

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

**Financial Report
June 30, 2013**

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, 2013, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 16, 2013, which contained unmodified 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 December 16, 2013.

In Relation to Opinion on Accompanying Financial Statements

The Brownfield Redevelopment Authority of the City of St. Clair Shores, Michigan (the "Authority") is presented for the purpose of additional analysis and is not a required part of the basic 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 basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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.

Plante & Moran, PLLC

December 16, 2013

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, 2013. Please read it in conjunction with the Authority's financial statements.

Using this Annual Report

This annual report consists of two parts: the 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 position 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.

The Authority as a Whole

The following table shows the net position of the governmental activities in a condensed format as of June 30, 2013 in comparison to the prior year (rounded to the nearest hundred):

	June 30	
	2013	2012
Assets - Current and other	\$ 19,000	\$ 15,100
Liabilities - Current	-	-
Net Position	<u>\$ 19,000</u>	<u>\$ 15,100</u>

The Authority's combined net position increased approximately \$3,900 from a year ago. At June 30, 2013, the Authority's net position is 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 position of the governmental activities during the year ended June 30, 2013 to the prior year (rounded to the nearest hundred):

	Year Ended June 30	
	2013	2012
Revenue - Property taxes and other	\$ 4,400	\$ -
Expenses - Operations	500	-
Change in Net Position	3,900	-
Net Position - Beginning of year	15,100	15,100
Net Position - End of year	<u>\$ 19,000</u>	<u>\$ 15,100</u>

Governmental Activities

There was revenue in 2013 related to property taxes collected to support the Authority. No such revenue was collected in the prior year.

The Governmental Fund

Our analysis of the Authority's governmental fund (the Authority's only fund) is included on pages 5 and 6 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 increased approximately \$3,900 during the year ended June 30, 2013 due to an increase in property tax revenue from the previous year.

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 an increase to property tax revenue by \$2,000 and a decrease to professional service expenditures by \$2,000. Actual total revenue and total expenditures were equal to the final budget.

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

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 Position June 30, 2013

	<u>Governmental Fund</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Net Position</u>
Assets - Cash and cash equivalents (Note 3)	<u>\$ 19,030</u>	<u>\$ -</u>	<u>\$ 19,030</u>
Fund Balance/Net Position - Fund balance - Unassigned/Net position - Unrestricted	<u>\$ 19,030</u>	<u>\$ -</u>	<u>\$ 19,030</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, 2013

	Governmental Fund	Adjustments (Note 1)	Statement of Activities
Revenue			
Property taxes	\$ 4,449	\$ -	\$ 4,449
Interest	9	-	9
Total revenue	4,458	-	4,458
Expenditures - Operations	490	-	490
Net Change in Fund Balance/Change in Net Position	3,968	-	3,968
Fund Balance/Net Position - Beginning of year	15,062	-	15,062
Fund Balance/Net Position - End of year	<u>\$ 19,030</u>	<u>\$ -</u>	<u>\$ 19,030</u>

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

Budgetary Comparison Statement Governmental Fund Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,500	\$ 4,449	\$ 4,449	\$ -
Interest	-	9	9	-
Total revenue	2,500	4,458	4,458	-
Expenditures - Operations	2,500	490	490	-
Net Change in Fund Balance	-	3,968	3,968	-
Fund Balance - Beginning of year	15,062	15,062	15,062	-
Fund Balance - End of year	<u>\$ 15,062</u>	<u>\$ 19,030</u>	<u>\$ 19,030</u>	<u>\$ -</u>

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

Notes to Financial Statements June 30, 2013

Note 1 - Summary of 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. This purpose is accomplished by BRA collecting captured property taxes in accordance with state law. The BRA's board, consisting of 12 members, is appointed by the City Council. The City also has the ability to impose its will on the BRA.

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, 2013, 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, 2013 as a discretely presented component unit.

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 used by the Brownfield Redevelopment Authority of the City of St. Clair Shores, Michigan:

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is 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 within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

Notes to Financial Statements June 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, BRA's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is BRA's policy to spend funds in this order: committed, assigned, and unassigned.

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 BRA 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

Notes to Financial Statements June 30, 2013

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, 2013 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 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 local unit 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.

Custodial Credit Risk of Bank Deposits - 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 (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized.