

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

Financial Report

June 30, 2018



Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	2
Basic Financial Statements	
Governmental Fund Balance Sheet / Statement of Net Position	4
Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance / Statement of Activities	5
Notes to the Financial Statements	6
Required Supplementary Information	
Budgetary Comparison Schedule – Governmental Fund	9



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Independent Auditors' Report

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

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 (the "City") as of and for the year ended June 30, 2018, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 19, 2018, 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 November 19, 2018.

In Relation to Opinion on Accompanying Financial Statements

The Brownfield Redevelopment Authority of the City of St. Clair Shores (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 Matter

Required Supplementary Information

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

Yeo & Yeo, P.C.

Saginaw, Michigan
November 19, 2018

**The Brownfield Redevelopment Authority
of the City of St. Clair Shores
Management's Discussion and Analysis
June 30, 2018**

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, 2018. 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, 2018 in comparison to the prior year (rounded to the nearest hundred):

	June 30	
	2018	2017
Assets		
Current and other	\$ 45,200	\$ 35,100
Net Position	\$ 45,200	\$ 35,100

The Authority's combined net position increased approximately \$10,100 from a year ago. At June 30, 2018, the Authority's net position is unrestricted.

The following table shows the comparison of changes in the net position of the governmental activities during the year ended June 30, 2018 to the prior year (rounded to the nearest hundred):

	June 30	
	2018	2017
Revenue		
Property taxes and other	\$ 67,500	\$ 6,500
Expenses		
Public works - operations	57,400	-
Change in net position	10,100	6,500
Net position - beginning of year	35,100	28,600
Net Position - end of year	\$ 45,200	\$ 35,100

**The Brownfield Redevelopment Authority
of the City of St. Clair Shores
Management's Discussion and Analysis
June 30, 2018**

Governmental Activities

This fiscal year, a new Brownfield was added; Lakeshore Senior Living LLC. This added an additional \$60,000 in revenue. There were no project expenses incurred in the current year, however, the Authority did approve to pay Lakeshore Senior Living LLC \$57,000 for summer taxes captured on that property.

The Governmental Fund

Our analysis of the Authority's governmental fund (the Authority's only fund) is included on pages 4 and 5 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 basis of accounting.

The Authority's governmental fund balance increased approximately \$10,100 during the year ended June 30, 2018 due to the Authority having no project expenses and distributing the summer taxes on the new revenue captured.

Governmental Fund Budgetary Highlights

Over the course of the year, the Authority did not amend the budget. Actual total revenue was less than the final budget by \$3,391 and actual total expenditures were under the final budget by \$11,887.

Economic Factors and Next Year's Budgets and Rates

As a result of limited future increases 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, 2018

	Governmental Fund	Adjustments (Note 1)	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 45,178	\$ -	\$ 45,178
Fund Balances / Net Position			
Fund balance - unassigned / Net position - unrestricted	\$ 45,178	\$ -	\$ 45,178

See Accompanying Notes to the Financial Statements

**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
For the Year Ended June 30, 2018**

	Governmental Fund	Adjustments (Note 1)	Statement of Activities
Revenues			
Property taxes	\$ 67,475	\$ -	\$ 67,475
Interest income	46	-	46
	<u>67,521</u>	<u>-</u>	<u>67,521</u>
Total revenues	67,521	-	67,521
Expenditures			
Current			
Public works - operations	<u>57,425</u>	<u>-</u>	<u>57,425</u>
	10,096	-	10,096
Net change in fund balance / change in net position	10,096	-	10,096
Fund balance / net position - beginning of year	<u>35,082</u>	<u>-</u>	<u>35,082</u>
Fund balance / net position - end of year	<u>\$ 45,178</u>	<u>\$ -</u>	<u>\$ 45,178</u>

See Accompanying Notes to the Financial Statements

**The Brownfield Redevelopment Authority
of the City of St. Clair Shores
Notes to the Financial Statements
June 30, 2018**

Note 1 - Summary of Significant Accounting Policies

The accounting policies of The Brownfield Redevelopment Authority of the City of St. Clair Shores, Michigan (BRA or the "Authority") 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.

Reporting Entity

BRA is governed by a 13-member board, which is appointed by the City Council. The BRA 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 the BRA collecting captured property taxes in accordance with state law. The accompanying financial statements present the BRA.

Discretely Presented Component Units – The BRA is a component unit of the City and is included in the basic financial statements of the City at June 30, 2018 as a discretely presented component unit.

Accounting and Reporting Principles

The BRA 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. 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 revenue includes: (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 revenue are reported instead as general revenue.

Separate financial statements are provided for the governmental fund, which is reported as a separate column in the fund financial statements.

Basis of Accounting

The governmental fund uses 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.

**The Brownfield Redevelopment Authority
of the City of St. Clair Shores
Notes to the Financial Statements
June 30, 2018**

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.

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 BRA considers amounts collected within 60 days of year end to be available for recognition.

Fund Accounting

The BRA accounts for its various activities in one fund in order to demonstrate accountability for how certain resources have been spent.

The governmental fund includes all activities of the BRA, which is a component unit of the City of St. Clair Shores.

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.

Net Position Flow Assumption

Sometimes, the BRA 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 BRA's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes, the BRA 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 BRA's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, 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 BRA 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 BRA's highest level of decision making authority. The City Council of the City of St. Clair Shores is the highest level of decision-making authority for the BRA 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.

**The Brownfield Redevelopment Authority
of the City of St. Clair Shores
Notes to the Financial Statements
June 30, 2018**

Amounts in the assigned fund balance classification are intended to be used by the BRA for specific purposes but do not meet the criteria to be classified as committed. The City Council of the City of St. Clair Shores has by resolution authorized the finance director to assign fund balance. The City 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.

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 - 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, 2018 has not been calculated. During the year, the budget can be 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 law also allows investments outside the state of Michigan when fully insured. 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.

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 and checking and savings accounts) that were uninsured and uncollateralized.

The Brownfield Redevelopment Authority
of the City of St. Clair Shores, Michigan
Required Supplementary Information
Budgetary Comparison Schedule
Governmental Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 68,312	\$ 68,312	\$ 67,475	\$ (837)
Interest income	100	100	46	(54)
Other revenue	2,500	2,500	-	(2,500)
	<u>70,912</u>	<u>70,912</u>	<u>67,521</u>	<u>(3,391)</u>
Expenditures				
Current				
Public works - operations	<u>69,312</u>	<u>69,312</u>	<u>57,425</u>	<u>(11,887)</u>
Net change in fund balance	1,600	1,600	10,096	8,496
Fund balance - beginning of year	<u>35,082</u>	<u>35,082</u>	<u>35,082</u>	<u>-</u>
Fund balance - end of year	<u>\$ 36,682</u>	<u>\$ 36,682</u>	<u>\$ 45,178</u>	<u>\$ 8,496</u>