

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

Financial Report

June 30, 2018



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Independent Auditors' 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 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, 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.

Emphasis of Matter

We draw attention to Note 1, which explains that these financial statements present only the District Court Funds of District No. 40, City of St. Clair Shores, Michigan and do not purport to, and do not, present fairly the financial position of the City of St. Clair Shores, Michigan as of June 30, 2018, the changes in its financial position, and the changes in its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

In Relation To Opinion on Accompanying Financial Statements

The District Court Funds of District No. 40, City of St. Clair Shores, Michigan (the "Court") are presented for the purpose of additional analysis and are 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Court's basic financial statements. The operating account budgetary statement of comparison is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The operating account budgetary statement of comparison has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Yeo & Yeo, P.C.

Saginaw, Michigan
November 19, 2018

District Court Funds of District No. 40
City of St. Clair Shores
Statement of Net Position
Fiduciary Funds
June 30, 2018

	Agency Funds		
	Bond Account	General Account	Operating Account
Assets			
Cash and cash equivalents	\$ 158,388	\$ 288,955	\$ 21,417
Receivables	-	717	9,658
Total assets	<u>\$ 158,388</u>	<u>\$ 289,672</u>	<u>\$ 31,075</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ 9,744
Due to			
District Control Unit	-	218,696	21,331
Macomb County	-	525	-
State of Michigan	-	70,451	-
Refundable bonds	<u>158,388</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 158,388</u>	<u>\$ 289,672</u>	<u>\$ 31,075</u>

See Accompanying Notes to the Financial Statements

District Court Funds of District No. 40
City of St. Clair Shores, Michigan
Notes to the Financial Statements
June 30, 2018

Note 1 - 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 and is a blended component unit of the City of St. Clair Shores, Michigan (the "City"). The financial activities of the funds are limited to collection of amounts that are subsequently returned or paid to third parties. Accordingly, the operations of the funds are limited to cash transactions. There are no component units to be included in this financial statement.

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.

Basis of Accounting

The funds of the District Court are considered 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. Liabilities are recorded as incurred, regardless of the timing of related cash flows.

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 – 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 \$252,063 of bank deposits (certificates of deposit and 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.

District Court Funds of District No. 40
City of St. Clair Shores, Michigan
Notes to the Financial Statements
June 30, 2018

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
Other Supplementary Information
Budgetary Comparison Statement
Operating Account
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original *	Final *		
Receipts				
Funding from District Control Unit	\$ 338,250	\$ 338,250	\$ 338,250	\$ -
Grants	-	-	36,541	36,541
Interest income	-	-	73	73
	<u>338,250</u>	<u>338,250</u>	<u>374,864</u>	<u>36,614</u>
Total revenues				
Disbursements				
Office supplies	32,000	32,000	29,039	(2,961)
Operating supplies	30,750	30,750	35,459	4,709
Professional fees	195,740	195,740	177,281	(18,459)
Phones and communications	35,800	35,800	37,002	1,202
Travel	1,560	1,560	6,949	5,389
Printing	5,200	5,200	4,445	(755)
Utilities	23,000	23,000	6,371	(16,629)
Repairs and maintenance	10,000	10,000	56,586	46,586
Miscellaneous	4,200	4,200	9,793	5,593
	<u>338,250</u>	<u>338,250</u>	<u>362,925</u>	<u>24,675</u>
Total expenditures				
Excess of receipts over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,939</u>	<u>\$ 11,939</u>

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