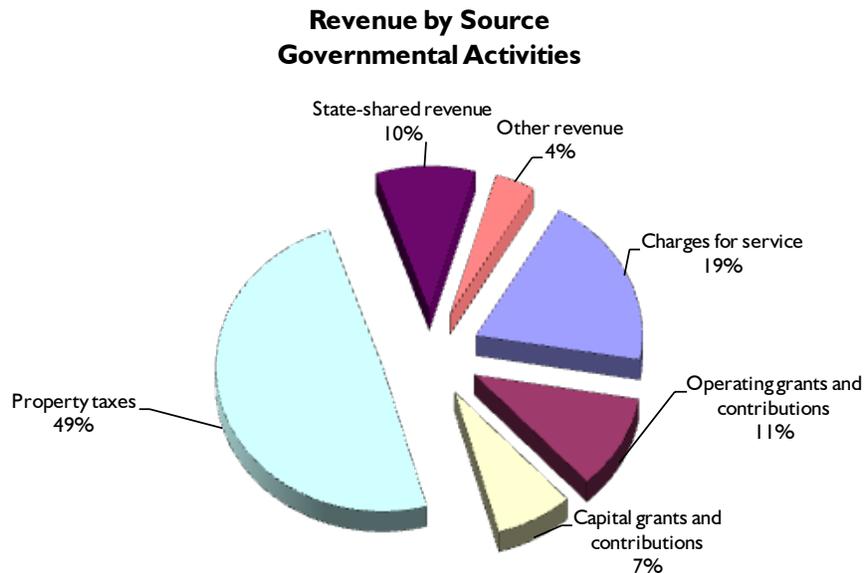
City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

Revenues for the City's governmental activities totaled \$53.2 million in 2015. Property taxes were \$26.1 million and represent 49.2 percent of total revenue. Charges for services totaled \$10.3 million or 19.4 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 was \$5.2 million, or about the same as the prior year. Expenses increased \$3.2 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.

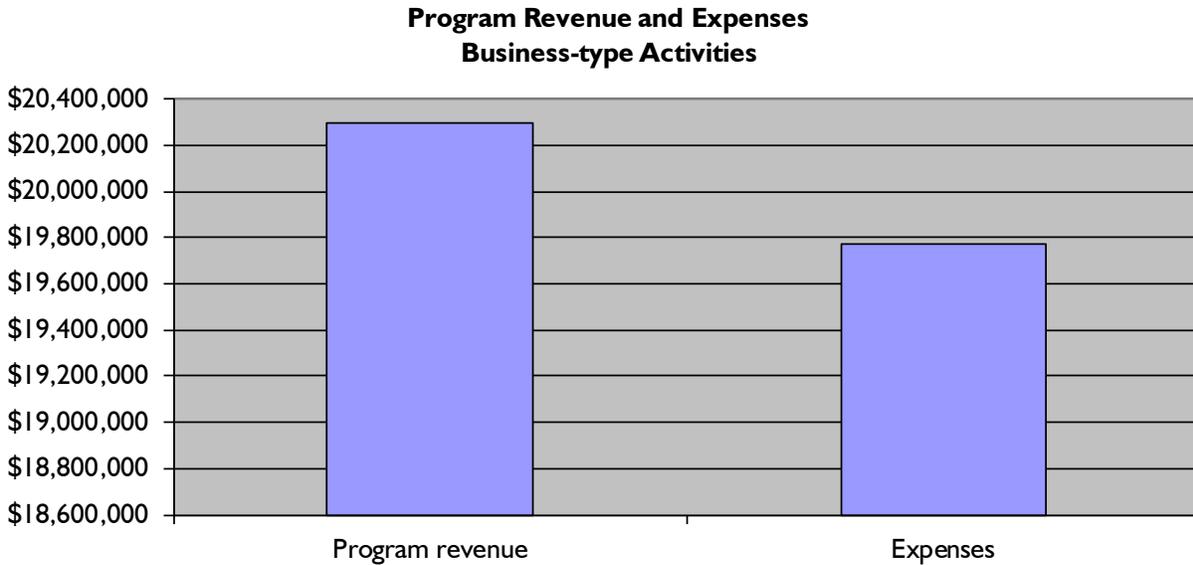


Business-type Activities

The water and sewer operations are funded primarily by user fees or charges for service which make up 85.6 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)



The City has one business-type activity: the water and sewer system. Revenue of the City's Utility Fund and transfers in totaled \$23.0 million in 2015 and expenses were \$19.8 million. The Utility Fund experienced an increase in net position of approximately \$3.2 million.

Water rates were increased for FY 2015, from \$34.62 to \$36.33 per 1,000 cubic feet, as the Detroit Water and Sewer Department's rate increased. Sewer rates increased from \$50.36 to \$53.39, reflecting increased costs from the Southeast Macomb Sanitary District. The volume sold was about 8.9 percent below the 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	
	2015	2014	2015	2014	2015	2014
Land	\$ 10.1	\$ 10.2	\$ -	\$ -	\$ 10.1	\$ 10.2
Building and improvements	25.9	25.7	5.1	5.1	31.0	30.8
County drains	4.7	4.7	-	-	4.7	4.7
Improvements other than buildings	19.0	18.9	1.0	1.0	20.0	19.9
Furniture, fixtures, and equipment	16.2	15.9	6.1	4.5	22.3	20.4
Water and sewer distribution systems	-	-	113.4	112.3	113.4	112.3
Vehicles	10.3	9.9	-	-	10.3	9.9
Infrastructure	81.7	78.8	-	-	81.7	78.8
Construction in progress	0.2	0.4	0.3	-	0.5	0.4
Total	\$ 168.1	\$ 164.5	\$ 125.9	\$ 122.9	\$ 294.0	\$ 287.4

Capital assets related to governmental activities increased by \$3.6 million. The major factor was a net increase in infrastructure.

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

See Note 5 to the financial statements for additional information.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's major funds, instead of the City as a whole. Funds are accounting entities that the City uses to keep track of specific sources of funding and spending. 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 major funds. 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 2015 include the General Fund, the Major and Local Streets Funds, and the SEMSD Clean Water Initiative Debt Service Fund.

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, revenues and other financing sources exceeded expenditures and other financing uses by \$79,000. Unassigned fund balance in the General Fund decreased by \$0.9 million to \$11.2 million. An increase in revenues of \$3.2 million, offset by reduction in expenditures in Public Safety (\$0.4 million) and general government (\$0.6 million) were major contributing factors to the increase in the fund balance of the General Fund. The Local Street Fund had a \$0.5 million increase in fund balance, while the Major Street and SEMSD Clean Water Initiative Debt Service Funds each had a \$0.5 million decrease.

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Actual revenues were about \$267,000 over, or within 0.6 percent of the final budget. During the fiscal year, budgeted revenues were decreased by approximately \$899,000. 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 \$2.9 million or 6.1 percent less than the budget, representing conservative budgeting practices along with keeping vacated positions open while evaluating the need to fill them. Budgeted expenditures had a net decrease of \$0.3 million from the original adopted budget. Of this amount, an additional expense of \$0.6 million represents items carried forward from fiscal year 2014 to reflect projects approved and funded in the previous year that were not started or completed at year end and a reduction for street lighting of \$1.1 million that was moved to the Street Funds. 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 2014, to be utilized in fiscal year 2015, was for General Fund projects and insurance reserves, Major and Local Streets construction, and heavy equipment and water main repair/replacements in the Water and 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 (74 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 and proactive measures, the City will continue to balance its budget.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. 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, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 33,762,728	\$ 14,981,746	\$ 48,744,474	\$ 1,069,923
Receivables - Net:				
Property taxes receivable	109,672	-	109,672	-
Receivables from sales to customers on account	11,622	6,243,036	6,254,658	-
Accrued interest	24,027	11,000	35,027	-
Other	770,435	275,175	1,045,610	12,068
Due from other governmental units	2,560,173	146,936	2,707,109	-
Special assessments	243,914	-	243,914	-
Due from component units	14,167	-	14,167	19
Inventory	-	269,635	269,635	-
Prepaid items and other assets	1,756,812	20,661	1,777,473	-
Restricted assets (Note 7)	2,335,072	3,623,485	5,958,557	-
Investment in joint ventures (Note 17)	584,579	8,107,412	8,691,991	-
Land held for resale	352,918	-	352,918	-
Capital assets (Note 5):				
Assets not subject to depreciation	10,335,597	306,999	10,642,596	-
Assets subject to depreciation	74,171,774	84,797,831	158,969,605	-
Total assets	127,033,490	118,783,916	245,817,406	1,082,010
Deferred Outflows of Resources				
Bond refunding loss being amortized	30,020	243,619	273,639	-
Deferred outflows related to pensions (Notes 11 and 12)	7,291,517	520,471	7,811,988	-
Total deferred outflows of resources	7,321,537	764,090	8,085,627	-
Liabilities				
Accounts payable	2,155,630	993,467	3,149,097	35,215
Due to other governmental units	1,764,734	94,536	1,859,270	-
Due to component units	-	-	-	19
Due to primary government	-	-	-	14,167
Accrued liabilities and other	5,759,411	373,732	6,133,143	-
Unearned revenue	84,358	-	84,358	-
Payable from restricted assets	-	53,259	53,259	-
Noncurrent liabilities:				
Due within one year - Current portion of long-term debt (Note 6)	1,897,824	2,620,871	4,518,695	-
Due in more than one year:				
Net OPEB obligation (Note 13)	15,237,214	767,795	16,005,009	-
Net pension liability (Notes 11 and 12)	68,189,077	3,889,221	72,078,298	-
Long-term debt (Note 6)	13,570,108	32,515,581	46,085,689	-
Total liabilities	108,658,356	41,308,462	149,966,818	49,401

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

City of St. Clair Shores, Michigan

Statement of Net Position (Continued) June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 76,543,721	\$ 52,005,722	\$ 128,549,443	\$ -
Restricted for:				
Roads	3,026,773	-	3,026,773	-
Postemployment benefits	602,863	-	602,863	-
Debt service	4,302,347	-	4,302,347	-
Sanitation	3,466,349	-	3,466,349	-
County drains	1,017,934	-	1,017,934	-
Revenue bond ordinances	-	1,678,031	1,678,031	-
Community development	84,200	-	84,200	-
Drug law enforcement	628,782	-	628,782	-
Library	15,547	-	15,547	-
Unrestricted	(63,991,845)	24,555,791	(39,436,054)	1,032,609
Total net position	<u>\$ 25,696,671</u>	<u>\$ 78,239,544</u>	<u>\$ 103,936,215</u>	<u>\$ 1,032,609</u>

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	\$ 8,170,645	\$ 2,564,713	\$ 407,683	\$ 1,395,165
Public safety	29,240,587	2,525,470	475,604	70,087
Public works	12,536,138	842,696	3,561,154	2,413,241
Community and economic development	2,340,855	1,369,942	860,745	89,254
Recreation and culture	6,783,109	2,999,873	297,983	31,836
Interest on long-term debt	298,695	-	-	-
Total governmental activities	59,370,029	10,302,694	5,603,169	3,999,583
Business-type activities - Water and sewer	19,773,631	19,673,720	-	620,547
Total primary government	<u>\$ 79,143,660</u>	<u>\$ 29,976,414</u>	<u>\$ 5,603,169</u>	<u>\$ 4,620,130</u>
Component units:				
Tax Increment Financing Authority	\$ 436,339	\$ -	\$ -	\$ -
Corridor Improvement Authority	10,751	-	-	-
Brownfield Redevelopment Authority	4,176	-	-	-
Total component units	<u>\$ 451,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue (unrestricted)				
Investment income				
Cable franchise fees (unrestricted)				
Other miscellaneous income				
Loss on sale of capital assets				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year (as restated) (Note 19)				
Net Position - End of year				

**Statement of Activities
Year Ended June 30, 2015**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,803,084)	\$ -	\$ (3,803,084)	\$ -
(26,169,426)	-	(26,169,426)	-
(5,719,047)	-	(5,719,047)	-
(20,914)	-	(20,914)	-
(3,453,417)	-	(3,453,417)	-
(298,695)	-	(298,695)	-
(39,464,583)	-	(39,464,583)	-
-	520,636	520,636	-
(39,464,583)	520,636	(38,943,947)	-
-	-	-	(436,339)
-	-	-	(10,751)
-	-	-	(4,176)
-	-	-	(451,266)
26,115,776	2,709,708	28,825,484	444,167
5,152,059	-	5,152,059	-
119,883	46,575	166,458	1,967
1,443,562	-	1,443,562	-
493,796	-	493,796	5,000
-	(20,231)	(20,231)	-
33,325,076	2,736,052	36,061,128	451,134
(223,677)	223,677	-	-
(6,363,184)	3,480,365	(2,882,819)	(132)
32,059,855	74,759,179	106,819,034	1,032,741
\$ 25,696,671	\$ 78,239,544	\$ 103,936,215	\$ 1,032,609

City of St. Clair Shores, Michigan

Governmental Funds Balance Sheet June 30, 2015

	General Fund	Major Streets Fund	Local Streets Fund	Debt Service - SEMSD Clean Water Initiative	Nonmajor Funds	Total
Assets						
Cash and cash equivalents (Note 3)	\$ 24,092,258	\$ 1,748,913	\$ 822,853	\$ 4,036,826	\$ 1,223,228	\$ 31,924,078
Receivables:						
Property taxes receivable	109,672	-	-	-	-	109,672
Special assessments receivable	239,892	-	4,022	-	-	243,914
Accrued interest receivable	16,504	1,215	572	2,805	1,218	22,314
Other receivables	734,751	2,155	8,660	-	-	745,566
Due from other governmental units	1,198,217	410,733	298,711	221,532	430,980	2,560,173
Due from component units	14,167	-	-	-	-	14,167
Due from other funds (Note 4)	423,438	-	149,767	-	-	573,205
Advances to other funds (Note 4)	540,000	-	-	-	-	540,000
Prepaid items and other assets	1,627,738	-	109,000	-	6,375	1,743,113
Land held for resale	315,418	-	-	-	37,500	352,918
Restricted assets (Note 7)	-	-	-	-	1,317,138	1,317,138
Total assets	\$ 29,312,055	\$ 2,163,016	\$ 1,393,585	\$ 4,261,163	\$ 3,016,439	\$ 40,146,258
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	\$ 1,075,762	\$ 156,996	\$ 331,786	\$ 208,370	\$ 219,928	\$ 1,992,842
Due to other governmental units	1,701,044	-	29,468	-	-	1,730,512
Due to other funds (Note 4)	-	-	-	-	393,205	393,205
Accrued liabilities and other	1,981,788	-	13,376	-	8,759	2,003,923
Unearned revenue	84,358	-	-	-	-	84,358
Total liabilities	4,842,952	156,996	374,630	208,370	621,892	6,204,840
Deferred Inflows of Resources -						
Unavailable revenue	779,562	-	16,405	7,727	295,625	1,099,319
Fund Balances						
Nonspendable:						
Land held for resale	315,418	-	-	-	-	315,418
Prepaid items	1,627,738	-	109,000	-	6,375	1,743,113
Restricted:						
Roads	896	2,006,020	893,550	-	902	2,901,368
Police and fire retirements	602,863	-	-	-	-	602,863
Debt service	-	-	-	4,045,066	247,956	4,293,022
Community development	-	-	-	-	12,834	12,834
Capital projects (unspent bond proceeds)	-	-	-	-	1,298,737	1,298,737
Sanitation	7,064,529	-	-	-	-	7,064,529
HUD homes	-	-	-	-	68,629	68,629
Library	-	-	-	-	15,547	15,547
Drug law enforcement	-	-	-	-	622,407	622,407
Assigned:						
Subsequent year's budget	2,591,391	-	-	-	-	2,591,391
Committees	305,606	-	-	-	-	305,606
Capital projects	-	-	-	-	116,825	116,825
Unassigned	11,181,100	-	-	-	(291,290)	10,889,810
Total fund balances	23,689,541	2,006,020	1,002,550	4,045,066	2,098,922	32,842,099
Total liabilities, deferred inflows of resources, and fund balances	\$ 29,312,055	\$ 2,163,016	\$ 1,393,585	\$ 4,261,163	\$ 3,016,439	\$ 40,146,258

City of St. Clair Shores, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2015

Fund Balance Reported in Governmental Funds	\$ 32,842,099
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	79,031,457
Investments in joint ventures are not financial resources and are not reported in the funds (Note 17)	584,579
Amounts payable to a joint venture that are not due and payable in the current period are not reported in the funds (Note 17)	(3,598,181)
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	1,099,319
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	(15,359,582)
Accrued interest is not due and payable in the current period and is not reported in the funds	(63,401)
Cash held by Macomb County for drain projects is not included as an asset in the governmental funds	1,017,934
Net pension liability is not due and payable in the current period and is not reported in the funds	(66,958,029)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds	7,126,773
Net other postemployment benefit obligations are not reported in the governmental funds	(15,237,214)
The Recreational Revenue Enterprise Fund is included as part of governmental activities	1,611,707
Internal Service Funds are included as part of governmental activities	3,569,190
Net Position of Governmental Activities	<u>\$ 25,696,671</u>

City of St. Clair Shores, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2015

	General Fund	Major Streets Fund	Local Streets Fund	Debt Service - SEMSD Clean Water Initiative	Nonmajor Funds	Total
Revenue						
Property taxes	\$ 24,315,024	\$ -	\$ 1,314,396	\$ 2,786	\$ 558,740	\$ 26,190,946
Licenses and permits	850,631	-	-	-	-	850,631
Federal grants	178,841	-	-	-	670,828	849,669
State-shared revenue and grants	5,562,429	2,562,471	1,244,235	-	91,664	9,460,799
Charges for services	5,014,316	-	611,966	-	90,338	5,716,620
Fines and forfeitures	1,896,661	-	-	-	265,355	2,162,016
Investment income	116,770	5,373	1,908	6,674	12,838	143,563
Other revenue	3,267,980	4,883	14,890	-	144,794	3,432,547
Total revenue	41,202,652	2,572,727	3,187,395	9,460	1,834,557	48,806,791
Expenditures						
Current:						
General government	7,786,888	-	-	-	202,349	7,989,237
Public safety	23,579,137	-	-	-	248,407	23,827,544
Public works	3,325,207	1,620,012	3,914,688	-	422,054	9,281,961
Community and economic development	1,305,042	-	-	-	933,143	2,238,185
Recreation and culture	4,374,655	-	-	-	159,118	4,533,773
Debt service						
Principal	-	-	61,171	257,648	245,309	564,128
Interest on long-term debt	-	-	-	120,461	178,248	298,709
Total expenditures	40,370,929	1,620,012	3,975,859	378,109	2,388,628	48,733,537
Excess of Revenue Over (Under) Expenditures	831,723	952,715	(788,464)	(368,649)	(554,071)	73,254
Other Financing Sources (Uses)						
Face value of debt issue	-	-	-	-	11,974	11,974
Proceeds from sale of capital assets	61,096	-	-	-	-	61,096
Transfers in (Note 4)	28,337	-	1,238,655	-	335,370	1,602,362
Transfers out (Note 4)	(186,000)	(1,466,249)	-	(223,887)	(135,903)	(2,012,039)
Total other financing (uses) sources	(96,567)	(1,466,249)	1,238,655	(223,887)	211,441	(336,607)
Net Change in Fund Balances	735,156	(513,534)	450,191	(592,536)	(342,630)	(263,353)
Fund Balances - Beginning of year	22,954,385	2,519,554	552,359	4,637,602	2,441,552	33,105,452
Fund Balances - End of year	\$ 23,689,541	\$ 2,006,020	\$ 1,002,550	\$ 4,045,066	\$ 2,098,922	\$ 32,842,099

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, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ (263,353)
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	5,474,265
Depreciation expense	(5,695,300)
Net book value of assets disposed of	(55,502)
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	437,063
Drain activities performed by the County on behalf of the City are recorded in the statement of activities, but not in the governmental funds	(965)
Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position	(11,974)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	564,128
Interest expense is recorded when incurred in the statement of activities	2,499
Increase in investment in joint ventures is not included in the governmental funds (Note 17)	(89,505)
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	283,931
Pension expense is recognized in the statement of activities when incurred, but in the governmental funds when paid	(1,712,968)
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)	(4,112,001)
Increase in the amounts payable to joint venture are not included in the governmental funds (Note 17)	(884,352)
Capital assets related to the Lake St. Clair Clean Water Initiative that benefit the Utility Fund, once placed into service, are recorded as a transfer out from the statement of activities to the Utility Fund	(378,116)
The Recreational Revenue Fund is included as governmental activities in the statement of activities	(76,805)
Internal Service Funds (motorpool and computer replacement) are also included as part of governmental activities in the statement of activities	155,771
Change in Net Position of Governmental Activities	\$ (6,363,184)

City of St. Clair Shores, Michigan

Proprietary Funds Statement of Net Position June 30, 2015

	Enterprise Funds			Governmental Activities
	Recreation			Internal Service
	Utility Fund	Revenue Fund	Total	Funds
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 14,981,746	\$ 372,451	\$ 15,354,197	\$ 1,466,199
Receivables:				
Receivables from sales to customers on account	6,243,036	11,622	6,254,658	-
Accrued interest receivable	11,000	102	11,102	1,019
Other receivables	275,175	-	275,175	24,869
Due from other governmental units	146,936	-	146,936	-
Inventory	269,635	-	269,635	-
Prepaid items and other assets	20,661	9,782	30,443	3,917
Total current assets	21,948,189	393,957	22,342,146	1,496,004
Noncurrent assets:				
Restricted assets (Note 7)	3,623,485	-	3,623,485	-
Investment in joint ventures (Note 17)	8,107,412	-	8,107,412	-
Capital assets (Note 5):				
Assets not subject to depreciation	306,999	-	306,999	-
Assets subject to depreciation	84,797,831	2,697,681	87,495,512	2,778,232
Total noncurrent assets	96,835,727	2,697,681	99,533,408	2,778,232
Total assets	118,783,916	3,091,638	121,875,554	4,274,236
Deferred Outflows of Resources				
Bond refunding loss being amortized	243,619	-	243,619	-
Deferred outflows related to pensions (Note 12)	520,471	77,097	597,568	87,647
Total deferred outflows	764,090	77,097	841,187	87,647
Liabilities				
Current liabilities:				
Accounts payable	993,467	81,897	1,075,364	80,891
Due to other governmental units	94,536	15,556	110,092	18,666
Due to other funds (Note 4)	-	180,000	180,000	-
Accrued liabilities and other	373,732	87,989	461,721	5,324
Payable from restricted assets (Note 7)	53,259	-	53,259	-
Current portion of long-term debt (Note 5)	2,620,871	16,104	2,636,975	7,221
Total current liabilities	4,135,865	381,546	4,517,411	112,102
Noncurrent liabilities:				
Advances from other funds (Note 4)	-	540,000	540,000	-
Net OPEB obligation (Note 13)	767,795	-	767,795	-
Net pension liability (Note 12)	3,889,221	576,106	4,465,327	654,942
Long-term debt (Note 6)	32,515,581	59,376	32,574,957	25,649
Total noncurrent liabilities	37,172,597	1,175,482	38,348,079	680,591
Total liabilities	41,308,462	1,557,028	42,865,490	792,693

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

City of St. Clair Shores, Michigan

Proprietary Funds Statement of Net Position (Continued) June 30, 2015

Restricted - Revenue Bond Ordinances				
Net investment in capital assets	\$ 52,005,722	\$ 2,697,681	\$ 54,703,403	\$ 2,778,232
Restricted - Revenue bond ordinances	1,678,031	-	1,678,031	-
Unrestricted	<u>24,555,791</u>	<u>(1,085,974)</u>	<u>23,469,817</u>	<u>790,958</u>
Total net position	<u>\$ 78,239,544</u>	<u>\$ 1,611,707</u>	79,851,251	<u>\$ 3,569,190</u>

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

(1,611,707)

Net Position of Business-type Activities

\$ 78,239,544

City of St. Clair Shores, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

	Enterprise Funds			Governmental
	Recreation			Activities
	Utility Fund	Revenue Fund	Total	Internal Service Funds
Operating Revenue				
Sale of water	\$ 19,351,315	\$ -	\$ 19,351,315	\$ -
Charges for services	243,583	1,504,264	1,747,847	1,659,661
Tap fees	41,090	-	41,090	-
Other	37,732	-	37,732	56,885
Total operating revenue	19,673,720	1,504,264	21,177,984	1,716,546
Operating Expenses				
Cost of water	2,498,394	-	2,498,394	-
Cost of sewage treatment	7,696,976	-	7,696,976	-
Salaries and fringe benefits	2,606,918	882,027	3,488,945	280,322
Billing and administrative costs	1,878,465	-	1,878,465	279,755
Supplies and utilities	89,594	183,271	272,865	457,268
Other	557,296	209,429	766,725	-
Repairs and maintenance	956,785	197,263	1,154,048	269,839
Depreciation and amortization	2,310,640	290,942	2,601,582	622,627
Total operating expenses	18,595,068	1,762,932	20,358,000	1,909,811
Operating Income (Loss)	1,078,652	(258,668)	819,984	(193,265)
Nonoperating Revenue (Expenses)				
Property tax revenue	2,709,708	-	2,709,708	-
Investment income	46,575	215	46,790	2,305
Interest expense	(1,178,563)	(4,352)	(1,182,915)	-
(Loss) gain on sale of assets	(20,231)	-	(20,231)	41,557
Total nonoperating revenue (expenses)	1,557,489	(4,137)	1,553,352	43,862
Income (Loss) - Before transfers in	2,636,141	(262,805)	2,373,336	(149,403)
Capital Contributions - Capital grants	620,547	-	620,547	305,174
Transfers in (Note 4)	223,677	186,000	409,677	-
Change in Net Position	3,480,365	(76,805)	3,403,560	155,771
Net Position - Beginning of year (as restated) (Note 19)	74,759,179	1,688,512	76,447,691	3,413,419
Net Position - End of year	<u>\$ 78,239,544</u>	<u>\$ 1,611,707</u>	<u>\$ 79,851,251</u>	<u>\$ 3,569,190</u>
Net Change in Net Position - Total enterprise funds			\$ 3,403,560	
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			76,805	
Change in Net Position of Business-type Activities			<u>\$ 3,480,365</u>	

City of St. Clair Shores, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2015

	Enterprise Funds			Governmental Activities
	Recreation			Internal Service
	Utility Fund	Revenue Fund	Total	Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 19,842,588	\$ 1,506,118	\$ 21,348,706	\$ 1,718,691
Payments to suppliers	(14,410,901)	(481,852)	(14,892,753)	(999,876)
Payments to employees	(2,638,198)	(946,121)	(3,584,319)	(269,225)
Internal activity - Payments to other funds	(172,791)	(3,735)	(176,526)	(3,340)
Other receipts	-	-	-	(21,640)
Net cash provided by operating activities	2,620,698	74,410	2,695,108	424,610
Cash Flows from Noncapital Financing Activities -				
Transfers from other funds	-	186,000	186,000	-
Cash Flows from Capital and Related Financing Activities				
Capital grants received	242,631	-	242,631	305,174
Principal and interest paid on loans from other funds	-	(184,500)	(184,500)	-
Proceeds from sales of capital assets	32,532	-	32,532	90,660
Property taxes (restricted for capital or capital debt)	2,709,708	-	2,709,708	-
Purchase of capital assets	(2,726,619)	(27,850)	(2,754,469)	(701,713)
Principal and interest paid on capital debt	(3,823,683)	-	(3,823,683)	-
Transfer from other funds	223,677	-	223,677	-
Net cash used in capital and related financing activities	(3,341,754)	(212,350)	(3,554,104)	(305,879)
Cash Flows from Investing Activities				
Interest received on investments	76,682	215	76,897	2,305
Net sale (purchase) of investment securities	6,972,817	(1,864)	6,970,953	521,498
Net cash provided by (used in) investing activities	7,049,499	(1,649)	7,047,850	523,803
Net Increase in Cash and Cash Equivalents	6,328,443	46,411	6,374,854	642,534
Cash and Cash Equivalents - Beginning of year	9,317,736	302,736	9,620,472	569,976
Cash and Cash Equivalents - End of year	\$ 15,646,179	\$ 349,147	\$ 15,995,326	\$ 1,212,510
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 14,981,746	\$ 372,451	\$ 15,354,197	\$ 1,466,199
Restricted cash	3,623,485	-	3,623,485	-
Less amounts classified as investments	(2,959,052)	(23,304)	(2,982,356)	(253,689)
Total cash and cash equivalents	\$ 15,646,179	\$ 349,147	\$ 15,995,326	\$ 1,212,510

City of St. Clair Shores, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2015

	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)	\$ 1,078,652	\$ (258,668)	\$ 819,984	\$ (193,265)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	2,310,640	290,942	2,601,582	622,627
Changes in assets and liabilities:				
Receivables	168,868	1,854	170,722	(19,495)
Inventories	(549,358)	-	(549,358)	-
Prepaid and other assets	605,168	349	605,517	(3,917)
Accounts payable	(898,858)	27,025	(871,833)	10,903
Due to other funds	(172,791)	(3,735)	(176,526)	(3,340)
Accrued and other liabilities	78,377	16,643	95,020	11,097
Net cash provided by operating activities	<u>\$ 2,620,698</u>	<u>\$ 74,410</u>	<u>\$ 2,695,108</u>	<u>\$ 424,610</u>

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2015, the Utility Fund received \$378,116 of capital assets from the governmental activities related to the Lake St. Clair Clean Water Initiative project.

City of St. Clair Shores, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2015

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ 6,822,654	\$ 47,823
Investments (Note 3):		
Collateralized mortgage obligations	182,189	-
U.S. government bonds and notes	4,177,289	-
U.S. government agency bonds and notes	10,038,521	-
Corporate bonds and notes	10,568,653	-
Corporate asset-backed securities	205,993	-
Common and preferred stock	97,624,591	-
Mutual funds	24,735,545	-
Securities lending - Mutual funds	624,844	-
Receivables:		
Accrued interest receivable	190,010	-
Due from other governmental units	1,859,254	-
Total assets	157,029,543	\$ 47,823
Liabilities		
Accounts payable	246,142	\$ -
Due to other governmental units	-	37,774
Due to component units	-	10,049
Accrued liabilities and other	1,250,140	-
Obligations under securities lending agreements	668,652	-
Total liabilities	2,164,934	\$ 47,823
Net Position Restricted for Pension and Other Employee Benefits	\$ 154,864,609	

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, 2015

	Pension and Other Employee Benefit Trust Funds
Additions	
Investment income (loss):	
Interest and dividends	\$ 3,694,616
Net increase in fair value of investments	1,401,440
Investment-related expenses	<u>(1,246,373)</u>
Net investment income	3,849,683
Securities lending income:	
Interest and dividends	1,263
Securities lending - Investment income	<u>5,126</u>
Total securities lending income	6,389
Contributions:	
Employer	12,615,255
Employee	<u>613,961</u>
Total contributions	<u>13,229,216</u>
Total additions	17,085,288
Deductions - Benefit payments	<u>19,609,990</u>
Net Increase in Net Position Restricted	(2,524,702)
Net Position Restricted for Pension and Other Employee Benefits - Beginning of year	<u>157,389,311</u>
Net Position Restricted for Pension and Other Employee Benefits - End of year	<u><u>\$ 154,864,609</u></u>

City of St. Clair Shores, Michigan

Component Units Statement of Net Position June 30, 2015

	Tax Increment Financing Authority	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total
Assets				
Cash and cash equivalents	\$ 1,016,445	\$ 23,228	\$ 30,250	\$ 1,069,923
Receivables - Net	10,840	1,228	-	12,068
Due from component units	-	19	-	19
Total assets	1,027,285	24,475	30,250	1,082,010
Liabilities				
Accounts payable	32,974	2,241	-	35,215
Due to component units	19	-	-	19
Due to primary government	14,167	-	-	14,167
Net Position	\$ 980,125	\$ 22,234	\$ 30,250	\$ 1,032,609

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	\$ 436,339	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority - Public works	4,176	-	-	-
Corridor Improvement Authority - Public works	10,751	-	-	-
Total component units	\$ 451,266	\$ -	\$ -	\$ -
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, 2015**

Net (Expense) Revenue and Changes in Net Position			
Tax Increment Financing Authority	Brownfield Redevelopment Authority	Corridor Improvement Authority	Total
\$ (436,339)	\$ -	\$ -	\$ (436,339)
-	(4,176)	-	(4,176)
-	-	(10,751)	(10,751)
(436,339)	(4,176)	(10,751)	(451,266)
437,692	6,475	-	444,167
1,913	19	35	1,967
-	5,000	-	5,000
439,605	11,494	35	451,134
3,266	7,318	(10,716)	(132)
976,859	14,916	40,966	1,032,741
\$ 980,125	\$ 22,234	\$ 30,250	\$ 1,032,609

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2015

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, 2015

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, 2015

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 2014 taxable valuation of the City totaled \$1.4 billion, on which ad valorem taxes levied consisted of 6.2987 mills for the City's operating purposes, 2.3618 mills for sanitation, 5.9761 mills for the Police and Fire Retirement System, 2.0000 mills for police and fire operations, 0.0374 mills for community promotion, 0.9830 mills for residential streets, 2.4136 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, \$8.1 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, \$3.3 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 2015. 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 healthcare-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 for which specific revenues were used. 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 1 - 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, 2015

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, no 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.

Other Postemployment Benefit Costs - The City offers retiree healthcare 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, 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 OPEB obligation has 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.

Pension Costs - The City offers pension benefits to its general and fire and police retirees. The City receives an actuarial valuation to compute the pension expense incurred as a result of services rendered. The City reports the net pension liability, which is the total pension liability less net pension assets, on its government-wide statements and in the proprietary funds. The net pension liability is generally 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.

Note I - Summary of Significant Accounting Policies (Continued)

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 two items that qualify for reporting in this category. First, there is a 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. Second, there are deferred outflows related to the difference between actual and anticipated investment returns and experience related to the net pension assets that will be used to fund the City's total pension liability. This amount is deferred and amortized over a five- year period, as required by governmental accounting standards.

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.

Note I - Summary of Significant Accounting Policies (Continued)

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).

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.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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, 2014		\$ (3,051,525)
Current year permit revenue		534,033
Related expenses:		
Direct costs	\$ 519,618	
Estimated indirect costs	77,943	597,561
	<u> </u>	<u> </u>
Current year shortfall		(63,528)
Cumulative shortfall at June 30, 2015		<u><u>\$ (3,115,053)</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.

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, 2015, only United States currency was received as collateral.

Note 3 - Deposits and Investments (Continued)

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, 2015 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, 2015, the General Employees' Retirement System had no credit risk exposure to borrowers. The collateral held and the fair value of underlying securities on loan for the General Employees' Retirement System as of June 30, 2015 was \$668,652 and \$645,888, respectively. The collateral held had a fair value of \$624,844 as of June 30, 2015.

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 \$23,418,000 of bank deposits (certificates of deposit and 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, 2015

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	\$ 2,100,639	.61
United States government agency bonds and notes	3,543,309	.78
Commercial paper	2,022,115	.47
Municipal bonds	<u>1,093,849</u>	.67
Total	<u>\$ 8,759,912</u>	
Fiduciary Funds		
United States government obligations	\$ 4,177,289	12.83
United States government agency bonds and notes	10,038,522	19.09
Collateralized mortgage obligations	182,189	6.56
Corporate asset-backed securities	205,993	3.82
Corporate bonds	10,568,653	6.45
Fixed-income mutual funds	2,446,102	12.88
Securities lending investment pool	<u>624,844</u>	1 day
Total	<u>\$ 28,243,592</u>	

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2015

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	\$ 2,100,639	AA+	Standard & Poor's
United States government agency bonds and notes	3,543,309	AA+	Standard & Poor's
Commercial paper	2,022,115	A-1	Moody's
Municipal bonds	1,093,849	A - AAA	Standard & Poor's
Bank investment pools	20,412,334	AAA	Standard & Poor's
Total	<u>\$ 29,172,246</u>		
Fiduciary Funds			
United States government obligations	\$ 4,177,289	NR	
United States government agency bonds and notes	10,038,522	NR - AA+	Standard & Poor's
Collateralized mortgage obligations	182,189	AAA	Standard & Poor's
Corporate asset-backed securities	205,993	AAA	Standard & Poor's
Corporate bonds	10,568,653	BBB - AAA	Standard & Poor's
Fixed-income mutual funds	2,446,102	A	Standard & Poor's
Bank investment pool	3,704,576	NR	
Securities lending investment pool	624,844	NR	
Total	<u>\$ 31,948,168</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, 2015, 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, 2015

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	\$ 243,438
	Recreation Revenue Fund	<u>180,000</u>
	Total General Fund	423,438
Local Streets Fund	Nonmajor governmental funds	<u>149,767</u>
	Total	<u><u>\$ 573,205</u></u>

Advances from/to Other Funds

General Fund	Recreational Revenue Fund	<u>\$ 540,000</u>
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Receivable Fund	Payable Fund	Amount
Due to/from Primary Government and Component Units		
General Fund	Component Units	<u>\$ 14,167</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, 2015

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

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

Fund Transferred From	Fund Transferred To	Amount
General Fund	Recreational Revenue Fund (4)	\$ 186,000
Major Streets Fund	Local Streets Fund (3)	1,238,655
	Nonmajor governmental funds (2)	<u>227,594</u>
	Total Major Streets Fund	1,466,249
SEMSD Clean Water Initiative Debt Service Fund	Utility Fund (2)	223,677
	Other governmental funds (2)	<u>210</u>
	Total SEMSD Clean Water Initiative Debt Service Fund	223,887
Nonmajor governmental funds	General Fund (1)	28,337
	Nonmajor governmental funds (1)	<u>107,566</u>
	Total nonmajor governmental funds	<u>135,903</u>
	Total	<u>\$ 2,012,039</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, 2015

Note 5 - Capital Assets

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

	Balance July 1, 2014	Reclassifications	Additions	Disposals	Balance June 30, 2015
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 10,151,603	\$ -	\$ 6,773	\$ (17,992)	\$ 10,140,384
Construction in progress	378,116	(378,116)	195,214	-	195,214
Subtotal	10,529,719	(378,116)	201,987	(17,992)	10,335,598
Capital assets being depreciated:					
Infrastructure	78,774,074	-	4,676,999	(1,797,793)	81,653,280
County drains	4,664,725	-	-	-	4,664,725
Buildings and improvements	22,896,730	-	275,388	(83,999)	23,088,119
Furniture, fixtures, and equipment	10,091,258	-	256,298	(12,621)	10,334,935
Information technology	2,621,839	-	15,668	(9,550)	2,627,957
Land improvements	13,530,176	-	47,925	-	13,578,101
Subtotal	132,578,802	-	5,272,278	(1,903,963)	135,947,117
Accumulated depreciation:					
Infrastructure	33,302,132	-	3,997,747	(1,797,793)	35,502,086
Drain rights	1,640,083	-	93,294	-	1,733,377
Buildings and improvements	13,050,083	-	703,720	(46,486)	13,707,317
Furniture, fixtures, and equipment	5,846,006	-	484,319	(12,621)	6,317,704
Information technology	2,547,164	-	31,931	(9,550)	2,569,545
Land improvements	7,036,939	-	384,289	-	7,421,228
Subtotal	63,422,407	-	5,695,300	(1,866,450)	67,251,257
Net capital assets being depreciated	69,156,395	-	(423,022)	(37,513)	68,695,860
Net capital assets	\$ 79,686,114	\$ (378,116)	\$ (221,035)	\$ (55,505)	\$ 79,031,458

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2015

Note 5 - Capital Assets (Continued)

	Balance July 1, 2014	Reclassifications	Additions	Disposals	Balance June 30, 2015
Governmental Activities (Continued)					
Recreational Revenue Fund assets:					
Capital assets being depreciated:					
Buildings and improvements	\$ 2,475,933	\$ -	\$ 18,250	\$ -	\$ 2,494,183
Furniture, fixtures, and equipment	2,263,751	-	-	-	2,263,751
Information technology	13,585	-	-	-	13,585
Land improvements	5,408,464	-	9,600	-	5,418,064
Subtotal	10,161,733	-	27,850	-	10,189,583
Accumulated depreciation:					
Buildings and improvements	1,930,605	-	47,684	-	1,978,289
Furniture, fixtures, and equipment	1,795,486	-	68,615	-	1,864,101
Information technology	13,272	-	309	-	13,581
Land improvements	3,461,597	-	174,334	-	3,635,931
Subtotal	7,200,960	-	290,942	-	7,491,902
Net Recreational Revenue Fund capital assets being depreciated	2,960,773	-	(263,092)	-	2,697,681
Net capital assets	\$ 2,960,773	\$ -	\$ (263,092)	\$ -	\$ 2,697,681
Internal Service Fund capital assets:					
Capital assets being depreciated:					
Buildings and improvements	\$ 348,568	\$ -	\$ -	\$ -	\$ 348,568
Furniture, fixtures, and equipment	280,773	-	-	-	280,773
Vehicles	9,971,381	-	696,719	(311,553)	10,356,547
Information technology	655,245	-	50,115	(65,335)	640,025
Subtotal	11,255,967	-	746,834	(376,888)	11,625,913
Accumulated depreciation:					
Buildings and improvements	240,485	-	7,505	-	247,990
Furniture, fixtures, and equipment	159,729	-	16,854	-	176,583
Vehicles	7,678,056	-	518,542	(217,330)	7,979,268
Information technology	429,449	-	79,726	(65,335)	443,840
Subtotal	8,507,719	-	622,627	(282,665)	8,847,681
Net internal service fund capital assets being depreciated	2,748,248	-	124,207	(94,223)	2,778,232
Net internal service fund capital assets	\$ 2,748,248	\$ -	\$ 124,207	\$ (94,223)	\$ 2,778,232
Governmental capital assets not being depreciated	\$ 10,529,719	\$ (378,116)	\$ 201,987	\$ (17,992)	\$ 10,335,598
Net governmental capital assets being depreciated	74,865,416	-	(561,907)	(131,736)	74,171,773
Net governmental activities capital assets	\$ 85,395,135	\$ (378,116)	\$ (359,920)	\$ (149,728)	\$ 84,507,371

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2015

Note 5 - Capital Assets (Continued)

	Balance July 1, 2014	Reclassifications	Additions	Disposals	Balance June 30, 2015
Business-type Activities					
Utility Fund:					
Capital assets not being depreciated -					
Construction in progress	\$ 28,151	\$ -	\$ 278,848	\$ -	\$ 306,999
Capital assets being depreciated:					
Water and sewer lines	112,311,686	378,116	800,226	(115,137)	113,374,891
Buildings and improvements	5,076,577	-	-	-	5,076,577
Furniture, fixtures, and equipment	4,095,893	-	1,647,547	-	5,743,440
Information technology	377,586	-	-	-	377,586
Land improvements	1,038,079	-	-	-	1,038,079
Subtotal	122,899,821	378,116	2,447,773	(115,137)	125,610,573
Accumulated depreciation:					
Water and sewer lines	31,860,483	-	2,019,356	(62,174)	33,817,665
Buildings and improvements	5,071,974	-	1,315	-	5,073,289
Furniture, fixtures, and equipment	753,650	-	253,259	-	1,006,909
Information technology	373,515	-	2,108	-	375,623
Land improvements	504,654	-	34,602	-	539,256
Subtotal	38,564,276	-	2,310,640	(62,174)	40,812,742
Net capital assets being depreciated	84,335,545	378,116	137,133	(52,963)	84,797,831
Net capital assets	\$ 84,363,696	\$ 378,116	\$ 415,981	\$ (52,963)	\$ 85,104,830

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

Governmental activities:

General government	\$ 566,420
Public safety	703,338
Public works	4,313,741
Community and economic development	68,706
Recreation and culture	956,664

Total governmental activities \$ 6,608,869

Business-type activities - Water and sewer \$ 2,310,641

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, 2015, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
SEMSD Clean Water Initiative Capital Project	\$ 2,109,710	\$ 591,808
Roads and water mains	3,329,871	1,579,945
Total	<u>\$ 5,439,581</u>	<u>\$ 2,171,753</u>

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2015

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	\$ 1,214,688	\$ 11,974	\$ (60,309)	\$ 1,166,353	\$ 67,851
2001 Lake St. Clair Clean Water Initiative:							
Amount of issue - \$5,878,889	3.00% -	\$142,190 -					
Maturing through 2029	5.00%	\$316,587	3,638,247	-	(257,648)	3,380,599	252,722
Less unamortized premium on issuance			102,603	-	(6,620)	95,983	6,620
General obligations:							
2011 Capital Project bonds:							
Amount of issue - \$3,180,000	2.00% -	\$125,000 -					
Maturing through 2032	4.125%	\$220,000	2,930,000	-	(125,000)	2,805,000	130,000
Less unamortized premium on issuance			58,991	-	(3,420)	55,571	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	1,825,000	-	(60,000)	1,765,000	60,000
Less unamortized premium on issuance			4,797	-	(202)	4,595	202
LED Lighting Project:							
Amount of issue - \$450,000		\$21,803 -					
Maturing through 2020		\$61,171	327,658	-	(61,171)	266,487	61,171
Total general and other governmental obligations			10,101,984	11,974	(574,370)	9,539,588	581,986

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2015

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			\$ 4,754,145	\$ 1,693,106	\$ (1,246,144)	\$ 5,201,107	\$ 1,292,513
Noncurrent portion of general liability claims and workers' compensation (Note 16)			1,349,782	-	(730,894)	618,888	-
Recreational Revenue Fund obligations:							
Compensated absences			56,827	21,628	(14,893)	63,562	15,987
Noncurrent portion of general liability claims and workers' compensation (Note 16)			23,133	-	(11,216)	11,917	117
Internal Service Fund obligations:							
Compensated absences			30,063	9,432	(6,795)	32,700	7,221
Noncurrent portion of general liability claims and workers' compensation (Note 16)			284	-	(114)	170	-
Total governmental activities			<u>\$ 16,316,218</u>	<u>\$ 1,736,140</u>	<u>\$ (2,584,426)</u>	<u>\$ 15,467,932</u>	<u>\$ 1,897,824</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	\$ 610,000	\$ -	\$ (195,000)	\$ 415,000	\$ 200,000
2006 Limited Tax Obligation Bonds:							
Amount of issue - \$3,750,000	4.25%	\$170,000 -					
Maturing through 2026	4.375%	\$270,000	2,590,000	-	(170,000)	2,420,000	175,000
Less unamortized discount on issuance			(10,927)	-	1,217	(9,710)	(1,174)
Total bonds payable			3,189,073	-	(363,783)	2,825,290	373,826
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	28,413,591	-	(2,012,378)	26,401,213	1,973,904
Less unamortized premium on issuance			799,768	-	(51,703)	748,065	51,703
2011 Capital Project bonds:							
Amount of issue - \$5,285,000	2.00%	\$210,000 -					
Maturing through 2032	4.125%	\$370,000	4,875,000	-	(210,000)	4,665,000	210,000
Less unamortized premium on issuance			97,313	-	(5,641)	91,672	5,641
2013 Drinking Water Revolving Fund (DWRF) & Clean Water State Revolving Funds (SRF/SWQIF)							
	2.50%	\$10,063 - \$30,000	335,063	-	(25,000)	310,063	25,000
Other long-term obligations:							
Compensated absences			131,541	25,336	(26,957)	129,920	26,437
Noncurrent portion of general liability claims and workers' compensation (Note 16)			44,154	-	(28,925)	15,229	4,360
Total business-type activities			<u>\$ 37,885,503</u>	<u>\$ 25,336</u>	<u>\$ (2,724,387)</u>	<u>\$ 35,186,452</u>	<u>\$ 2,670,871</u>

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2015

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
2016	\$ 571,744	\$ 292,561	\$ 864,305	\$ 2,583,904	\$ 1,218,002	\$ 3,801,906
2017	580,585	280,194	860,779	2,663,325	1,138,972	3,802,297
2018	593,629	267,405	861,034	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	580,705	236,988	817,693	2,689,409	891,133	3,580,542
2021-2025	2,690,641	913,215	3,603,856	12,016,716	3,023,135	15,039,851
2026-2030	2,581,097	458,329	3,039,426	8,409,360	1,029,099	9,438,459
2031-2035	887,288	109,679	996,967	725,000	30,216	755,216
2036-2040	295,000	19,963	314,963	-	-	-
Total	<u>\$ 9,383,439</u>	<u>\$ 2,829,660</u>	<u>\$ 12,213,099</u>	<u>\$ 34,211,276</u>	<u>\$ 9,359,064</u>	<u>\$ 43,570,340</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 \$431,478. During the current year, net revenue of the utility system totaled \$3,435,867 compared to the current year debt requirement of \$214,793.

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, 2015

Note 7 - Restricted Assets (Continued)

The following is the detail of restricted assets at June 30, 2015:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Cash and cash equivalents - Utility Fund Revenue		
Bonds required reserves:		
Operations and maintenance	\$ -	\$ 1,628,032
Debt service	-	53,259
Total cash and cash equivalents	-	1,681,290
Assets held by the Macomb County Department of Public Works for Storm Drains	1,017,934	-
Assets held by the Macomb County Drain Commission for use in the Lake St. Clair Clean Water Initiative (unspent proceeds)	-	1,496,493
Unspent bond proceeds from the 2011 Capital Improvement bond issue	<u>1,317,138</u>	<u>445,702</u>
Total restricted assets	<u>\$ 2,335,072</u>	<u>\$ 3,623,485</u>

Net position has been restricted for these amounts, net of related debt at June 30, 2015.

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, 2015, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	205
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>128</u>
Total	<u>334</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, 2015, the average active member contribution rate was 4.70 percent of annual pay and the City's average contribution rate was 47.25 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, 2015, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	214
Inactive plan members entitled to but not yet receiving benefits	21
Active plan members	<u>75</u>
Total	<u>310</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, 2015

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, 2015, the average active member contribution rate was 0.87 percent of annual pay and the City's average contribution rate was 56.87 percent 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, 2015:

	<u>Target Allocation</u>
Asset class:	
Domestic large cap	45
Domestic mid cap	5
Domestic small cap	5
International equity	15
Fixed income	30

Rate of Return - For the year ended June 30, 2015, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 2.59 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, 2015

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, 2015:

	<u>Target Allocation</u>
Asset class:	
Global equity	56
Global fixed income	30
Hedge funds	6
Real estate	6
Cash or cash equivalents	2

Rate of Return - For the year ended June 30, 2015, the annual money-weighted rate of return on plan investments, net of plan investment expense, was (0.02) 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.

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.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2015

Note 10 - Pension Plan Reserves (Continued)

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, 2015 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 85,983,443	\$ 85,983,443
Employee reserve	5,183,198	5,183,198
Employer reserve	N/A	8,529,831

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, 2015 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 12,292,823	\$ 12,292,823
Employee reserve	558,632	558,632
Employer reserve	N/A	26,379,004

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2015

Note 11 - Net Pension Liability - Police and Fire Retirement System

The components of the net pension liability of the City related to the Police and Fire Retirement System at June 30, 2015 were as follows:

Total pension liability	\$ 151,560,518
Plan fiduciary net position	<u>(99,696,472)</u>
City's net pension liability	<u>\$ 51,864,046</u>
Plan fiduciary net position as a percentage of the total pension liability	65.8 %

The City has chosen to use June 30, 2015 as its measurement date for the net pension liability. The June 30, 2015 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of June 30, 2015. The June 30, 2015 total pension liability was determined by an actuarial valuation performed as of June 30, 2014, which used update procedures to roll forward the estimated liability to June 30, 2015.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2014	\$ 146,246,009	\$ 101,022,075	\$ 45,223,934
Service cost	2,368,495	-	2,368,495
Interest	10,681,279	-	10,681,279
Differences between expected and actual experience	2,291,144	-	2,291,144
Contributions - Employer	-	4,958,089	(4,958,089)
Contributions - Employee	-	493,061	(493,061)
Net investment income	-	3,282,632	(3,282,632)
Benefit payments, including refunds	(10,026,409)	(10,026,409)	-
Administrative expenses	-	(32,976)	32,976
Net changes	<u>5,314,509</u>	<u>(1,325,603)</u>	<u>6,640,112</u>
Balance at June 30, 2015	<u>\$ 151,560,518</u>	<u>\$ 99,696,472</u>	<u>\$ 51,864,046</u>

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2015

Note 11 - Net Pension Liability - Police and Fire Retirement System (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$6,491,367. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 1,809,862
Net difference between projected and actual earnings on pension plan investments	<u>3,296,972</u>
Total	<u>\$ 5,106,834</u>

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

<u>Years Ending June 30</u>	<u>Amount</u>
2016	\$ 1,305,525
2017	1,305,525
2018	1,305,525
2019	1,190,259

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.5 %
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, 2015 valuation were based on the results of the actuarial experience study for the period from 2002-2007.

Note 11 - Net Pension Liability - Police and Fire Retirement System (Continued)

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.

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, 2015 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	Long-term Expected Real Rate of Return
U.S. Large Cap Growth Equity	8.1 %
U.S. Large Cap Value Equity	7.7
U.S. Mid Cap Growth Equity	9.2
U.S. Mid Cap Value Equity	8.5
U.S. Small Cap Growth Equity	10.1
U.S. Small Cap Value Equity	9.2
Europe Equity	8.2
Japan Equity	7.7
Asia Pacific exJapan Equity	9.8
U.S. Fixed Income	2.7
Cash	1.1

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2015

Note 11 - Net Pension Liability - Police and Fire Retirement System (Continued)

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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability of the City	\$ 67,799,186	\$ 51,864,046	\$ 43,802,476

Note 12 - Net Pension Liability - General Employees' Retirement System

The components of the net pension liability of the City related to the General Employees' Retirement System at June 30, 2015 were as follows:

Total pension liability	\$ 59,444,711
Plan fiduciary net position	<u>(39,230,459)</u>
City's net pension liability	<u>\$ 20,214,252</u>
Plan fiduciary net position as a percentage of the total pension liability	66.0 %

The City has chosen to use June 30, 2015 as its measurement date for the net pension liability. The June 30, 2015 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of June 30, 2015. The June 30, 2015 total pension liability was determined by an actuarial valuation performed as of June 30, 2014, which used update procedures to roll forward the estimated liability to June 30, 2015.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2015

Note 12 - Net Pension Liability - General Employees' Retirement System (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2014	\$ 58,445,154	\$ 41,176,701	\$ 17,268,453
Service cost	542,686	-	542,686
Interest	4,509,141	-	4,509,141
Differences between expected and actual experience	652,195	-	652,195
Contributions - Employer	-	2,512,506	(2,512,506)
Contributions - Employee	-	38,285	(38,285)
Net investment income	-	223,297	(223,297)
Benefit payments, including refunds	(4,704,465)	(4,704,465)	-
Administrative expenses	-	(15,865)	15,865
Net changes	999,557	(1,946,242)	2,945,799
Balance at June 30, 2015	<u>\$ 59,444,711</u>	<u>\$ 39,230,459</u>	<u>\$ 20,214,252</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$2,753,151. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 317,907
Net difference between projected and actual earnings on pension plan investments	<u>2,387,246</u>
Total	<u>\$ 2,705,153</u>

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2015

Note 12 - Net Pension Liability - General Employees' Retirement System (Continued)

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

Years Ending June 30	Amount
2016	\$ 914,717
2017	596,812
2018	596,812
2019	596,812

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.0 %
Salary increases	5.9 % 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, 2015 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 General Employees' Retirement System'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, 2015

Note 12 - Net Pension Liability - General Employees' Retirement System (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, 2015 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:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	8.0 %
Global fixed	2.9 %
Hedge funds	4.0 %
Real estate	8.0 %
Cash	1.0 %

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:

	<u>1% Decrease (7.0%)</u>	<u>Current Discount Rate (8.0%)</u>	<u>1% Increase (9.0%)</u>
Net pension liability of the City	\$ 22,148,902	\$ 20,214,252	\$ 15,456,979

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, 2015, 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.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2015

Note 13 - Other Postemployment Benefits (Continued)

This valuation's computed contributions and actual funding are summarized as follows:

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)	\$ 3,051,497	\$ 6,081,536
Interest on prior year's net OPEB obligation	190,463	401,369
Less adjustment to the annual required contribution	<u>(146,774)</u>	<u>(287,882)</u>
Annual OPEB cost	3,095,187	6,195,023
Amounts contributed:		
Payments of current premiums	2,256,540	2,688,119
Implicit rate subsidy	<u>52,084</u>	<u>125,117</u>
Total amounts contributed	<u>2,308,624</u>	<u>2,813,236</u>
Change in OPEB obligation	786,563	3,381,787
Net OPEB obligation:		
Beginning of year	<u>3,809,268</u>	<u>8,027,389</u>
End of year	<u>\$ 4,595,831</u>	<u>\$ 11,409,176</u>

	General Retiree Healthcare Plan		
	Fiscal Year Ended June 30		
	2015	2014	2013
Annual OPEB cost	\$ 3,095,187	\$ 3,101,033	\$ 3,627,924
Percentage contributed	75%	75%	70%
Net OPEB obligation	\$ 4,595,831	\$ 3,809,268	\$ 3,042,753

	Police and Fire Retiree Healthcare Plan		
	Fiscal Year Ended June 30		
	2015	2014	2013
Annual OPEB cost	\$ 6,195,023	\$ 5,871,334	\$ 4,476,634
Percentage contributed	45%	46%	71%
Net OPEB obligation	\$ 11,409,176	\$ 8,027,389	\$ 4,869,011

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2015

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 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.5 percent, 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 8.5 percent, 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, 2015

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	\$ 2,796,172	\$ 3,560,144	\$ 112,293	\$ 354,045	\$ 6,822,654
Investments:					
Collateralized mortgage obligations	182,189	-	-	-	182,189
U.S. government bonds and notes	1,199,179	2,678,478	-	299,632	4,177,289
U.S. government agency bonds and notes	823,488	8,255,938	-	959,095	10,038,521
Corporate bonds and notes	2,801,191	7,004,818	-	762,644	10,568,653
Corporate asset-backed securities	205,993	-	-	-	205,993
Common and preferred stock	16,044,356	72,426,124	1,427,482	7,726,629	97,624,591
Mutual funds	15,042,939	5,384,379	3,538,730	769,497	24,735,545
Securities lending - Mutual funds	624,844	-	-	-	624,844
Receivables:					
Accrued interest receivable	58,339	117,901	-	13,770	190,010
Due from other governmental units	598,720	1,246,330	14,204	-	1,859,254
Total assets	40,377,410	100,674,112	5,092,709	10,885,312	157,029,543
Liabilities					
Accounts payable	63,696	142,103	17,989	22,354	246,142
Accrued liabilities and other	414,603	835,537	-	-	1,250,140
Obligations under securities lending agreements	668,652	-	-	-	668,652
Total liabilities	1,146,951	977,640	17,989	22,354	2,164,934
Net Position Restricted for Pension and Other Employee Benefits	\$ 39,230,459	\$ 99,696,472	\$ 5,074,720	\$ 10,862,958	\$ 154,864,609

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2015

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	\$ 993,247	\$ 2,320,438	\$ 137,340	\$ 243,591	\$ 3,694,616
Net (decrease) increase in fair value of investments	(530,067)	1,750,302	(53,650)	234,855	1,401,440
Investment-related expenses	(265,014)	(821,085)	(76,957)	(83,317)	(1,246,373)
Net investment income	198,166	3,249,655	6,733	395,129	3,849,683
Securities lending income	6,389	-	-	-	6,389
Contributions:					
Employer	2,512,506	4,958,089	2,456,541	2,688,119	12,615,255
Employee	38,285	493,061	-	82,615	613,961
Net contributions	2,550,791	5,451,150	2,456,541	2,770,734	13,229,216
Total additions	2,755,346	8,700,805	2,463,274	3,165,863	17,085,288
Deductions - Benefit payments	4,701,589	10,026,408	2,193,874	2,688,119	19,609,990
Net (Decrease) Increase in Net Position Restricted	(1,946,243)	(1,325,603)	269,400	477,744	(2,524,702)
Net Position Restricted for Pension and Other Employee Benefits - Beginning of year	41,176,702	101,022,075	4,805,320	10,385,214	157,389,311
Net Position Restricted for Pension and Other Employee Benefits - End of year	\$ 39,230,459	\$ 99,696,472	\$ 5,074,720	\$ 10,862,958	\$ 154,864,609

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 the 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 \$286,648, with \$187,353 representing employer contributions and \$99,295 representing employee contributions. At June 30, 2015, there were 46 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 \$143,236, with \$102,904 representing employer contributions and \$40,332 representing employee contributions. At June 30, 2015, there were 44 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, 2015

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	
	2015	2014	2015	2014	2015	2014
Estimated liability (prepaid) - Beginning of year	\$ 379,479	\$ 242,368	\$ 1,053,659	\$ 232,302	\$ (82,019)	\$ (91,800)
Incurring claims, including claims incurred but not reported	122,874	365,550	499,431	1,669,907	4,872,288	4,313,847
Claim payments	(81,285)	(228,439)	(1,035,835)	(848,550)	(5,307,549)	(4,304,066)
Estimated liability (prepaid) - End of year	\$ 421,068	\$ 379,479	\$ 517,255	\$ 1,053,659	\$ (517,280)	\$ (82,019)

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 \$8,107,412 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, 2015

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 \$270,818 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 \$3,598,181, 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 \$313,761 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 February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2016 fiscal year.

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statement more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The City is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB Statement No. 75 is effective one year later.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement will require governments to disclose in their financial statements information related to tax abatement agreements. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the 2016-2017 fiscal year.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2015

Note 19 - Change in Accounting

During the current year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements and the proprietary funds now include a liability for our unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension footnote for further details. This change does not impact the General Fund or any other governmental fund.

The impact of adopting GASB Statement No. 68 was to restate and decrease beginning net position by \$62,492,387. This change occurred because the financial statements now recognize pension expense as it is earned, rather than as it is funded.

The effect of this restatement is as follows:

	<u>Governmental Activities</u>	<u>Recreation Revenue Fund</u>	<u>Business-type Activities - Utility Fund</u>
Net position - Beginning of year - As previously reported	\$ 91,229,792	\$ 2,180,663	\$ 78,081,629
Adjustments to reflect change in accounting related to implementation of GASB Statement No. 68	<u>(59,169,937)</u>	<u>(492,151)</u>	<u>(3,322,450)</u>
Net position - Beginning of year - As restated	<u>\$ 32,059,855</u>	<u>\$ 1,688,512</u>	<u>\$ 74,759,179</u>

Required Supplemental Information

City of St. Clair Shores, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 24,276,490	\$ 24,280,301	\$ 24,315,024	\$ 34,723
Licenses and permits	652,255	652,255	850,631	198,376
Federal grants	61,573	61,573	178,841	117,268
State-shared revenue and grants	5,613,558	5,613,558	5,562,429	(51,129)
Charges for services	5,192,780	5,267,294	5,014,316	(252,978)
Fines and forfeitures:				
District court fines and fees	1,882,481	1,882,481	1,845,065	(37,416)
Library fines	68,400	68,400	51,596	(16,804)
Investment income	130,000	130,000	116,770	(13,230)
Transfers in	-	28,337	28,337	-
Other revenue:				
Special assessments	1,100,000	-	-	-
Proceeds from sale of capital assets	-	-	61,096	61,096
Cable franchise fees (unrestricted)	1,200,000	1,200,000	1,443,562	243,562
Interfund reimbursements from other funds	3,100,541	3,100,541	3,018,897	(81,644)
Other miscellaneous income	1,663,996	1,758,602	1,824,418	65,816
Total revenue	44,942,074	44,043,342	44,310,982	267,640
Expenditures				
General government:				
Legislative	78,654	78,654	76,752	1,902
Executive	487,694	487,694	387,044	100,650
Finance	1,101,123	1,101,123	1,104,081	(2,958)
Judicial	2,014,914	2,037,774	2,007,508	30,266
Information systems	390,133	415,133	316,919	98,214
Assessor	330,118	330,118	323,085	7,033
Election	696,672	696,672	589,448	107,224
Building maintenance	621,470	621,470	515,886	105,584
Attorney	428,000	428,000	465,967	(37,967)
General government	2,883,794	2,883,794	1,869,455	1,014,339
Board and commissions	402,217	402,217	396,102	6,115
Insurance/Claims	651,000	1,151,000	951,641	199,359
Total general government	10,085,789	10,633,649	9,003,888	1,629,761
Public safety:				
Police	13,799,987	13,817,375	13,254,639	562,736
Fire	7,191,009	7,191,009	7,407,920	(216,911)
Pre-retiree wages and retiree health care	3,273,176	3,273,176	2,916,578	356,598
Total public safety	24,264,172	24,281,560	23,579,137	702,423

City of St. Clair Shores, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Expenditures (Continued)				
Public works:				
Street construction	\$ 21,564	\$ 21,564	\$ 24,865	\$ (3,301)
Routine maintenance	1,100,000	-	-	-
Public works administration	636,197	637,847	653,188	(15,341)
Sanitation	3,728,565	3,744,059	3,589,121	154,938
Total public works	<u>5,486,326</u>	<u>4,403,470</u>	<u>4,267,174</u>	<u>136,296</u>
Community and economic development	2,168,245	2,168,245	2,055,137	113,108
Recreation and culture:				
Library and information services	1,561,018	1,568,856	1,336,178	232,678
Parks and recreation	1,768,806	1,944,040	1,886,742	57,298
Senior center	461,618	461,618	414,955	46,663
Arena	834,650	878,187	846,615	31,572
Total recreation and culture	<u>4,626,092</u>	<u>4,852,701</u>	<u>4,484,490</u>	<u>368,211</u>
Transfers out	<u>74,000</u>	<u>91,000</u>	<u>186,000</u>	<u>95,000</u>
Total expenditures	<u>46,704,624</u>	<u>46,430,625</u>	<u>43,575,826</u>	<u>2,854,799</u>
Net Change in Fund Balance	(1,762,550)	(2,387,283)	735,156	3,122,439
Fund Balance - Beginning of year	<u>22,954,385</u>	<u>22,954,385</u>	<u>22,954,385</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 21,191,835</u>	<u>\$ 20,567,102</u>	<u>\$ 23,689,541</u>	<u>\$ 3,122,439</u>

City of St. Clair Shores, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 2,477,310	\$ 2,477,310	\$ 2,562,471	\$ 85,161
Investment income	3,500	3,500	5,373	1,873
Other revenue - Other miscellaneous income	-	-	4,883	4,883
	<u>2,480,810</u>	<u>2,480,810</u>	<u>2,572,727</u>	<u>91,917</u>
Total revenue				
Expenditures				
Public works	822,772	2,281,703	1,620,012	661,691
Transfers out	617,000	1,359,171	1,238,654	120,517
Debt service	245,946	227,595	227,595	-
	<u>1,685,718</u>	<u>3,868,469</u>	<u>3,086,261</u>	<u>782,208</u>
Total expenditures				
Net Change in Fund Balance	795,092	(1,387,659)	(513,534)	874,125
Fund Balance - Beginning of year	<u>2,519,554</u>	<u>2,519,554</u>	<u>2,519,554</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 3,314,646</u></u>	<u><u>\$ 1,131,895</u></u>	<u><u>\$ 2,006,020</u></u>	<u><u>\$ 874,125</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, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,312,507	\$ 1,312,507	\$ 1,314,396	\$ 1,889
State-shared revenue and grants	965,444	1,215,890	1,244,235	28,345
Charges for services	538,000	538,000	611,966	73,966
Investment income	3,000	3,000	1,908	(1,092)
Transfers in	617,000	1,238,655	1,238,655	-
Other revenue - Other miscellaneous income	22,960	22,960	14,890	(8,070)
Total revenue	<u>3,458,911</u>	<u>4,331,012</u>	<u>4,426,050</u>	<u>95,038</u>
Expenditures				
Current - Public works	3,110,384	4,564,102	3,914,688	649,414
Transfers out	227,595	107,079	-	107,079
Debt service	42,820	61,171	61,171	-
Total expenditures	<u>3,380,799</u>	<u>4,732,352</u>	<u>3,975,859</u>	<u>756,493</u>
Net Change in Fund Balance	78,112	(401,340)	450,191	851,531
Fund Balance - Beginning of year	<u>552,359</u>	<u>552,359</u>	<u>552,359</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 630,471</u>	<u>\$ 151,019</u>	<u>\$ 1,002,550</u>	<u>\$ 851,531</u>

City of St. Clair Shores, Michigan

Note to Required Supplemental Information Year Ended June 30, 2015

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) Year Ended June 30, 2015

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	\$ 637,847	\$ 653,188	\$ (15,341)
Attorney	428,000	465,967	(37,967)
Finance	1,101,123	1,104,081	(2,958)
Fire	7,191,009	7,407,920	(216,911)
Street construction	21,564	24,865	(3,301)
<hr/>			
Library State Aid Fund	Final Budget	Actual	Variance
Recreation and culture	\$ 66,235	\$ 72,445	\$ (6,210)
<hr/>			
Library Penal Fund	Final Budget	Actual	Variance
Recreation and culture	\$ 55,000	\$ 55,020	\$ (20)
<hr/>			
Family Rental Program	Final Budget	Actual	Variance
Community and economic development	\$ 37,335	\$ 106,484	\$ (69,149)

City of St. Clair Shores, Michigan

Note to Required Supplemental Information (Continued) Year Ended June 30, 2015

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 the 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):

	<u>Total Revenue</u>	<u>Total Expenditures</u>
General Fund		
Amounts per operating statement	\$ 41,202,652	\$ 40,370,929
Operating transfers budgeted as revenue and expenditures	28,337	186,000
Reimbursements from other funds budgeted as revenue and expenditures	3,018,897	3,018,897
Sales of capital assets recorded as revenue	61,096	-
Amounts per budget statement	<u>\$ 44,310,982</u>	<u>\$ 43,575,826</u>

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 Years Ended June 30

	2015	2014
Total Pension Liability		
Service cost	\$ 2,368,495	\$ 2,342,273
Interest	10,681,279	10,474,643
Difference between expected and actual experience	2,291,144	-
Benefit payments, including refunds	(10,026,409)	(10,123,362)
Net Change in Total Pension Liability	5,314,509	2,693,554
Total Pension Liability - Beginning of year	146,246,009	143,552,455
Total Pension Liability - End of year	\$ 151,560,518	\$ 146,246,009
Plan Fiduciary Net Position		
Contributions - Employer	\$ 4,958,089	\$ 4,478,945
Contributions - Member	493,061	492,602
Net investment income	3,282,632	16,527,226
Benefit payments, including refunds	(10,026,409)	(9,894,091)
Other	(32,976)	-
Net Change in Plan Fiduciary Net Position	(1,325,603)	11,604,682
Plan Fiduciary Net Position - Beginning of year	101,022,075	89,417,393
Plan Fiduciary Net Position - End of Year	\$ 99,696,472	\$ 101,022,075
City's Net Pension Liability - Ending	\$ 51,864,046	\$ 45,223,934
Plan Fiduciary Net Position as a Percent of Total Pension Liability	65.78 %	69.08 %
Covered Employee Payroll	\$ 10,493,310	\$ 10,455,941
City's Net Pension Liability as a Percent of Covered Employee Payroll	494.3 %	432.5 %

City of St. Clair Shores, Michigan

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 4,958,089	\$ 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
Contributions in relation to the actuarially determined contribution	<u>4,958,089</u>	<u>4,478,945</u>	<u>3,199,458</u>	<u>3,134,333</u>	<u>3,452,136</u>	<u>2,894,223</u>	<u>2,799,831</u>	<u>3,009,786</u>	<u>2,828,715</u>	<u>2,195,707</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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>
Covered employee payroll	\$10,493,310	\$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
Contributions as a percentage of covered employee payroll	47.3 %	42.8 %	32.1 %	32.4 %	30.5 %	27.2 %	24.3 %	27.9 %	26.5 %	20.6 %

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 4.5 percent; no explicit price inflation assumption is used in the valuation

Salary increases 4.5 percent to 7.5 percent, including inflation

Investment rate of return 7.5 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 from 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

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	2.6 %	19.0 %

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 Years Ended June 30

	2015	2014
Total Pension Liability		
Service cost	\$ 542,686	\$ 549,023
Interest	4,509,141	4,437,488
Difference between expected and actual experience	652,195	-
Benefit payments, including refunds	(4,704,465)	(4,909,010)
Net Change in Total Pension Liability	999,557	77,501
Total Pension Liability - Beginning of year	58,445,154	57,648,592
Total Pension Liability - End of year	\$ 59,444,711	\$ 57,726,093
Plan Fiduciary Net Position		
Contributions - Employer	\$ 2,512,506	\$ 2,561,038
Contributions - Member	38,285	41,177
Net investment income	223,297	6,005,526
Benefit payments, including refunds	(4,704,465)	(4,640,991)
Other	(15,865)	4,074
Net Change in Plan Fiduciary Net Position	(1,946,242)	3,970,824
Plan Fiduciary Net Position - Beginning of year	41,176,701	36,475,015
Plan Fiduciary Net Position - End of year	\$ 39,230,459	\$ 40,445,839
City's Net Pension Liability - Ending	\$ 20,214,252	\$ 17,280,254
Plan Fiduciary Net Position as a Percent of Total Pension Liability	65.99 %	70.07 %
Covered Employee Payroll	\$ 4,418,095	\$ 4,664,037
City's Net Pension Liability as a Percent of Covered Employee Payroll	457.5 %	370.5 %

City of St. Clair Shores, Michigan

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 2,512,506	\$ 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
Contributions in relation to the actuarially determined contribution	<u>2,512,506</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<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>
Covered employee payroll	\$ 4,418,095	\$ 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
Contributions as a percentage of covered employee payroll	56.9 %	54.9 %	51.7 %	39.5 %	30.8 %	29.3 %	27.1 %	27.6 %	27.2 %	24.0 %

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 Mortality assumptions and other key assumptions are expected to be updated in the next annual valuation cycle.

City of St. Clair Shores, Michigan

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

	<u>2015</u>	<u>2014</u>
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, 2015

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
6/30/10	\$ 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
6/30/14	10,385,214	87,306,519	76,921,305	11.9	10,066,742	764.1

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution*	Percentage Contributed
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
6/30/15	6,081,536	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, 2015

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
6/30/10	\$ 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
6/30/14	4,805,320	57,685,196	52,879,876	8.3	5,851,968	903.6

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution*	Percentage Contributed
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
6/30/15	3,051,497	75.0

* 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	\$ 50,958	\$ 6,797	\$ 720,526	\$ 7,630	\$ 31,108	\$ 59,454
Receivables:						
Accrued interest receivable	34	3	-	-	21	-
Due from other governmental units	17,749	56,501	6,898	328,417	-	-
Prepaid items and other assets	-	-	6,375	-	-	-
Land held for resale	-	-	-	-	37,500	-
Restricted assets	-	-	-	-	-	-
Total assets	\$ 68,741	\$ 63,301	\$ 733,799	\$ 336,047	\$ 68,629	\$ 59,454
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 105,017	\$ 66,721	\$ -	\$ 28,793
Due to other funds	54,835	61,660	-	266,589	-	10,121
Accrued liabilities and other	-	-	-	-	-	7,706
Total liabilities	54,835	61,660	105,017	333,310	-	46,620
Deferred Inflows of Resources -						
Unavailable revenue	-	-	-	294,027	-	-
Fund Balances						
Nonspendable	-	-	6,375	-	-	-
Restricted:						
Roads	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Community development	-	-	-	-	-	12,834
Capital projects (unspent bond proceeds)	-	-	-	-	-	-
HUD homes	-	-	-	-	68,629	-
Library	13,906	1,641	-	-	-	-
Drug law enforcement	-	-	622,407	-	-	-
Assigned - Capital projects	-	-	-	-	-	-
Unassigned	-	-	-	(291,290)	-	-
Total fund balances	13,906	1,641	628,782	(291,290)	68,629	12,834
Total liabilities, deferred inflows of resources, and fund balances	\$ 68,741	\$ 63,301	\$ 733,799	\$ 336,047	\$ 68,629	\$ 59,454

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2015

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
\$ 250,517	\$ 899	\$ -	\$ -	\$ -	\$ 2,154	\$ 85,695	\$ -	\$ 7,490	\$ -	\$ 1,223,228
172	3	-	-	-	3	61	-	7	914	1,218
-	-	-	-	-	-	21,415	-	-	-	430,980
-	-	-	-	-	-	-	-	-	-	6,375
-	-	-	-	-	-	-	-	-	-	37,500
-	-	-	-	-	-	-	-	-	1,317,138	1,317,138
\$250,689	\$ 902	\$ -	\$ -	\$ -	\$ 2,157	\$ 107,171	\$ -	\$ 7,497	\$ 1,318,052	\$ 3,016,439
\$ 82	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,315	\$ 219,928
-	-	-	-	-	-	-	-	-	-	393,205
1,053	-	-	-	-	-	-	-	-	-	8,759
1,135	-	-	-	-	-	-	-	-	19,315	621,892
1,598	-	-	-	-	-	-	-	-	-	295,625
-	-	-	-	-	-	-	-	-	-	6,375
-	902	-	-	-	-	-	-	-	-	902
247,956	-	-	-	-	-	-	-	-	-	247,956
-	-	-	-	-	-	-	-	-	-	12,834
-	-	-	-	-	-	-	-	-	1,298,737	1,298,737
-	-	-	-	-	-	-	-	-	-	68,629
-	-	-	-	-	-	-	-	-	-	15,547
-	-	-	-	-	-	-	-	-	-	622,407
-	-	-	-	-	2,157	107,171	-	7,497	-	116,825
-	-	-	-	-	-	-	-	-	-	(291,290)
247,956	902	-	-	-	2,157	107,171	-	7,497	1,298,737	2,098,922
\$250,689	\$ 902	\$ -	\$ -	\$ -	\$ 2,157	\$ 107,171	\$ -	\$ 7,497	\$ 1,318,052	\$ 3,016,439

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	-	-	82,718	555,110	-	33,000
State-shared revenue and grants	35,162	56,502	-	-	-	-
Charges for services	-	-	-	-	-	51,890
Fines and forfeitures	-	-	-	-	-	-
Investment income	100	159	344	43	4,320	71
Other revenue	-	-	144,572	-	-	-
Total revenue	35,262	56,661	227,634	555,153	4,320	84,961
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	248,407	-	-	-
Public works	-	-	-	-	-	-
Community and economic development	-	-	-	826,181	478	106,484
Recreation and culture	72,445	55,020	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-
Total expenditures	72,445	55,020	248,407	826,181	478	106,484
Excess of Revenue (Under) Over Expenditures	(37,183)	1,641	(20,773)	(271,028)	3,842	(21,523)
Other Financing Sources (Uses)						
Face value of debt issue	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(28,337)	-
Total other financing (uses) sources	-	-	-	-	(28,337)	-
Net Change in Fund Balances	(37,183)	1,641	(20,773)	(271,028)	(24,495)	(21,523)
Fund Balances - Beginning of year	51,089	-	649,555	(20,262)	93,124	34,357
Fund Balances - End of year	\$ 13,906	\$ 1,641	\$ 628,782	\$ (291,290)	\$ 68,629	\$ 12,834

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2015

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
\$ 558,740	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 558,740
-	-	-	-	-	-	-	-	-	-	670,828
-	-	-	-	-	-	-	-	-	-	91,664
-	-	-	-	-	-	-	-	38,448	-	90,338
-	-	-	-	-	-	265,355	-	-	-	265,355
1,182	-	-	-	-	3	2,805	-	28	3,783	12,838
-	-	-	-	-	-	222	-	-	-	144,794
559,922	-	-	-	-	3	268,382	-	38,476	3,783	1,834,557
-	-	-	-	-	-	202,349	-	-	-	202,349
-	-	-	-	-	-	-	-	-	-	248,407
366,450	-	-	-	210	1	-	13,545	-	41,848	422,054
-	-	-	-	-	-	-	-	-	-	933,143
-	-	-	-	-	-	-	-	31,653	-	159,118
60,309	-	125,000	60,000	-	-	-	-	-	-	245,309
29,659	-	102,594	45,995	-	-	-	-	-	-	178,248
456,418	-	227,594	105,995	210	1	202,349	13,545	31,653	41,848	2,388,628
103,504	-	(227,594)	(105,995)	(210)	2	66,033	(13,545)	6,823	(38,065)	(554,071)
-	-	-	-	-	-	-	11,974	-	-	11,974
-	-	227,594	105,995	210	-	-	1,571	-	-	335,370
(1,571)	-	-	-	-	-	(105,995)	-	-	-	(135,903)
(1,571)	-	227,594	105,995	210	-	(105,995)	13,545	-	-	211,441
101,933	-	-	-	-	2	(39,962)	-	6,823	(38,065)	(342,630)
146,023	902	-	-	-	2,155	147,133	-	674	1,336,802	2,441,552
\$ 247,956	\$ 902	\$ -	\$ -	\$ -	\$ 2,157	\$ 107,171	\$ -	\$ 7,497	\$ 1,298,737	\$ 2,098,922

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Library State Aid Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue			
State-shared revenue and grants	\$ 22,800	\$ 35,162	\$ 12,362
Investment income	-	100	100
Total revenue	22,800	35,262	12,462
Expenditures - Recreation and culture	66,235	72,445	(6,210)
Net Change in Fund Balance	(43,435)	(37,183)	6,252
Fund Balance - Beginning of year	51,089	51,089	-
Fund Balance - End of year	<u>\$ 7,654</u>	<u>\$ 13,906</u>	<u>\$ 6,252</u>

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Library Penal Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue			
State-shared revenue and grants	\$ 55,000	\$ 56,502	\$ 1,502
Investment income	-	159	159
Total revenue	55,000	56,661	1,661
Expenditures - Recreation and culture	55,000	55,020	(20)
Net Change in Fund Balance	-	1,641	1,641
Fund Balance - Beginning of year	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ 1,641</u>	<u>\$ 1,641</u>

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Drug Law Enforcement Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue			
Federal grants	\$ -	\$ 82,718	\$ 82,718
Investment income	500	344	(156)
Other revenue	184,400	144,572	(39,828)
Total revenue	184,900	227,634	42,734
Expenditures - Public safety	317,275	248,407	68,868
Net Change in Fund Balance	(132,375)	(20,773)	111,602
Fund Balance - Beginning of year	649,555	649,555	-
Fund Balance - End of year	<u>\$ 517,180</u>	<u>\$ 628,782</u>	<u>\$ 111,602</u>

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund Community Development Block Grant Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue			
Federal grants	\$ 1,296,328	\$ 555,110	\$ (741,218)
Investment income	-	43	43
Total revenue	1,296,328	555,153	(741,175)
Expenditures - Community and economic development	1,296,328	826,181	470,147
Excess of Expenditures Over Revenue	-	(271,028)	(271,028)
Net Change in Fund Balance	-	(271,028)	(271,028)
Fund Balance - Beginning of year	(20,262)	(20,262)	-
Fund Balance - End of year	<u>\$ (20,262)</u>	<u>\$ (291,290)</u>	<u>\$ (271,028)</u>

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Family Rental Program Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue			
Federal grants	\$ -	\$ 33,000	\$ 33,000
Charges for services	40,000	51,890	11,890
Investment income	-	71	71
Total revenue	40,000	84,961	44,961
Expenditures - Community and economic development	37,335	106,484	(69,149)
Net Change in Fund Balance	2,665	(21,523)	(24,188)
Fund Balance - Beginning of year	34,357	34,357	-
Fund Balance - End of year	<u>\$ 37,022</u>	<u>\$ 12,834</u>	<u>\$ (24,188)</u>

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Debt Service Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue			
Property taxes	\$ 563,032	\$ 558,740	\$ (4,292)
Investment income	-	1,182	1,182
Total revenue	563,032	559,922	(3,110)
Expenditures			
Public works	473,113	366,450	106,663
Debt service:			
Principal	60,312	60,309	3
Interest on long-term debt	29,660	29,659	1
Transfers out	-	1,571	(1,571)
Total expenditures	563,085	457,989	105,096
Net Change in Fund Balance	(53)	101,933	101,986
Fund Balance - Beginning of year	146,023	146,023	-
Fund Balance - End of year	\$ 145,970	\$ 247,956	\$ 101,986

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund - 1994 MVH Debt Retirement Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue	\$ -	\$ -	\$ -
Expenditures - Debt service	-	-	-
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning of year	902	902	\$ -
Fund Balance - End of year	<u>\$ 902</u>	<u>\$ 902</u>	<u>\$ -</u>

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund - 2011 Capital Improvement Debt Service Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue - Transfers in	\$ 227,594	\$ 227,594	\$ -
Expenditures			
Debt service			
Principal	125,000	125,000	-
Interest on long-term debt	102,594	102,594	-
Total expenditures	227,594	227,594	-
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning of year	-	-	-
Fund Balance - End of year	\$ -	\$ -	\$ -

City of St. Clair Shores, Michigan

Other Supplemental Information Major Governmental Fund - Debt Service SEMSD Clean Water Initiative Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue			
Property taxes	\$ 2,704,282	\$ 2,786	\$ (2,701,496)
Investment income	-	6,674	6,674
Total revenue	2,704,282	9,460	(2,694,822)
Expenditures			
Debt service:			
Principal	2,270,027	257,648	2,012,379
Interest on long-term debt	1,111,359	120,461	990,898
Transfers out	-	223,887	(223,887)
Total expenditures	3,381,386	601,996	2,779,390
Net Change in Fund Balance	(677,104)	(592,536)	84,568
Fund Balance - Beginning of year	4,637,602	4,637,602	-
Fund Balance - End of year	\$ 3,960,498	\$ 4,045,066	\$ 84,568

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Court Building Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue			
Fines and forfeitures	\$ 215,000	\$ 265,355	\$ 50,355
Investment income	200	2,805	2,605
Other revenue	-	222	222
Total revenue	215,200	268,382	53,182
Expenditures			
General government	243,520	202,349	41,171
Transfers out	105,995	105,995	-
Total expenditures	349,515	308,344	41,171
Net Change in Fund Balance	(134,315)	(39,962)	94,353
Fund Balance - Beginning of year	147,133	147,133	-
Fund Balance - End of year	\$ 12,818	\$ 107,171	\$ 94,353

City of St. Clair Shores, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Debt Service - Court Building Budgetary Comparison Year Ended June 30, 2015

	Amended Budget (unaudited)	Actual	Variance with Amended Budget
Revenue - Transfers in	\$ 105,995	\$ 105,995	\$ -
Expenditures - Debt service	105,995	105,995	-
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, 2015

	Motor Pool	Computer Replacement	Total
Assets			
Current assets:			
Cash and investments	\$ 951,824	\$ 514,375	\$ 1,466,199
Receivables	25,529	359	25,888
Prepaid items and other assets	3,917	-	3,917
Total current assets	981,270	514,734	1,496,004
Noncurrent liabilities - Capital assets	2,582,047	196,185	2,778,232
Total assets	3,563,317	710,919	4,274,236
Deferred Outflows of Resources -			
Deferred outflows related to pensions	87,647	-	87,647
Liabilities			
Current liabilities:			
Accounts payable	72,108	8,783	80,891
Due to other governmental units	18,666	-	18,666
Accrued liabilities and other	5,324	-	5,324
Current portion of long-term debt	7,221	-	7,221
Total current liabilities	103,319	8,783	112,102
Noncurrent liabilities:			
Net pension liability	654,942	-	654,942
Long-term debt	25,649	-	25,649
Total noncurrent liabilities	680,591	-	680,591
Total liabilities	783,910	8,783	792,693
Net Position			
Net investment in capital assets	2,582,047	196,185	2,778,232
Unrestricted	285,007	505,951	790,958
Total net position	\$ 2,867,054	\$ 702,136	\$ 3,569,190

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, 2015

	Motor Pool	Computer Replacement	Total
Operating Revenue			
Charges for services	\$ 1,474,920	\$ 184,741	\$ 1,659,661
Other	56,885	-	56,885
Total operating revenue	1,531,805	184,741	1,716,546
Operating Expenses			
Salaries and fringe benefits	280,322	-	280,322
Billing and administrative costs	279,755	-	279,755
Supplies and utilities	391,619	65,649	457,268
Repairs and maintenance	260,110	9,729	269,839
Depreciation	542,901	79,726	622,627
Total operating expenses	1,754,707	155,104	1,909,811
Operating Income	(222,902)	29,637	(193,265)
Nonoperating Revenue			
Investment income	1,259	1,046	2,305
Gain on sale of assets	41,004	553	41,557
Income - Before contributions	(180,639)	31,236	(149,403)
Capital Contributions - Capital grants	305,174	-	305,174
Change in Net Position	124,535	31,236	155,771
Net Position - Beginning of year (as restated)	2,742,519	670,900	3,413,419
Net Position - End of year	\$ 2,867,054	\$ 702,136	\$ 3,569,190

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2015

	Motor Pool	Computer Replacement	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,533,264	\$ 185,427	\$ 1,718,691
Payments to suppliers	(933,139)	(66,737)	(999,876)
Payments to employees	(269,225)	-	(269,225)
Internal activity - Payments to other funds	(3,340)	-	(3,340)
Other receipts	(21,640)	-	(21,640)
Net cash provided by operating activities	305,920	118,690	424,610
Cash Flows from Capital and Related Financing Activities			
Receipt of capital grants	305,174	-	305,174
Proceeds from sales of capital assets	90,107	553	90,660
Purchase of capital assets	(651,599)	(50,114)	(701,713)
Net cash used in capital and related financing activities	(256,318)	(49,561)	(305,879)
Cash Flows from Investing Activities			
Interest received on investments	1,259	1,046	2,305
Net sale of investment securities	354,453	167,045	521,498
Net cash provided by investing activities	355,712	168,091	523,803
Net Increase in Cash and Cash Equivalents	405,314	237,220	642,534
Cash and Cash Equivalents - Beginning of year	381,845	188,131	569,976
Cash and Cash Equivalents - End of year	<u>\$ 787,159</u>	<u>\$ 425,351</u>	<u>\$ 1,212,510</u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ 951,824	\$ 514,375	\$ 1,466,199
Less amounts classified as investments	(164,665)	(89,024)	(253,689)
Total cash and cash equivalents	<u>\$ 787,159</u>	<u>\$ 425,351</u>	<u>\$ 1,212,510</u>
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating (loss) income	\$ (222,902)	\$ 29,637	\$ (193,265)
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization	542,901	79,726	622,627
Changes in assets and liabilities:			
Receivables	(20,181)	686	(19,495)
Prepaid and other assets	(3,917)	-	(3,917)
Accounts payable	2,262	8,641	10,903
Due to others	(3,340)	-	(3,340)
Accrued and other liabilities	11,097	-	11,097
Net cash provided by operating activities	<u>\$ 305,920</u>	<u>\$ 118,690</u>	<u>\$ 424,610</u>

City of St. Clair Shores, Michigan

Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds June 30, 2015

	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	\$ 2,796,172	\$ 3,560,144	\$ 112,293	\$ 354,045	\$ 6,822,654	\$ 47,823	\$ 360,052	\$ 407,875
Investments:								
Collateralized mortgage obligations	182,189	-	-	-	182,189	-	-	-
U.S. government bonds and notes	1,199,179	2,678,478	-	299,632	4,177,289	-	-	-
U.S. government agency bonds and notes	823,488	8,255,938	-	959,095	10,038,521	-	-	-
Corporate bonds and notes	2,801,191	7,004,818	-	762,644	10,568,653	-	-	-
Corporate asset-backed securities	205,993	-	-	-	205,993	-	-	-
Common and preferred stock	16,044,356	72,426,124	1,427,482	7,726,629	97,624,591	-	-	-
Mutual funds	15,042,939	5,384,379	3,538,730	769,497	24,735,545	-	-	-
Securities lending - Mutual funds:								
Mutual funds	624,844	-	-	-	624,844	-	-	-
Receivables:								
Accrued interest receivable	58,339	117,901	-	13,770	190,010	-	-	-
Due from other governmental units	598,720	1,246,330	14,204	-	1,859,254	-	39,229	39,229
Total assets	40,377,410	100,674,112	5,092,709	10,885,312	157,029,543	\$ 47,823	\$ 399,281	\$ 447,104
Liabilities								
Accounts payable	63,696	142,103	17,989	22,354	246,142	\$ -	\$ 44,022	\$ 44,022
Due to other governmental units	-	-	-	-	-	37,774	235,522	273,296
Due to component units	-	-	-	-	-	10,049	-	10,049
Refundable deposits, bonds, etc.	-	-	-	-	-	-	119,737	119,737
Accrued liabilities and other	414,603	835,537	-	-	1,250,140	-	-	-
Obligations under securities lending agreements	668,652	-	-	-	668,652	-	-	-
Total liabilities	1,146,951	977,640	17,989	22,354	2,164,934	\$ 47,823	\$ 399,281	\$ 447,104
Net Position Restricted for Pension and Other Employee Benefits	\$ 39,230,459	\$ 99,696,472	\$ 5,074,720	\$ 10,862,958	\$ 154,864,609			

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2015

	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	\$ 993,247	\$ 2,320,438	\$ 137,340	\$ 243,591	\$ 3,694,616
Net (decrease) increase in fair value of investments	(530,067)	1,750,302	(53,650)	234,855	1,401,440
Investment-related expenses	(265,014)	(821,085)	(76,957)	(83,317)	(1,246,373)
Net investment income	198,166	3,249,655	6,733	395,129	3,849,683
Securities lending income:					
Interest and dividends	1,263	-	-	-	1,263
Securities lending - Investment expense	5,126	-	-	-	5,126
Net securities lending income	6,389	-	-	-	6,389
Contributions:					
Employer	2,512,506	4,958,089	2,456,541	2,688,119	12,615,255
Employee	38,285	493,061	-	82,615	613,961
Total contributions	2,550,791	5,451,150	2,456,541	2,770,734	13,229,216
Total additions	2,755,346	8,700,805	2,463,274	3,165,863	17,085,288
Deductions - Benefit payments	4,701,589	10,026,408	2,193,874	2,688,119	19,609,990
Net (Decrease) Increase in Net Position Restricted	(1,946,243)	(1,325,603)	269,400	477,744	(2,524,702)
Net Position Restricted for Pension and Other Employee Benefits - Beginning of year	41,176,702	101,022,075	4,805,320	10,385,214	157,389,311
Net Position Restricted for Pension and Other Employee Benefits - End of year	\$ 39,230,459	\$ 99,696,472	\$ 5,074,720	\$ 10,862,958	\$ 154,864,609

City of St. Clair Shores, Michigan

Other Supplemental Information Statement of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2015

	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015
<u>County and School Tax Fund</u>				
Assets - Cash and investments	\$ 233,945	\$ 67,181,586	\$ (67,367,708)	\$ 47,823
Liabilities				
Due to other governmental units	\$ 233,945	\$ 37,774	\$ (233,945)	\$ 37,774
Due to component units	-	10,049	-	10,049
Total liabilities	\$ 233,945	\$ 47,823	\$ (233,945)	\$ 47,823
 <u>40th District Court</u>				
Assets				
Cash and investments	\$ 395,530	\$ 1,819,201	\$ (1,760,522)	\$ 454,209
Due from primary government	19,876	19,876	(16,517)	23,235
Total assets	\$ 415,406	\$ 1,839,077	\$ (1,777,039)	\$ 477,444
Liabilities				
Accounts payable	\$ 23,307	\$ 23,307	-	\$ 46,614
Due to other governmental units	253,681	1,787,029	(1,777,039)	263,671
Refundable deposits, bonds, etc.	138,418	28,741	-	167,159
Total liabilities	\$ 415,406	\$ 1,839,077	\$ (1,777,039)	\$ 477,444
 <u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 629,475	\$ 68,319,399	\$ (68,123,464)	\$ 825,410
Due from primary government	19,876	19,876	(16,517)	23,235
Total assets	\$ 649,351	\$ 68,339,275	\$ (68,139,981)	\$ 848,645
Liabilities				
Accounts payable	\$ 23,307	\$ 23,307	-	\$ 46,614
Due to other governmental units	487,626	2,020,974	(1,873,728)	634,872
Refundable deposits, bonds, etc.	138,418	28,741	-	167,159
Total liabilities	\$ 649,351	\$ 2,073,022	\$ (1,873,728)	\$ 848,645

Statistical Section

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						
	2015	2014	2013	2012	2011	2010	2009
Expenses							
Governmental activities:							
General government	\$ 8,170,645	\$ 9,762,287	\$ 8,238,831	\$ 8,085,370	\$ 9,321,719	\$ 11,816,052	\$ 14,032,252
Public safety	29,240,587	26,761,831	23,644,361	22,672,349	23,186,390	24,152,357	21,544,706
Public works	12,536,138	11,023,094	14,889,175	12,859,549	10,130,736	11,138,961	10,982,929
Community and economic development	2,340,855	2,120,494	2,083,239	2,359,218	3,091,233	1,490,405	2,006,546
Recreation and culture	6,783,109	6,375,305	6,246,939	6,263,728	6,183,031	6,580,556	6,462,398
Interest on long-term debt	298,695	187,893	371,361	391,004	335,481	397,814	486,618
Total governmental activities expenses	59,370,029	56,230,904	55,473,906	52,631,218	52,248,590	55,576,145	55,515,449
Business-type activities - Water and sewer expenses	19,773,631	18,792,719	19,251,763	18,367,200	18,888,014	17,100,043	15,218,336
Total primary government expenses	79,143,660	75,023,623	74,725,669	70,998,418	71,136,604	72,676,188	70,733,785
Program Revenue							
Governmental activities:							
Charges for services:							
General government	2,564,713	2,043,080	2,014,756	1,745,423	1,955,729	2,608,536	2,812,834
Public safety	2,525,470	2,405,594	2,495,954	2,309,202	2,250,809	2,410,190	2,311,312
Public works	842,696	593,736	574,993	324,665	525,712	639,376	359,332
Community and economic development	1,369,942	1,192,070	1,193,182	1,562,009	896,816	285,789	290,397
Recreation and culture	2,999,873	3,152,512	2,954,631	3,130,544	3,052,121	3,149,343	3,183,870
Interest on long-term debt	-	-	-	-	-	-	854
Total charges for services	10,302,694	9,386,992	9,233,516	9,071,843	8,681,187	9,093,234	8,958,599
Operating grants and contributions	5,603,169	5,062,369	4,946,291	5,058,257	4,600,065	5,553,208	5,535,945
Capital grants and contributions	3,999,583	2,656,116	959,340	1,384,901	3,024,409	1,678,396	2,755,143
Total governmental activities program revenue	19,905,446	17,105,477	15,139,147	15,515,001	16,305,661	16,324,838	17,249,687
Business-type activities:							
Charges for services	19,673,720	18,770,597	19,603,858	18,977,513	18,688,301	15,561,231	12,372,072
Capital grants and contributions	620,547	-	-	42,555	61,208	99,343	3,484,527
Total business-type program revenue	20,294,267	18,770,597	19,603,858	19,020,068	18,749,509	15,660,574	15,856,599
Total primary government program revenue	40,199,713	35,876,074	34,743,005	34,535,069	35,055,170	31,985,412	33,106,286
Net (Expense) Revenue							
Governmental activities	(39,464,583)	(39,125,427)	(40,334,759)	(37,116,217)	(35,942,929)	(39,251,307)	(38,265,762)
Business-type activities	520,636	(22,122)	352,095	652,868	(138,505)	(1,439,469)	638,263
Total primary government net expense	(38,943,947)	(39,147,549)	(39,982,664)	(36,463,349)	(36,081,434)	(40,690,776)	(37,627,499)
General Revenue							
Governmental activities:							
Property taxes	26,115,776	25,355,315	24,931,891	30,280,929	31,042,262	35,806,728	36,253,362
State-shared revenue	5,152,059	5,063,862	4,934,360	4,852,875	4,817,474	4,822,095	5,567,178
Investment earnings	119,883	98,185	93,994	191,762	176,139	303,086	1,135,446
Cable franchise fees	1,443,562	1,305,388	1,343,942	1,232,644	1,057,472	974,399	944,112
Gain on sale of assets	-	-	5,118	-	-	-	-
Miscellaneous	493,796	398,596	337,998	584,058	386,425	594,149	775,348
Transfers/Special items	(223,677)	(145,938)	(171,458)	(3,426,277)	(3,591,713)	(13,350,884)	(5,591,725)
Total governmental activities	33,101,399	32,075,408	31,475,845	33,715,991	33,888,059	29,149,573	39,083,721
Business-type activities:							
Property taxes	2,709,708	2,695,822	2,804,116	-	-	-	2,075,657
Investment earnings	46,575	75,576	65,785	81,327	82,671	59,775	173,591
Loss on sale of assets	(20,231)	-	-	-	-	-	-
Transfers/Special items	223,677	145,938	171,458	2,969,999	3,591,713	13,350,884	2,780,947
Total business-type activities	2,959,729	2,917,336	3,041,359	3,051,326	3,674,384	13,410,659	5,030,195
Total primary government	36,061,128	34,992,744	34,517,204	36,767,317	37,562,443	42,560,232	44,113,916
Change in Net Position							
Governmental activities	(6,363,184)	(7,050,019)	(8,858,914)	(3,400,226)	(2,054,870)	(10,101,734)	817,959
Business-type activities	3,480,365	2,895,214	3,393,454	3,704,194	3,535,879	11,971,190	5,668,458
Total primary government	<u>\$(2,882,819)</u>	<u>\$(4,154,805)</u>	<u>\$(5,465,460)</u>	<u>\$ 303,968</u>	<u>\$ 1,481,009</u>	<u>\$ 1,869,456</u>	<u>\$ 6,486,417</u>

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.

Change in Net Position - Governmental, Business-type Activities, and Primary Government

Year Ended June 30		
2008	2007	2006
\$ 10,096,733	\$ 9,204,299	\$ 8,687,213
22,090,192	20,844,856	19,586,252
11,232,063	10,354,967	9,953,412
1,666,117	1,911,690	1,306,292
6,456,535	6,615,490	6,699,876
<u>532,035</u>	<u>217,605</u>	<u>1,610,333</u>
52,073,675	49,148,907	47,843,378
<u>15,864,463</u>	<u>15,510,422</u>	<u>13,625,089</u>
67,938,138	64,659,329	61,468,467
2,234,427	2,176,094	2,113,145
2,027,871	1,900,183	1,901,412
328,587	566,966	516,875
326,564	324,650	522,988
3,111,409	3,502,611	3,262,167
<u>3,552</u>	<u>6,337</u>	<u>-</u>
8,032,410	8,476,841	8,316,587
5,433,694	5,706,069	8,804,915
<u>1,777,500</u>	<u>1,818,773</u>	<u>1,462,990</u>
15,243,604	16,001,683	18,584,492
13,870,002	13,101,997	14,374,437
<u>675,196</u>	<u>1,270,769</u>	<u>63,001</u>
<u>14,545,198</u>	<u>14,372,766</u>	<u>14,437,438</u>
29,788,802	30,374,449	33,021,930
(36,830,071)	(33,147,224)	(29,258,886)
<u>(1,319,265)</u>	<u>(1,137,656)</u>	<u>812,349</u>
(38,149,336)	(34,284,880)	(28,446,537)
35,128,250	33,662,454	31,194,126
5,789,951	6,382,952	5,818,277
2,478,795	2,725,257	2,820,653
840,918	788,875	727,726
-	-	83,826
642,205	856,544	1,375,096
<u>(3,410,752)</u>	<u>(4,047,292)</u>	<u>58,000</u>
41,469,367	40,368,790	42,077,704
2,048,368	1,988,159	1,760,731
449,731	515,235	280,866
-	-	-
<u>2,786,644</u>	<u>2,794,348</u>	<u>(58,000)</u>
<u>5,284,743</u>	<u>5,297,742</u>	<u>1,983,597</u>
46,754,110	45,666,532	44,061,301
4,639,296	7,221,566	12,818,818
<u>3,965,478</u>	<u>4,160,086</u>	<u>2,795,946</u>
<u>\$ 8,604,774</u>	<u>\$ 11,381,652</u>	<u>\$ 15,614,764</u>

City of St. Clair Shores, Michigan

	Year Ended June 30				
	2015	2014	2013	2012	2011
Revenue					
Property taxes	\$ 26,190,946	\$ 25,371,783	\$ 24,920,412	\$ 30,263,845	\$ 31,033,861
Federal grants	849,669	1,323,952	1,152,129	1,407,627	2,656,763
State-shared revenue	9,460,799	9,271,194	8,801,539	8,680,732	8,614,685
Licenses and permits	850,631	760,591	640,544	657,724	499,917
Charges for services	5,716,620	4,943,975	4,952,596	4,422,078	4,030,792
Investment income	143,563	109,385	114,787	212,606	197,679
Fines and forfeitures	2,162,016	2,125,928	2,120,582	2,039,988	1,750,206
Other	3,432,547	2,057,705	2,288,570	2,420,330	2,518,918
Total revenue	48,806,791	45,964,513	44,991,159	50,104,930	51,302,821
Expenditures					
Current:					
General government	7,989,237	10,742,521	8,173,525	7,471,657	10,790,426
Public safety	23,827,544	24,305,917	21,617,545	21,346,442	19,218,407
Public works	9,281,961	9,941,525	9,703,547	9,293,198	9,808,019
Community and economic development	2,238,185	2,073,735	2,120,496	2,493,266	3,389,863
Recreation and culture	4,533,773	4,324,740	4,506,866	4,216,962	3,974,286
Debt service principal	564,128	992,588	938,141	867,435	823,802
Debt service interest	298,709	323,271	320,735	309,406	259,108
Total expenditures	48,733,537	52,704,297	47,380,855	45,998,366	48,263,911
Excess of Revenue Over (Under) Expenditures	73,254	(6,739,784)	(2,389,696)	4,106,564	3,038,910
Other Financing Sources (Uses)					
Proceeds from long-term debt	11,974	1,440,415	1,822,308	3,880,547	289,013
Refund of long-term debt payments	-	-	-	-	-
Proceeds from sale of capital assets	61,096	9,332	10,517	-	-
Transfers in	1,602,362	1,618,329	1,436,987	2,467,026	2,442,210
Transfers out	(2,012,039)	(1,886,478)	(1,907,699)	(5,614,025)	(5,637,265)
Special items	-	(1,426,979)	-	(456,278)	-
Total other financing (uses) sources	(336,607)	(245,381)	1,362,113	277,270	(2,906,042)
Net Change in Fund Balances	(263,353)	(6,985,165)	(1,027,583)	4,383,834	132,868
Fund Balances - Beginning of year	33,105,452	40,090,617	41,118,200	36,734,366	36,601,498
Fund Balances - End of year	\$ 32,842,099	\$ 33,105,452	\$ 40,090,617	\$ 41,118,200	\$ 36,734,366
Debt Service as a Percentage of Noncapital Expenditures	1.99%	3.01%	2.94%	2.81%	2.58%

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				
2010	2009	2008	2007	2006
\$ 35,787,029	\$ 36,243,324	\$ 35,102,159	\$ 33,591,277	\$ 31,610,755
1,716,223	1,754,636	1,464,263	1,897,040	4,801,939
8,677,159	9,424,629	9,818,797	10,506,607	9,852,997
487,139	433,363	466,355	473,209	701,684
3,751,260	3,779,208	3,913,285	4,171,727	3,581,274
328,302	1,194,962	2,494,662	2,667,263	2,758,482
1,754,020	1,844,585	1,788,361	1,878,181	2,014,115
3,785,095	2,763,866	1,983,921	2,190,874	2,939,772
<u>56,286,227</u>	<u>57,438,573</u>	<u>57,031,803</u>	<u>57,376,178</u>	<u>58,261,018</u>
14,567,831	15,322,106	11,505,649	10,874,131	10,813,706
19,768,074	19,198,441	19,569,224	18,529,292	17,410,562
10,620,673	10,199,173	10,861,415	13,536,576	16,767,625
1,752,257	1,960,672	1,642,157	1,894,797	1,295,692
4,511,927	4,785,146	4,802,822	4,656,469	4,611,104
752,250	815,004	786,715	749,111	2,563,378
301,489	398,502	422,775	450,875	2,131,669
<u>52,274,501</u>	<u>52,679,044</u>	<u>49,590,757</u>	<u>50,691,251</u>	<u>55,593,736</u>
4,011,726	4,759,529	7,441,046	6,684,927	2,667,282
304,176	747,385	-	-	16,023,220
(415,981)	-	-	-	-
-	-	-	-	-
3,294,342	3,231,924	3,753,828	4,392,014	3,961,860
(17,194,049)	(6,825,871)	(6,812,472)	(7,518,362)	(4,098,022)
-	-	-	-	-
<u>(14,011,512)</u>	<u>(2,846,562)</u>	<u>(3,058,644)</u>	<u>(3,126,348)</u>	<u>15,887,058</u>
(9,999,786)	1,912,967	4,382,402	3,558,579	18,554,340
<u>46,601,284</u>	<u>44,688,317</u>	<u>40,305,915</u>	<u>36,747,336</u>	<u>18,192,996</u>
<u>\$ 36,601,498</u>	<u>\$ 46,601,284</u>	<u>\$ 44,688,317</u>	<u>\$ 40,305,915</u>	<u>\$ 36,747,336</u>
2.68%	2.74%	2.85%	2.95%	11.25%

City of St. Clair Shores, Michigan

	Year Ended June 30				
	2015 (1)	2014 (1)	2013 (1)	2012 (1)	2011 (1)
General Fund:					
Nonspendable	\$ 1,943,156	\$ 1,098,973	\$ 839,339	\$ 856,732	\$ 149,847
Restricted	7,668,288	7,852,505	8,787,065	9,706,270	9,327,592
Assigned	2,896,997	1,984,149	3,651,687	2,865,386	3,492,912
Unassigned	11,181,100	12,018,758	12,488,409	13,328,810	11,995,921
Reserved	-	-	-	-	-
Unreserved	-	-	-	-	-
Total General Fund	<u>\$ 23,689,541</u>	<u>\$ 22,954,385</u>	<u>\$ 25,766,500</u>	<u>\$ 26,757,198</u>	<u>\$ 24,966,272</u>
All other governmental funds:					
Nonspendable	\$ 115,375	\$ 4,321	\$ 28,290	\$ 71,192	\$ -
Restricted	9,211,648	10,017,046	12,258,447	12,423,612	10,021,853
Assigned	116,825	149,962	2,037,380	1,866,198	1,746,241
Unassigned	(291,290)	(20,262)	-	-	-
Reserved	-	-	-	-	-
Unreserved - Reported in:					
Special revenue funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Total all other governmental funds	<u>\$ 9,152,558</u>	<u>\$ 10,151,067</u>	<u>\$ 14,324,117</u>	<u>\$ 14,361,002</u>	<u>\$ 11,768,094</u>

(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				
2010	2009	2008	2007	2006
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
9,400,961	8,735,084	7,830,389	6,741,190	5,965,913
<u>14,700,919</u>	<u>14,878,636</u>	<u>16,263,295</u>	<u>14,462,287</u>	<u>11,679,907</u>
<u>\$ 24,101,880</u>	<u>\$ 23,613,720</u>	<u>\$ 24,093,684</u>	<u>\$ 21,203,477</u>	<u>\$ 17,645,820</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
7,256,393	19,809,020	10,799,346	10,653,805	13,471,341
5,026,788	2,975,092	4,805,401	4,272,419	2,209,025
14,181	16,700	95,965	92,413	309,760
<u>202,256</u>	<u>186,752</u>	<u>301,218</u>	<u>126,888</u>	<u>160,338</u>
<u>\$ 12,499,618</u>	<u>\$ 22,987,564</u>	<u>\$ 16,001,930</u>	<u>\$ 15,145,525</u>	<u>\$ 16,150,464</u>

City of St. Clair Shores, Michigan

	Year Ended June 30				
	2015	2014	2013	2012	2011
Governmental Activities					
Net investment in capital assets	\$ 76,524,406	\$ 76,959,683	\$ 75,527,845	\$ 75,963,401	\$ 77,442,067
Restricted	13,116,328	14,611,104	16,249,076	20,179,090	20,463,168
Unrestricted	(63,944,063)	(340,995)	6,651,726	11,145,070	12,782,552
Total net position	<u>\$ 25,696,671</u>	<u>\$ 91,229,792</u>	<u>\$ 98,428,647</u>	<u>\$ 107,287,561</u>	<u>\$ 110,687,787</u>
Business-type Activities					
Net investment in capital assets	\$ 52,005,722	\$ 49,202,641	\$ 47,950,691	\$ 46,507,112	\$ 46,695,971
Restricted	1,678,031	1,639,552	1,583,213	1,458,254	1,402,727
Unrestricted	24,555,791	27,239,436	25,726,590	23,901,674	20,064,148
Total net position	<u>\$ 78,239,544</u>	<u>\$ 78,081,629</u>	<u>\$ 75,260,494</u>	<u>\$ 71,867,040</u>	<u>\$ 68,162,846</u>
Primary Government in Total					
Net investment in capital assets	\$ 128,530,128	\$ 126,162,324	\$ 123,478,536	\$ 122,470,513	\$ 124,138,038
Restricted	14,794,359	16,250,656	17,832,289	21,637,344	21,865,895
Unrestricted	(39,388,272)	26,898,441	32,378,316	35,046,744	32,846,700
Total net position	<u>\$ 103,936,215</u>	<u>\$ 169,311,421</u>	<u>\$ 173,689,141</u>	<u>\$ 179,154,601</u>	<u>\$ 178,850,633</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				
2010	2009	2008	2007	2006
\$ 84,532,981	\$ 84,915,252	\$ 88,143,586	\$ 86,851,692	\$ 89,266,605
21,253,966	26,425,668	22,396,322	19,633,213	12,025,159
<u>6,955,708</u>	<u>11,503,469</u>	<u>11,486,522</u>	<u>10,902,230</u>	<u>8,873,805</u>
<u>\$ 112,742,655</u>	<u>\$ 122,844,389</u>	<u>\$ 122,026,430</u>	<u>\$ 117,387,135</u>	<u>\$ 110,165,569</u>
\$ 32,524,512	\$ 30,729,368	\$ 25,470,151	\$ 22,084,903	\$ 22,121,451
11,452,711	1,403,585	1,358,426	1,314,898	1,399,865
<u>20,649,744</u>	<u>20,522,842</u>	<u>20,158,742</u>	<u>19,622,040</u>	<u>15,340,439</u>
<u>\$ 64,626,967</u>	<u>\$ 52,655,795</u>	<u>\$ 46,987,319</u>	<u>\$ 43,021,841</u>	<u>\$ 38,861,755</u>
\$ 117,057,493	\$ 115,644,620	\$ 113,613,737	\$ 108,936,595	\$ 111,388,056
32,706,677	27,829,253	23,754,748	20,948,111	13,425,024
<u>27,605,452</u>	<u>32,026,311</u>	<u>31,645,264</u>	<u>30,524,270</u>	<u>24,214,244</u>
<u>\$ 177,369,622</u>	<u>\$ 175,500,184</u>	<u>\$ 169,013,749</u>	<u>\$ 160,408,976</u>	<u>\$ 149,027,324</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
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	-
2014	2015	1,109,755,400	176,952,400	9,516,300	-

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
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
55,916,900	4,874,500	1,357,117,900	20.9950	2,857,644,200	47.48

City of St. Clair Shores, Michigan

Direct City Taxes

Fiscal Year Ended June 30	Police and Fire				Police and			Debt		Total Direct Taxes
	Operating	Sanitation	Retirement System	Other ACT 359	Fire Operating	Residential Streets	Water	Service	Library	
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
2015	6.2987	2.3618	5.9761	0.0037	2.0000	0.9830	-	2.4136	0.9244	20.9613

**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	Non- Homestead	Non- homestead	Non- Homestead	Non- homestead	Non- Homestead	Non- homestead	Non- Homestead	Non- homestead	Non- homestead	State of Michigan
1.4212	2.9430	5.0116	4.4700	22.4700	3.9500	21.9500	8.7232	21.3210	7.0000	25.0000	6.0000	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	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	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	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	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	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	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	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	6.0000
1.5262	2.9430	6.1281	7.7400	25.7400	6.7250	24.7250	11.5416	24.4816	7.0000	25.0000	6.0000	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
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	45.2986	63.2986	43.8836	61.8836	49.1002	62.0402	44.5586	62.5586
2015	45.2986	63.2986	44.2836	62.2836	49.1002	62.0402	44.5586	62.5586

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
2011	\$ 5,232,574
2012	5,259,462
2013	5,351,441
2014	5,472,539
2015	5,562,429

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	Delinquent Collections		
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
2014	2015	28,345,398	27,362,592	96.53	955,861	28,318,454	99.90

- (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, 2015

Taxpayer	June 30, 2015			June 30, 2006		
	2014 Taxable Value	Rank	Percentage of Total	2005 Taxable Value	Rank	Percentage of Total
Detroit Edison	\$ 14,807,800	1	1.10%	\$ 16,901,100	1	0.92%
Consumers Energy	9,008,100	2	0.70%	7,348,200	4	0.40%
Fisher Dynamics	12,728,600	3	0.90%	9,243,600	3	0.50%
Shore Club Apartments, LLC	6,519,700	4	0.50%			
WBH ALF #2, LLC	5,232,900	5	0.40%			
North Shore Partners of SCS	3,351,800	6	0.20%	3,672,700	7	0.20%
Littoral Associates, LLC	2,752,500	7	0.20%			
The Kroger Company	3,032,300	8	0.20%			
SSC Associates	2,743,700	9	0.20%			
Michigan Harbor Properties, LLC	2,327,400	10	0.20%			
400 Monroe Association	-	-	-	11,068,900	2	0.60%
Jefferson Beach Marina	-	-	-	4,972,800	6	0.27%
St. John Health System	-	-	-	5,310,000	5	0.29%
Kmart Corporation	-	-	-	3,371,700	9	0.18%
Michigan Harbor Marina	-	-	-	3,406,500	8	0.19%
Walgreens	-	-	-	3,138,700	10	0.17%
Total	\$ 62,504,800		4.60%	\$ 68,434,200		3.72%

Source: City of St. Clair Shores

City of St. Clair Shores, Michigan

Water and Sewer Revenue Bonds

Fiscal Year				Debt Service		
	Gross Revenue	Applicable Expenses	Net Revenue	Principal	Interest	Coverage
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
2015	19,720,295	16,284,428	3,435,867	200,000	12,285	16.19

**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	-	-	-
1,504,479	1,471,990	32,489	-	-	-

Bonds called on May 1, 2013

City of St. Clair Shores, Michigan

	2015	2014	2013	2012	2011
Governmental Activities					
General obligation bonds	\$ 4,630,163	\$ 4,818,785	\$ 5,323,490	\$ 4,095,000	\$ 1,490,000
County drain obligations	4,612,909	4,923,441	5,212,138	5,501,304	5,611,502
Special assessment bonds	-	-	-	-	-
Capital leases	-	-	-	-	-
Municipal purchase agreement	266,487	327,658	388,829	450,000	-
Total	9,509,559	10,069,884	10,924,457	10,046,304	7,101,502
Business-type Activities					
General obligation bonds	7,166,936	7,551,360	7,778,826	8,195,000	3,060,000
County drain obligations	26,915,731	28,963,669	30,873,914	32,591,168	34,366,591
Special assessment bonds	-	-	-	-	-
Revenue bonds	715,017	930,867	1,054,444	2,385,000	2,880,000
Capital leases	-	-	-	-	-
Total	34,797,684	37,445,897	39,707,184	43,171,168	40,306,591
Total debt of the government	<u>\$ 44,307,244</u>	<u>\$ 47,515,781</u>	<u>\$ 50,631,641</u>	<u>\$ 53,217,472</u>	<u>\$ 47,408,093</u>
Total Residential Personal Income	Not available	Not available	2,296,630,776	\$ 2,237,957,216	\$ 2,132,840,655
Ratio of total debt to personal income	-	-	2.20%	2.38%	2.22%
Total Population	60,652	60,120	59,721	59,419	59,715
Total debt per capita	\$ 731	\$ 790	\$ 848	\$ 896	\$ 794

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

	2010	2009	2008	2007	2006
\$	2,050,000	\$ 2,585,000	\$ 3,100,000	\$ 3,595,000	\$ 4,060,000
	5,586,291	5,499,365	7,269,688	7,561,403	16,993,909
	-	-	-	-	-
	-	50,000	142,375	274,946	436,349
	-	-	-	-	-
	7,636,291	8,134,365	10,512,063	11,431,349	21,490,258
	3,205,000	3,345,000	3,480,000	3,610,000	-
	35,893,761	37,521,979	36,792,849	38,240,401	30,501,908
	-	-	-	-	-
	3,355,000	3,815,000	4,255,000	4,690,000	5,115,000
	-	-	-	-	-
	42,453,761	44,681,979	44,527,849	46,540,401	35,616,908
\$	50,090,052	\$ 52,816,344	\$ 55,039,912	\$ 57,971,750	\$ 57,107,166
\$	2,031,444,585	\$ 1,991,609,724	\$ 2,166,963,325	\$ 2,219,954,528	\$ 2,133,856,080
	2.47%	2.65%	2.54%	2.61%	2.68%
	60,070	59,588	60,035	61,028	60,759
\$	834	\$ 886	\$ 917	\$ 950	\$ 940

City of St. Clair Shores, Michigan

Fiscal Year	Tax-limited	Tax Supported Bonds (UTGO)	Less Pledged Debt Service Funds	Other General Obligation Debt	Net General Bonded Debt
	General Obligation Bonds (LTGO)				
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
2015	11,797,099	-	(4,293,924)	\$ 31,795,128	39,298,303

**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
1,357,117,900	2.90	60,652	648

City of St. Clair Shores, Michigan

Computation of Direct and Overlapping Debt June 30, 2015

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	\$ 9,509,559	100.00	\$ 9,509,559
Overlapping debt:			
County of Macomb	352,569,215	5.50	19,391,307
Macomb Intermediate		-	-
Macomb Community College	12,650,000	5.50	695,750
L'Anse Creuse Schools	290,550,389	0.07	203,385
Lake Shore Schools	20,485,000	100.00	20,485,000
Lakeview Schools	29,565,000	100.00	29,565,000
South Lake Schools	22,145,000	86.63	19,184,214
Total overlapping debt	727,964,604		89,524,656
Total	\$ 737,474,163		\$ 99,034,215

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 was 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.

Note 3: Effective Fiscal Year End June 30, 2015, the 2001 Lake St. Clair Clean Water Initiative obligation recorded in the City's Utility Fund was removed from this schedule.

City of St. Clair Shores, Michigan

	2015	2014	2013	2012	2011
Calculation of Debt Limit -					
State equalized valuation	\$ 1,428,822,100	\$ 1,378,913,150	\$ 1,445,171,495	\$ 1,590,661,840	\$ 1,783,746,580
Debt limit (10% of equalized value)	142,882,210	137,891,315	144,517,150	159,066,184	178,374,658
Calculation of Debt Subject to Limit					
Total debt	43,594,737	46,759,269	50,714,305	53,217,386	47,823,091
Less debt not subject to limit:					
Special assessment bonds	-	-	-	-	-
Revenue bonds	725,063	945,063	1,116,098	2,385,000	3,020,000
LTGO bonds	7,085,000	7,465,000	9,720,000	8,195,000	3,060,000
Michigan transportation bonds	2,805,000	2,930,000	3,520,000	4,095,000	1,350,000
TIFA	-	-	-	-	415,000
Net direct debt	32,979,674	35,419,206	36,358,207	38,542,386	39,978,091
Indirect debt - Share of County/ Federal issued bonds	-	-	-	-	-
Net debt subject to limit	32,979,674	35,419,206	36,358,207	38,542,386	39,978,091
Legal debt margin	<u>\$ 109,902,536</u>	<u>\$ 102,472,109</u>	<u>\$ 108,158,943</u>	<u>\$ 120,523,798</u>	<u>\$ 138,396,567</u>
Net debt subject to limit as percent of debt limit	23.08%	25.69%	25.16%	24.23%	22.41%

- (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

2010	2009	2008	2007	2006
\$ 2,130,632,700	\$ 2,338,256,550	\$ 2,470,452,800	\$ 2,478,415,200	\$ 2,406,004,700
213,063,270	233,825,655	247,045,280	247,841,520	240,600,470
50,900,057	53,951,345	56,417,537	59,531,804	58,790,818
-	-	-	-	-
3,630,000	4,215,000	4,775,000	5,325,000	5,860,000
3,205,000	3,345,000	3,480,000	3,610,000	-
1,775,000	2,185,000	2,580,000	2,960,000	3,315,000
810,000	1,185,000	1,520,000	1,835,000	2,120,000
41,480,057	43,021,345	44,062,537	45,801,804	47,495,818
-	-	-	-	-
41,480,057	43,021,345	44,062,537	45,801,804	47,495,818
<u>\$ 171,583,213</u>	<u>\$ 190,804,310</u>	<u>\$ 202,982,743</u>	<u>\$ 202,039,716</u>	<u>\$ 193,104,652</u>
19.47%	18.40%	17.84%	18.48%	19.74%

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)
2006	60,759 (3)	29,439,475 (1)	35,328 (1)	7.6 (2)
2007	61,028 (3)	30,435,161 (1)	36,419 (1)	7.7 (2)
2008	60,035 (3)	30,352,649 (1)	36,227 (1)	8.7 (2)
2009	59,588 (3)	28,690,955 (1)	34,179 (1)	19.2 (2)
2010	59,715 (3)	29,121,951 (1)	34,620 (1)	13.6 (2)
2011	59,715 (3)	30,942,852 (1)	36,711 (1)	11.8 (2)
2012	59,419 (3)	32,535,998 (1)	38,381 (1)	10.2 (2)
2013	59,721 (3)	32,870,636 (1)	38,456 (1)	10.1 (2)
2014	60,120 (3)	Not available (4)	Not available (4)	8.3 (2)
2015	60,652 (3)	Not available (4)	Not available (4)	6.1 (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, 2015

Employer	2015			2006		
	Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
Fisher Dynamics	505	1	(1)	634	1	(1)
Lakeview Schools	306	2	(1)	265	5	(1)
Stahl's	294	3	(1)	264	6	(1)
Lake Shore Public Schools	287	4	(1)	390	2	(1)
St. John Health System	267	5	(1)	214	7	(1)
City of St. Clair Shores	246	6	(1)	274	4	(1)
South Lake Public Schools	206	7	(1)	350	3	(1)
Michigan Institute of Urology	166	8	(1)	-		(1)
Kroger	154	9	(1)	-		(1)
Roy O'Brien Ford	110	10	(1)	105	9	(1)
NGS American			(1)	110	8	(1)
First State Bank			(1)	101	10	(1)

(1) Data not available

Source: City of St. Clair Shores

City of St. Clair Shores, Michigan

Function/Program	Fiscal Year				
	2015	2014	2013	2012	2011
General government:					
Court	21	19	19	19	20
City manager	3	3	3	3	3
Finance	9.5	9	9	9	9
Clerk/Elections	6.5	5.5	5.5	5.5	6
Assessing	2.5	2.5	2	2	2.58
Communications	1	1	2	2	2
Information systems	2	2	2	2	2
Building maintenance	3	3	3	3	3
Police	90	90	90	90	90
Fire	50	50	50	50	50
Community development	12	11	11.5	11.5	11.5
DPW administration (2)	3	1	1	1	1
Sanitation (2)	-	7	7	3	3
Parks and recreation administration	5.5	5.5	5.5	6.5	6
Recreation	5	5	5	5	5
Arena (3)	7.5	7	7	6	6
Parks	12	12.5	12.5	14.5	15
Senior activity center	11	10	10	9	8
Library and information services (1)	17.5	18	18	18	19
Utility Fund:					
Water	19	20	18	14.5	14
Sewer (4)	8	7	7	7	7
Storm sewer	-	-	-	-	-
Motor pool	2	2	2	2	2
Streets (5)	9.5	5.5	6	9	10
Recreational revenue system:					
Boating	7.5	7	7	7	7
Swimming pool	8	6	6	7.5	8
Golf	15	15	14.9	16.1	16.6
Total	<u>331</u>	<u>325</u>	<u>323</u>	<u>323</u>	<u>327</u>
Full-time employees	246	243	245	246	250
Part-time employees (at full-time equivalent)	85	82	70	77	77
Total	<u>331</u>	<u>325</u>	<u>315</u>	<u>323</u>	<u>327</u>

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.
- (4) Beginning with fiscal year 2015, a laborer III position was moved from streets.
- (3) Beginning with fiscal year 2015, three temp laborer positions were moved from sanitation.

**Full-time Equivalent Government Employees
June 30, 2015**

Fiscal Year				
2010	2009	2008	2007	2006
21	21	21	22	21
3	3	3	3	3
9	9	10	10	10
5	8	7	6	5
3	3	3	3	4
2	3	3	-	-
2	2	2	2	3
3	3	3	3	4
101	101	101	101	101
50	51	50	50	50
15	16	16	16	15
1	1	1	1	1
2	2	2	2	2
7	8	8	8	8
5	6	6	7	7
6	8	8	7	8
14	15	15	15	15
7	7	8	7	7
20	21	21	22	22
16	17	16	16	16
7	7	7	8	8
-	-	-	1	-
3	3	3	3	3
11	11	11	12	13
6	7	9	9	9
7	8	8	7	7
17	20	21	21	21
343	361	363	362	363
267	268	269	269	273
76	93	94	93	90
343	361	363	362	363

City of St. Clair Shores, Michigan

Function/Program	Fiscal Year				
	2015	2014	2013	2012	2011
Police protection:					
Part 1 crimes (1)	1,104	1,349	1,600	1,593	1,294
Part 2 crimes (2)	3,485	3,236	3,950	3,977	2,175
Injury accidents	225	260	275	290	332
Property damage	972	1,246	991	1,168	1,337
Private property damage	65	60	62	68	14
Civil infractions	10,029	10,470	15,053	13,411	16,516
Parking violations	7,834	6,765	5,296	5,359	5,168
Adult arrests	1,864	1,813	2,042	1,827	1,636
Juvenile arrests	47	56	68	83	104
OUIL arrests	169	160	149	144	131
False alarm billings	896	752	980	923	1,393
Fire protection:					
Fire alarms answered	7,338	6,966	2,372	2,497	2,609
Medical emergencies (EMS)	5,849	5,524	6,774	5,382	5,211
Fire inspections conducted - All types	700	716	656	720	778
Code violations	1,979	1,844	2,164	2,439	2,305
Training hours completed	240	120	120	120	120
Library:					
Registered borrowers	27,313	28,038	28,701	29,311	29,328
Items circulated	239,901	283,401	309,639	320,835	345,945
Reference transactions	19,328	17,936	22,665	25,973	26,864
Program attendance	20,384	19,033	18,643	17,900	12,485
Library visits (3)	186,854	219,155	236,778	243,485	241,598
Museum visits	2,067	2,024	2,729	2,718	2,598
Hours of literacy tutoring	1,790	1,798	1,508	1,564	1,533
Library website logins	102,137	113,629	95,200	96,838	116,588
Electronic database logins	88,774	87,667	92,241	82,142	39,670
Internet sessions	21,237	27,016	27,357	27,296	29,574
Internet sessions - wireless (4)	27,210	N/A	N/A	N/A	N/A

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.
- (3) Visits down in FY 15 – Library closed from 7/28/14 to 8/1/14 due to storm damage; also closed from 12/8/14 to 12/27/14 for carpet replacement
- (4) Wireless internet session statistics became available in April 2014

Operating Indicators
June 30, 2015

Fiscal Year				
2010	2009	2008	2007	2006
1,371	1,437	1,785	2,139	2,725
2,261	3,427	3,625	4,330	4,713
281	249	265	280	279
1,153	1,185	1,252	1,205	1,231
100	416	562	383	149
12,547	15,657	16,560	18,022	23,947
3,513	4,770	4,633	5,351	7,440
1,770	2,144	2,290	2,505	2,420
106	93	142	177	126
122	264	257	216	206
1,304	1,406	1,397	1,281	1,392
2,397	2,386	2,473	2,273	1,377
4,615	4,662	4,577	4,635	4,894
1,035	717	542	582	1,258
3,575	3,061	2,317	2,554	3,018
120	120	120	845	853
28,945	28,587	27,583	24,218	23,850
363,726	354,384	330,731	338,157	336,518
28,178	26,337	25,346	24,218	20,816
10,348	8,623	8,878	6,810	8,148
246,483	255,562	177,294	174,379	183,515
2,619	2,293	2,441	2,746	2,507
1,181	1,764	954	1,347	1,293
125,929	125,625	115,502	101,215	94,831
34,453	22,393	16,897	14,465	11,894
31,082	33,704	25,984	25,733	26,316
N/A	N/A	N/A	N/A	N/A

City of St. Clair Shores, Michigan

Function/Program	Fiscal Year				
	2015	2014	2013	2012	2011
Election data (November general election data):					
Registered voters	48,352	48,420	48,869	48,311	48,326
Voters at polls	15,611	4,569	23,480	7,220	17,127
Absentee ballots	6,990	5,283	10,177	5,804	7,946
Percent voting	46.74%	20.25%	68.86%	29.96%	51.88%
40th District Court - Cases handled:					
Civil	1,371	1,918	1,918	1,893	2,034
Criminal	1,772	1,712	1,980	1,622	1,481
Traffic	16,210	16,862	17,493	15,786	16,267
Landlord and tenant	462	569	638	736	703
Small claims	248	182	227	229	235
Parking	8,433	7,596	6,833	5,677	5,160
Code violations	337	457	613	485	333
Water and sewer services:					
Customers:					
Residential	23,936	23,945	23,952	23,972	23,972
Commercial	1,329	1,323	1,316	1,312	1,314
Water (in thousand cubic feet):					
Purchased from Detroit	221,067	221,170	219,745	250,578	266,800
Sold to residents	195,159	198,914	220,926	220,087	211,951
Water rates (in thousand cubic feet):					
1,000 CU feet	\$ 36.33	\$ 34.62	\$ 34.62	\$ 30.84	\$ 26.55
2,000 CU feet	\$ 36.33	\$ 34.62	\$ 34.62	\$ 30.84	\$ 26.55
Over 3,000 CU feet	\$ 36.33	\$ 34.62	\$ 34.62	\$ 30.84	\$ 26.55
Sewer rates (in thousand cubic feet):					
1,000 CU feet	\$ 53.39	\$ 50.36	\$ 48.66	\$ 46.27	\$ 40.68
2,000 CU feet	\$ 53.39	\$ 50.36	\$ 48.66	\$ 46.27	\$ 40.68
Over 3,000 CU feet	\$ 53.39	\$ 50.36	\$ 48.66	\$ 46.27	\$ 40.68

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

Operating Indicators (Continued)
June 30, 2015

Fiscal Year				
2010	2009	2008	2007	2006
48,252	49,193	48,605	47,547	47,798
5,919	24,336	8,850	20,444	8,956
6,031	11,387	6,458	8,411	5,886
24.77%	72.68%	31.49%	60.69%	31.05%
1,946	2,154	2,105	1,860	1,593
1,706	1,982	2,155	2,274	1,890
15,420	15,657	16,052	17,556	19,718
592	679	556	436	372
235	271	285	288	332
4,215	4,770	4,572	5,190	7,525
407	475	451	256	73
23,976	23,998	23,997	24,002	23,958
1,318	1,302	1,296	1,277	1,272
246,914	253,742	291,292	279,684	307,220
219,493	236,677	249,874	241,595	261,208
\$ 25.90	\$ 21.55	\$ 19.60	\$ 18.93	\$ 17.60
\$ 25.90	\$ 21.55	\$ 19.60	\$ 18.93	\$ 17.60
\$ 25.90	\$ 21.55	\$ 19.60	\$ 18.93	\$ 17.60
\$ 34.53	\$ 28.49	\$ 27.06	\$ 27.06	\$ 26.53
\$ 34.53	\$ 28.49	\$ 27.06	\$ 27.06	\$ 26.53
\$ 34.53	\$ 28.49	\$ 27.06	\$ 27.06	\$ 26.53

City of St. Clair Shores, Michigan

Function/Program	Fiscal Year				
	2015	2014	2013	2012	2011
Parks and recreation:					
Adult athletic attendance	1,026	1,074	1,069	1,088	1,092
Youth athletic attendance	7,785	7,689	7,632	7,571	7,651
Instructional swim attendance	867	925	858	839	902
Instructional rec. attendance	2,532	2,482	2,311	2,297	2,315
Senior program attendance	46,741	43,291	41,386	39,623	37,544
SMART program attendance	23,084	22,106	21,049	20,751	19,765
USDA meals program/senior meals	9,200	8,610	8,520	8,434	8,293
Health-O-Rama attendance (1)	N/A	N/A	N/A	N/A	N/A
Seniors apple pie sale (number sold)	990	945	910	750	910
Senior volunteer hours	12,872	10,213	9,217	8,159	11,743
Summer playground attendance	1,007	868	1,229	905	947
Pool attendance	19,464	19,558	20,744	17,112	11,621
Boat wells rented (2)	233	222	194	198	198
Pool/Waterslide attendance	25,221	26,772	25,777	22,659	18,989
Boat ramp usage	10,421	9,377	8,661	4,351	16,484
Golf course attendance	43,696	46,578	46,870	48,548	45,289
Ice rental - Number of hours	6,254	6,511	6,373	6,334	7,418
Public skating attendance (3)	8,973	8,078	7,366	7,184	7,322
Ice skating lessons attendance (4)	1,293	1,171	1,083	1,030	1,563
Special events attendance (5)	22,307	21,692	20,768	21,041	20,648
Special recreation program attendance (6)	2,367	1,989	1,862	1,940	1,980

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, 2015

Fiscal Year				
2010	2009	2008	2007	2006
1,073	989	919	867	880
7,562	7,321	7,195	6,895	7,165
870	747	1,200	1,211	1,000
2,292	2,418	2,330	2,313	2,350
36,498	32,198	39,487	39,684	40,050
18,210	16,700	22,795	21,002	20,905
7,421	5,656	10,072	5,861	5,719
N/A	N/A	N/A	163	109
1,100	1,000	1,000	1,000	1,260
19,210	18,500	17,682	16,405	16,351
935	1,080	1,000	1,180	1,200
11,219	6,857	22,500	22,000	21,800
216	223	247	278	315
18,698	20,177	14,100	13,900	12,000
14,347	22,204	14,800	15,200	15,000
47,064	48,352	49,548	51,167	54,124
7,358	7,133	7,182	7,487	7,730
7,629	6,997	6,864	6,834	8,110
1,666	1,781	1,765	1,648	1,696
19,377	19,224	16,053	16,286	16,383
1,940	1,367	1,200	1,200	1,200

City of St. Clair Shores, Michigan

Function/Program	Fiscal Year				
	2015	2014	2013	2012	2011
Police stations	1	1	1	1	1
Fire stations:					
Stations	3	3	3	3	3
Number of fire hydrants	1,758	1,759	1,758	1,758	1,758
Library:					
Book collections	132,978	136,172	143,114	142,548	141,038
Other collections (1)	21,185	26,161	25,386	27,491	28,485
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	4,079	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, 2015

Fiscal Year				
2010	2009	2008	2007	2006
1	1	1	1	1
3	3	3	3	3
1,758	1,758	1,706	1,706	1,706
139,753	146,656	142,524	140,542	125,188
32,182	17,810	16,865	15,034	24,571
35.08	35.08	35	35.08	35.08
152.04	152.04	152	152.04	152.04
366	366	366	366	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

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City of St. Clair Shores, Michigan

State Equalized Valuation and Taxable Valuation Five-year History

<u>Assessed Value as of December 31</u>	<u>Year of State Equalization and Tax Levy</u>	<u>Fiscal Year Ended June 30</u>	<u>State Equalized Valuation</u>	<u>Taxable Valuation</u>
2013	2014	2015	\$ 1,428,822,100	\$ 1,357,117,900
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 2015 Ad Valorem Taxable Value is \$22,375 based on the 2015 estimated population of 60,652

City of St. Clair Shores, Michigan

Breakdown of Current Taxable Valuation June 30, 2015

	<u>Percent</u>
By Use	
Residential	81
Commercial	17
Industrial	<u>2</u>
Total	<u><u>100</u></u>
By Class	
Real property	96
Personal property	<u>4</u>
Total	<u><u>100</u></u>

City of St. Clair Shores, Michigan

Tax Rate Limitations June 30, 2015

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

2015 (estimated)*	60,652
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>
2015	\$ 3,561,155
2014	3,487,965
2013	3,382,720
2012	3,357,263
2011	3,283,783

City of St. Clair Shores, Michigan

Debt Statement June 30, 2015

City Direct Debt	Gross	Self-supporting	Net	Net Debt (1)	
				Per Capita	Percentage of Taxable Valuation (3)
MTF/MVH bonds LTGO	\$ 2,860,568	\$ 2,860,568	\$ -		
Revenue refunding bonds LTGO	-	-	-		
Governmental LTGO Bonds	1,769,595	1,769,595			
Building authority revenue bonds LTGO	-	-	-		
Share of County-issued bonds	31,528,641	-	31,528,641		
Contractual obligations	266,487	266,487	-		
TIFA revenue bonds	-	-	-		
Total direct debt	\$ 36,425,290	\$ 4,896,650	\$ 31,528,641	\$ 519.83	2.32

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	\$ 22,145,000	86.63	\$ 19,184,214		
Lakeview School District	29,565,000	100.00	29,565,000		
Lake Shore School District	20,485,000	100.00	20,485,000		
L'Anse Creuse School District	290,550,389	0.07	203,385		
Macomb ISD	-	-	-		
Macomb Community College	12,650,000	5.50	695,750		
Macomb County at large	352,569,215	5.50	19,391,307		
Total overlapping debt	727,964,604		89,524,656	\$ 1,476.04	6.60
Total City direct and overlapping debt	\$ 764,389,894		\$ 121,053,296	\$ 1,995.87	8.92

(1) Based upon the Southeastern Michigan Council of Governments 2015 estimated population of 60,652 and 2015 ad valorem valuation of \$1,357,117,900.

(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

Years Ended June 30	Revenue- sharing Payments
2011	8,614,685
2012	8,680,732
2013	8,801,539
2014	9,271,194
2015	9,460,799

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>
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
2015	221,067	195,159

(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				
	2015	2014	2013	2012	2011
Number of Water Customers					
Residential	23,938	23,945	23,952	23,972	23,972
Commercial	1,327	1,323	1,316	1,312	1,314
Total	<u>25,265</u>	<u>25,268</u>	<u>25,268</u>	<u>25,284</u>	<u>25,286</u>
Water Consumption by Number of Units (1)					
Residential	167,837	171,066	189,996	189,275	182,278
Commercial	27,322	27,848	30,930	30,812	29,673
Total	<u>195,159</u>	<u>198,914</u>	<u>220,926</u>	<u>220,087</u>	<u>211,951</u>
Percent of Water Consumption by Category					
Residential	86%	86%	86%	86%	86%
Commercial	14%	14%	14%	14%	14%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(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
2015	36.33	4.93	53.39	6.01

(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	
8.52	6.00	5.00	0.49	238.31	5.45	

City of St. Clair Shores, Michigan

Sewer Rates - Commercial and Industrial Users (1)

Meter Size	Fiscal Year Ended June 30				
	2015	2014	2013	2012	2011
5/8"	\$ 27.12	\$ 26.55	\$ 25.38	\$ 23.55	\$ 20.55
3/4"	40.68	39.94	38.07	35.34	30.84
1"	67.80	66.39	63.45	58.89	51.39
1-1/2"	149.16	146.04	139.59	129.54	113.04
2"	216.96	212.40	203.04	188.40	164.40
3"	393.24	384.99	368.01	341.49	297.99
4"	542.40	531.00	507.60	471.00	411.00
6"	813.60	796.50	761.70	706.50	616.50

- (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
Effective 07/01/14	238.31	5.45

(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, 2015

Customer	Usage (1)	Percent of Total (2)	Revenue	Percent of Total (3)
Lakeshore Village	2,834	1.45	\$ 256,449	1.32
Butcher Boy	2,125	1.09	194,234	1.00
Shore Club	1,688	0.86	158,663	0.82
Shorepointe Nursing/Village	1,389	0.71	133,840	0.69
Northshore	1,295	0.66	118,540	0.61
Gordon Russell/Russell Investments	1,161	0.59	108,461	0.56
Williamsburg	1,155	0.59	113,202	0.58
Woodbridge East	1,103	0.57	104,138	0.54
Leisure Manor	1,049	0.54	99,951	0.51
Riviera Terrace	820	0.42	74,041	0.38
Total	14,619	7.48	\$1,361,519	7.00

(1) Unit = 1,000 metered cubic feet

(2) Based on June 30, 2014 total water sales of 195,159 units

(3) Based on June 30, 2014 operating revenue of \$19,430,137

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				
	2015	2014	2013	2012	2011
Operating revenue	\$ 19,673,720	\$ 18,770,597	\$ 19,603,858	\$ 18,977,513	\$ 18,688,301
Operating expenses	<u>18,595,068</u>	<u>17,502,768</u>	<u>17,863,583</u>	<u>16,861,791</u>	<u>17,284,843</u>
Operating income	1,078,652	1,267,829	1,740,275	2,115,722	1,403,458
Other revenue	2,756,283	2,917,336	3,041,359	3,051,326	2,925,726
Other expenses	<u>(1,198,794)</u>	<u>(1,289,951)</u>	<u>(1,388,180)</u>	<u>(1,505,409)</u>	<u>(1,603,171)</u>
Net income	2,636,141	2,895,214	3,393,454	3,661,639	2,726,013
Plus:					
Depreciation	2,310,640	2,145,472	2,017,551	1,976,059	1,874,933
Interest expense	<u>1,178,563</u>	<u>1,259,221</u>	<u>1,347,196</u>	<u>1,505,409</u>	<u>1,603,171</u>
Cash available for debt service	<u>\$ 6,125,344</u>	<u>\$ 6,299,907</u>	<u>\$ 6,758,201</u>	<u>\$ 7,143,107</u>	<u>\$ 6,204,117</u>
Debt service (1)	\$ 214,793	\$ 211,955	\$ 208,260	\$ 214,079	\$ 209,604
Historical debt service coverage	29.1x	29.72x	32.45x	33.37x	29.60x

(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
2016	61,171	200,000	60,000	2,294,478	410,000	130,000
2017	61,171	215,000	60,000	2,352,739	425,000	130,000
2018	61,171	-	65,000	2,428,233	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	\$ 266,487	\$ 415,000	\$ 1,765,000	\$ 30,948,192	\$ 7,395,063	\$ 2,805,000

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 Ended June 30</u>	<u>Fund Balance</u>
2015	\$ 23,689,541
2014	\$ 22,954,385
2013	25,766,500
2012	26,757,198
2011	24,966,272