

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

**Financial Report
June 30, 2014**

District Court Funds of District No. 40

City of St. Clair Shores, Michigan

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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, 2014, 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 opinions.

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, 2014 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

November 26, 2014

**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, 2014**

	Operating Account - Modified <u>Accrual Basis</u>	Adjustments (Note 1)	Statement of Net Position
Assets			
Cash and cash equivalents (Note 2)	\$ 3,431	\$ -	\$ 3,431
Due from District Control Unit	<u>19,876</u>	<u>-</u>	<u>19,876</u>
Total assets	<u>\$ 23,307</u>	<u>\$ -</u>	<u>\$ 23,307</u>
Liabilities - Accounts payable	<u>\$ 23,307</u>	<u>\$ -</u>	<u>\$ 23,307</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, 2014**

	Operating Account - Modified Accrual Basis	Adjustments (Note I)	Statement of Activities
Revenues			
Funding from District Control Unit	\$ 280,766	\$ -	\$ 280,766
Interest	37	-	37
Total revenues	280,803	-	280,803
Expenditures			
Office supplies	46,250	-	46,250
Operating supplies	10,455	-	10,455
Professional fees	104,401	-	104,401
Phones and communication	31,736	-	31,736
Travel	3,284	-	3,284
Printing	5,949	-	5,949
Utilities	20,345	-	20,345
Repairs and maintenance	39,626	-	39,626
Rentals	6,876	-	6,876
Miscellaneous	11,881	-	11,881
Total expenditures	280,803	-	280,803
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, 2014

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Funding from District Control Unit	\$ 185,720	\$ 269,894	\$ 280,766	\$ 10,872
Interest	-	-	37	37
Total revenues	185,720	269,894	280,803	10,909
Expenditures				
Office supplies	26,000	26,000	46,250	(20,250)
Operating supplies	21,400	21,400	10,455	10,945
Professional fees	89,421	164,185	104,401	59,784
Phones and communications	15,500	21,490	31,736	(10,246)
Travel	1,560	1,560	3,284	(1,724)
Printing	5,200	5,200	5,949	(749)
Utilities	10,350	13,070	20,345	(7,275)
Repairs and maintenance	12,089	12,789	39,626	(26,837)
Rentals	-	-	6,876	(6,876)
Miscellaneous	4,200	4,200	11,881	(7,681)
Total expenditures	185,720	269,894	280,803	(10,909)
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, 2014**

	Agency Funds	
	Bond Account	General Account
Assets - Cash and cash equivalents (Note 2)	\$ 138,418	\$ 253,681
Liabilities		
Due to:		
District Control Unit	\$ -	\$ 180,868
Macomb County	-	5,165
State of Michigan	-	67,648
Refundable bonds	138,418	-
Total liabilities	\$ 138,418	\$ 253,681

District Court Funds of District No. 40

City of St. Clair Shores, Michigan

Notes to Financial Statements
June 30, 2014

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

The District Court is governed by two elected judges. The accompanying financial statements present the District Court. There are no component units.

Accounting and Reporting Principles

The District Court 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. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. 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 funding from the District Control Unit and interest received.

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

As of and for the year ended June 30, 2014, no adjustments were necessary in order to arrive at the government-wide full accrual financial statements.

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 government has spent its resources.

District Court Funds of District No. 40

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Expenditures are reported when the goods are received or the services are rendered.

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 District Court considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: district court fines and interest associated with the current fiscal period.

Fund Accounting

The District Court 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, 2014. The District Court accounts for its various activities in different accounts and funds, in order to demonstrate accountability of how we have spent certain resources - separate accounts and funds allow us to show the particular expenditures that specific revenues were used for. The various accounts and funds are aggregated into two broad types.

Governmental funds include all activities that provide general governmental services that are not business-type activities. The District Court reports the following fund as a "major" governmental fund:

- The operating account, which is limited to collection of subsidies from the City's General Fund and payment of certain expenditures

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 bond and general accounts, which are limited to the 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.

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.

District Court Funds of District No. 40

City of St. Clair Shores, Michigan

Notes to Financial Statements
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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 2 - 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 \$148,000 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 3 - 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, 2014

Note 4 - 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, 2014 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 incurred exceeded the appropriated amounts by \$10,909 due to unanticipated expenditures that became necessary during the year.