

**District Court Funds of District No. 40
City of St. Clair Shores, Michigan**

**Financial Report
June 30, 2013**

District Court Funds of District No. 40

City of St. Clair Shores, Michigan

Contents

Report Letter	1-2
Basic Financial Statements	
Governmental Funds Balance Sheet/Statement of Net Position - Operating Account	3
Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities - Operating Account	4
Budgetary Comparison Statement - Operating Account	5
Statement of Net Position - Fiduciary Funds	6
Notes to Financial Statements	7-9

Independent Auditor's Report

To the Honorable Judges
District Court Funds of District No. 40
City of St. Clair Shores, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the Operating Fund, and the aggregate remaining fund information of the District Court Funds of District No. 40, City of St. Clair Shores, Michigan (the "District Court"), a component unit of the City of St. Clair Shores, Michigan, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District Court Funds of District No. 40, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Honorable Judges
District Court Funds of District No. 40
City of St. Clair Shores, Michigan

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the Operating Fund, and the aggregate remaining fund information of the District Court Funds of District No. 40, City of St. Clair Shores, Michigan as of June 30, 2013 and the changes in its financial position and budgetary comparison for the operating account for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Plante & Moran, PLLC

December 18, 2013

**District Court Funds of District No. 40
City of St. Clair Shores, Michigan**

**Governmental Funds Balance Sheet/Statement of Net Position
Operating Account
June 30, 2013**

	Operating Account - Modified <u>Accrual Basis</u>	Adjustments (Note 1)	Statement of Net Position
Assets			
Cash and cash equivalents (Note 3)	\$ 3,010	\$ -	\$ 3,010
Due from District Control Unit	<u>16,517</u>	<u>-</u>	<u>16,517</u>
Total assets	<u>\$ 19,527</u>	<u>\$ -</u>	<u>\$ 19,527</u>
Liabilities - Accounts payable	<u>\$ 19,527</u>	<u>\$ -</u>	<u>\$ 19,527</u>

District Court Funds of District No. 40
City of St. Clair Shores, Michigan

**Statement of Governmental Fund Revenue, Expenditures, and
Changes in Fund Balance/Statement of Activities
Operating Account
Year Ended June 30, 2013**

	Operating Account - Modified Accrual Basis	Adjustments (Note 1)	Statement of Activities
Revenues			
Funding from District Control Unit	\$ 281,445	\$ -	\$ 281,445
Interest	55	-	55
Total revenues	281,500	-	281,500
Expenditures			
Office supplies	40,205	-	40,205
Operating supplies	10,895	-	10,895
Professional fees	110,671	-	110,671
Phones and communication	28,921	-	28,921
Travel	3,301	-	3,301
Printing	5,739	-	5,739
Utilities	12,347	-	12,347
Repairs and maintenance	50,141	-	50,141
Rentals	7,647	-	7,647
Miscellaneous	11,633	-	11,633
Total expenditures	281,500	-	281,500
Excess of Revenue Over Expenditures/Change in Net Position			
	-	-	-
Fund Balance/Net Position - Beginning of year			
	-	-	-
Fund Balance/Net Position - End of year			
	\$ -	\$ -	\$ -

**District Court Funds of District No. 40
City of St. Clair Shores, Michigan**

**Budgetary Comparison Statement
Operating Account
Year Ended June 30, 2013**

	Original Budget - Unaudited	Amended Budget - Unaudited	Actual	Variance Favorable (Unfavorable)
Revenues				
Funding from District Control Unit	\$ 255,566	\$ 255,566	\$ 281,445	\$ 25,879
Interest	-	-	55	55
Total revenues	255,566	255,566	281,500	25,934
Expenditures				
Office supplies	26,000	26,000	40,205	(14,205)
Operating supplies	20,400	20,400	10,895	9,505
Professional fees	155,377	155,377	110,671	44,706
Phones and communications	15,500	15,500	28,921	(13,421)
Travel	1,560	1,560	3,301	(1,741)
Printing	6,200	6,200	5,739	461
Utilities	10,350	10,350	12,347	(1,997)
Repairs and maintenance	15,979	15,979	50,141	(34,162)
Rentals	-	-	7,647	(7,647)
Miscellaneous	4,200	4,200	11,633	(7,433)
Total expenditures	255,566	255,566	281,500	(25,934)
Excess of Revenues Over Expenditures				
	-	-	-	-
Fund Balance - Beginning of year				
	-	-	-	-
Fund Balance - End of year				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* The District Court's budget is approved in total. The detail above is provided for illustration purposes only.

**District Court Funds of District No. 40
City of St. Clair Shores, Michigan**

**Statement of Net Position
Fiduciary Funds
June 30, 2013**

	Agency Funds	
	Bond Account	General Account
Assets - Cash and cash equivalents (Note 3)	\$ 109,677	\$ 224,164
Liabilities		
Due to:		
District Control Unit	\$ -	\$ 165,217
Macomb County	-	4,614
State of Michigan	-	54,333
Refundable bonds	109,677	-
Total liabilities	\$ 109,677	\$ 224,164

District Court Funds of District No. 40

City of St. Clair Shores, Michigan

Notes to Financial Statements

June 30, 2013

Note I - Summary of Significant Accounting Policies

The accounting policies of the District Court Funds of District Court No. 40, City of St. Clair Shores, Michigan (the "District Court") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The District Court is governed by two elected judges. There are no component units.

The following is a summary of the significant accounting policies used by the District Court Funds of District No. 40, City of St. Clair Shores, Michigan:

The District Court's basic financial statements present combined governmental fund modified accrual financial statements and government-wide full accrual financial statements.

The government-wide full accrual financial statements (the statement of net position and the statement of activities) are reported using the economic resources measurement focus and the 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes susceptible to accrual, that is, when it becomes both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

As of and for the year ended June 30, 2013, no adjustments were necessary in order to arrive at the government-wide full accrual financial statements.

The 40th District Court of the City of St. Clair Shores, Michigan is a component unit of the City of St. Clair Shores, Michigan (the "City") and is included in the basic financial statements of the City at June 30, 2013.

The operating account of the District Court is a governmental fund. The financial activities of the fund are limited to collection of subsidies from the City's General Fund and payment of certain expenditures.

The bond and general accounts of the District Court are agency funds. The financial activities of the funds are limited to collection of amounts that are subsequently returned or paid to third parties. The funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

District Court Funds of District No. 40

City of St. Clair Shores, Michigan

Notes to Financial Statements
June 30, 2013

Note 2 - District Court Operations

The payroll costs relating to the operation of the District Court are a budgeted item of the City of St. Clair Shores, Michigan's General Fund and, accordingly, such costs are paid by the City's General Fund. All other costs are paid from the operating account of the District Court.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the District Court 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 District Court 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 District Court has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The District Court's deposits and investment policies are in accordance with statutory authority.

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District Court's deposits may not be returned to it. The District Court does not have a deposit policy for custodial credit risk. At year end, the District Court had approximately \$107,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The District Court 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 District Court 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.

Note 4 - Risk Management

The District Court 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 District Court's operating activity is included in the General Fund of the City of St. Clair Shores, Michigan and all risks of loss are borne by the City.

District Court Funds of District No. 40

City of St. Clair Shores, Michigan

Notes to Financial Statements

June 30, 2013

Note 5 - Budget Information

The budget of the operating account is prepared by District Court management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2013 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a total expenditure basis, which reflects the District Court's activity; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. The budget statement has been presented on a line-item basis for informational purposes. Expenditures were incurred in excess of appropriated amounts due to unanticipated expenditures that became necessary during the year.