

**The Brownfield Redevelopment  
Authority of the  
City of St. Clair Shores, Michigan**

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**Financial Report  
June 30, 2012**

# **The Brownfield Redevelopment Authority of the City of St. Clair Shores, Michigan**

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## Independent Auditor's Report

To the Board of Directors  
The Brownfield Redevelopment Authority of  
the City of St. Clair Shores, Michigan

We have audited the 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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 19, 2012 which expressed unqualified opinions on the 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. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to November 19, 2012.

The financial statements for the Brownfield Redevelopment Authority of the City of St. Clair Shores, Michigan (the "Authority") are presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

To the Board of Directors  
The Brownfield Redevelopment Authority of  
the City of St. Clair Shores, Michigan

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as identified on pages 3-5 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 (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Plante & Moran, PLLC*

December 17, 2012

# The Brownfield Redevelopment Authority of the City of St. Clair Shores, Michigan

## Management's Discussion and Analysis

Our discussion and analysis of The Brownfield Redevelopment Authority of the City of St. Clair Shores, Michigan's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Authority's financial statements.

### Using this Annual Report

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include information that presents two different views of the Authority:

- The first column of the financial statements includes information on the Authority's governmental fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Authority's sources and uses of funds.
- The adjustments column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method of accounting.
- The third column presents the Authority's operations on a full accrual basis, which provides both long- and short-term information about the Authority's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances.

### Authority as a Whole

The following table shows the net assets of the governmental activities in a condensed format as of June 30, 2012 in comparison to the prior year (rounded to the nearest hundred):

|                                   | June 30          |                  |
|-----------------------------------|------------------|------------------|
|                                   | 2012             | 2011             |
| <b>Assets - Current and other</b> | \$ 15,100        | \$ 15,100        |
| <b>Liabilities - Current</b>      | -                | -                |
| <b>Net Assets</b>                 | <u>\$ 15,100</u> | <u>\$ 15,100</u> |

The Authority's combined net assets remained the same from a year ago. At June 30, 2012, all of the Authority's net assets are unrestricted.

# The Brownfield Redevelopment Authority of the City of St. Clair Shores, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the comparison of changes in the net assets of the governmental activities during the year ended June 30, 2012 to the prior year (rounded to the nearest hundred):

|                                       | Year Ended June 30 |                  |
|---------------------------------------|--------------------|------------------|
|                                       | 2012               | 2011             |
| <b>Revenue</b> - Interest and other   | \$ -               | \$ 7,500         |
| <b>Expenses</b> - Operations          | -                  | 4,800            |
| <b>Change in Net Assets</b>           | -                  | 2,700            |
| <b>Net Assets</b> - Beginning of year | 15,100             | 12,400           |
| <b>Net Assets</b> - End of year       | <u>\$ 15,100</u>   | <u>\$ 15,100</u> |

### Governmental Activities

There was no service revenue in 2012 due to a lack of Brownfield Incentive Program applications submitted during the current year. Total revenue in 2012 decreased due to the decrease in service revenue during 2012; therefore, there was no significant change in net assets compared to 2011.

### The Governmental Fund

Our analysis of the Authority's governmental fund (the Authority's only fund) is included on pages 6 and 7 in the first column of the respective statements. The fund column provides detailed information about the governmental fund using the modified accrual method of accounting. There is currently no difference between the modified and full accrual bases of accounting.

The Authority's governmental fund balance was unchanged during the year ended June 30, 2012.

### Governmental Fund Budgetary Highlights

Over the course of the year, the Authority amended the budget to take into account events during the year. The most significant changes were a decrease to service revenue by \$5,000 and a decrease to professional service expenditures by \$1,500 primarily due to the lack of anticipated Brownfield Incentive Program applications submitted and related professional service expenditures. Actual revenue was within \$9 of the final budget. Actual expenditures were within \$1,000 of the final budget.

# **The Brownfield Redevelopment Authority of the City of St. Clair Shores, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Economic Factors and Next Year's Budgets and Rates**

As a result of continued decreases expected in property tax values, the Authority will need to carefully evaluate planned projects for future years to be in line with reduced revenue.

### **Contacting the Authority's Management**

This financial report is intended to provide our citizens and taxpayers with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Authority's administration.

# The Brownfield Redevelopment Authority of the City of St. Clair Shores, Michigan

## Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2012

|   | Governmental<br>Fund | Adjustments<br>(Note 1) | Statement of<br>Net Assets |
|---|----------------------|-------------------------|----------------------------|
| <b>Assets</b> - Cash and cash equivalents (Note 3)                                      | <u>\$ 15,062</u>     | \$ -                    | \$ 15,062                  |
| <b>Liabilities</b> - Due to other governmental units                                    | \$ -                 | <u>-</u>                | <u>-</u>                   |
| <b>Fund Balance/Net Assets</b> - Fund balance -<br>Unassigned/Net assets - Unrestricted | <u>15,062</u>        | <u>\$ -</u>             | <u>\$ 15,062</u>           |
| Total liabilities and fund balance  | <u>\$ 15,062</u>     |                         |                            |

# The Brownfield Redevelopment Authority of the City of St. Clair Shores, Michigan

## Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2012

|  | Governmental<br>Fund | Adjustments<br>(Note 1) | Statement of<br>Activities |
|--|----------------------|-------------------------|----------------------------|
| Revenue - Interest   | \$ 9                 | \$ -                    | \$ 9                       |
| Expenditures - Operations                                    | -                    | -                       | -                          |
| Excess of Revenue Over Expenditures/<br>Change in Net Assets | 9                    | -                       | 9                          |
| Fund Balance/Net Assets - Beginning of year                  | 15,053               | -                       | 15,053                     |
| Fund Balance/Net Assets - End of year                        | <u>\$ 15,062</u>     | <u>\$ -</u>             | <u>\$ 15,062</u>           |

# The Brownfield Redevelopment Authority of the City of St. Clair Shores, Michigan

## Budgetary Comparison Statement Governmental Fund Year Ended June 30, 2012

|  | Original Budget<br>- Unaudited | Final<br>Budget -<br>Unaudited | Actual           | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|--|--------------------------------|--------------------------------|------------------|---|
| <b>Revenue</b>   |                                |                                |                  |   |
| Charges for services                                   | \$ 5,000                       | \$ -                           | \$ -             | \$ -  |
| Interest   | -                              | -                              | 9                | 9   |
| Total revenue  | 5,000                          | -                              | 9                | 9   |
| <b>Expenditures - Professional services</b>            | 2,500                          | 1,000                          | -                | 1,000   |
| <b>Excess of Revenue Over (Under)<br/>Expenditures</b> | 2,500                          | (1,000)                        | 9                | 1,009   |
| <b>Fund Balance - Beginning of year</b>                | 15,053                         | 15,053                         | 15,053           | -   |
| <b>Fund Balance - End of year</b>                      | <u>\$ 17,553</u>               | <u>\$ 14,053</u>               | <u>\$ 15,062</u> | <u>\$ 1,009</u>   |

# **The Brownfield Redevelopment Authority of the City of St. Clair Shores, Michigan**

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## **Notes to Financial Statements June 30, 2012**

### **Note I - Significant Accounting Policies**

The Brownfield Redevelopment Authority of the City of St. Clair Shores, Michigan (the "BRA" or the "Authority") was created to facilitate the implementation of plans for the identification, treatment, and revitalization of environmentally distressed areas within the city of St. Clair Shores, Michigan (the "City") designated as Brownfield Redevelopment Zones. The BRA's board, consisting of 12 members, is appointed by the City Council and, accordingly, the City has the ability to impose its will.

The BRA's basic financial statements present combined governmental fund modified accrual financial statements and government-wide full accrual financial statements. As of and for the year ended June 30, 2012, no adjustments to the amounts in the governmental fund were necessary to arrive at the government-wide full accrual financial statements.

The BRA is a component unit of the City of St. Clair Shores, Michigan and is included in the basic financial statements of the City at June 30, 2012 as a discretely presented component unit.

#### **Basis of Accounting**

The accounting policies of the BRA conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. There are no component units required to be included in these financial statements.

The following is a summary of the significant accounting policies:

The government-wide full accrual financial statements (the statement of net assets 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. Property taxes are recognized as revenue in the year for which they are levied. During the current year, there were no property taxes levied for the BRA.

# The Brownfield Redevelopment Authority of the City of St. Clair Shores, Michigan

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## Notes to Financial Statements June 30, 2012

### Note 1 - Significant Accounting Policies (Continued)

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. However, debt service expenditures are recorded only when payment is due.

**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.

**Fund Equity** - In the fund financial statements, governmental funds report the following components of fund balance:

**Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact

**Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose

**Committed:** Amounts that have been formally set aside by the TIFA board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board.

**Assigned:** Intent to spend resources on specific purposes expressed by the governing body

**Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the governmental fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the governmental fund.

**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.

# **The Brownfield Redevelopment Authority of the City of St. Clair Shores, Michigan**

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## **Notes to Financial Statements June 30, 2012**

### **Note 2 - Budget Information**

The annual budget is prepared and adopted by the BRA board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2012 has not been calculated. During the year, the budget was amended in a legally permissible manner. 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; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the BRA board is included in the basic financial statements. This statement is presented on a line-item basis for informational purposes.

### **Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the BRA 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 BRA 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 BRA has designated one bank for the deposit of its funds. The BRA's deposits and investment policies are in accordance with statutory authority. The BRA's deposits are subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the BRA's deposits may not be returned to it. At year end, the BRA had no bank deposits (checking accounts) that were uninsured and uncollateralized.