

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type				Local Unit Name		County	
<input type="checkbox"/> County	<input type="checkbox"/> City	<input type="checkbox"/> Twp	<input type="checkbox"/> Village	<input type="checkbox"/> Other			
Fiscal Year End		Opinion Date		Date Audit Report Submitted to State			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 		Printed Name		License Number

City of St. Clair Shores, Michigan

**Comprehensive Annual Financial Report
with Supplemental Information
Prepared by the Department of Finance
for the Fiscal Year Ended June 30, 2007**

City of St. Clair Shores, Michigan

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City of St. Clair Shores, Michigan

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City of St. Clair Shores

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Mayor

Robert A. Hison

Mayor Pro-Tem

Erin A. Stahl

City Manager

Kenneth R. Podolski



Council Members:

Matthew S. Ahearn

Ronald J. Frederick

Beverly A. McFadyen

Mark J. Moffitt

Kip C. Walby

October 30, 2007

To the Honorable Mayor, Members of the City Council,
and Citizens of the City of St. Clair Shores:

The Comprehensive Annual Financial Report (CAFR) of the City of St. Clair Shores for the year ended June 30, 2007 is hereby submitted. The basic financial statements as defined in the table of contents were audited by Plante & Moran, PLLC, certified public accountants. Their unqualified opinion follows this letter of transmittal. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the governmental activities, business-type activities, the various funds and component units of the City of St. Clair Shores. All disclosures necessary to enable the reader to gain an understanding of the City of St. Clair Shores activities have been included. The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical, and Continuing Disclosure. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart, and a list of the City of St. Clair Shores' principal appointed officials. The financial section includes: the management's discussion and analysis; the basic financial statements which are comprised of the entity-wide financial statements, fund financial statements, and schedules and related note disclosures, as well as the independent auditor's report on these financial statements and schedules; and the required and other supplemental information on the budgetary comparison schedules, pension plans and combining financial statements for nonmajor funds. The statistical section, also unaudited, includes selected financial and demographic information, generally presented on a multi-year basis. Finally, the unaudited continuing disclosure section contains information required by the Securities and Exchange Commission Rule 15c2-12 requiring that issuers of municipal securities undertake in a written contract for the benefit of the holders of such securities to provide certain annual financial information to various information repositories.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of St. Clair Shores' MD&A can be found immediately following the report of the independent auditor.

The Reporting Entity and Services Provided

The City of St. Clair Shores (the “City”) has defined its financial reporting entity in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). The City of St. Clair Shores includes all the funds, agencies, boards, commissions, and authorities that are controlled by or are dependent on the mayor and City Council. Based upon these criteria, the Economic Development Corporation, the Tax Increment Finance Authority, and the Brownfield Redevelopment Authority have been included in this report as discretely presented component units.

The City of St. Clair Shores provides a full range of services including police and fire protection, sanitation services, construction and maintenance of highways, streets and infrastructure, planning and zoning; library services, recreational activities, and cultural events. Additionally, water and sewer services are provided under an Enterprise Fund concept, with user charges set by the City Council to ensure adequate coverage of operating expenses and payments on outstanding debt.

Local Economy and Governmental Structure

The City of St. Clair Shores is located in the southeast corner of Macomb County, north of the City of Detroit, in southeastern Michigan on Lake St. Clair. The City contains approximately 11.6 square miles with a population of 63,096 persons as reported by the U.S. Bureau of the Census for calendar year 2000. The City currently has a 7.6 percent unemployment rate as compared to a statewide rate of 7.1 percent and a national average of 4.6 percent.

Incorporated in 1951, the City operates under a Council/Manager form of government. Voters elect a mayor and a six member Council in staggered four-year terms. The mayor and Council are the legislative body of the City, responsible for adoption and implementation of ordinances, policies, budget guidelines, and upholding the Charter. The City Manager administers the day-to-day operations of the City and makes recommendations to City Council.

The City of St. Clair Shores has grown over the years to a point where less than 1 percent of its total land area is vacant. Most growth taking place in Macomb County occurs to the northwest. The I-696 and I-94 freeways running through St. Clair Shores provide a corridor of opportunity for redevelopment and enhancement of existing development.

There is no question the future years will be challenging as expenditure increases are expected to continue to exceed revenues. The current five-year economic projection shows revenues increasing 2 percent to 3 percent while expenditures will increase at 5 percent to 6 percent unless changes are made. It is management’s goal to maintain high quality services during times of economic uncertainty. The City has adopted prudent and conservative financial policies, which will help guide us through the upcoming years. Therefore, management and Council have designated \$11.6 million to carry forward to balance future years’ operations. Included in the carryforward amount is \$1.9 million committed to ongoing projects at year end leaving \$9.7 million to help balance future years. The current budget (fiscal year 2008) has a structural deficit with expenditures exceeding revenues by \$0.9 million. It is anticipated that the carryforward funds will be used up between 2009 and 2010 without additional revenue sources such as the police and fire millage described below. The City has a strong property tax base and management believes it can meet the challenges confronting us in the near future with conservative budgeting and the renewal of the police and fire operating tax.

On August 3, 2004, a local millage to support police and fire services was successfully passed. This funding secures the staffing levels at 101 for the police department and 50 for the fire department. This millage expires on June 30, 2008. A proposal is on the November 6, 2007 ballot to continue this millage for an additional three years. The police and fire operating millage generates approximately \$3 million per year. Management believes that the budget would be balanced through 2011 if the proposal passes.

Long-term Financial Planning

The City has relied on its five-year financial model since 1996 to help make long-term plans. The model enables administration to project fund balance given various assumptions based on the economy and changes in major revenue and expenditure items. This model justified the downsizing of the workforce over 15 percent since fiscal year 2002. Through conservative budgeting and the revenue from the police and fire operating millage, the model projects that we can continue to balance the budgets through fiscal year 2011. If the police and fire operating millage is not renewed for fiscal years 2009 and beyond, additional downsizing will be necessary. In keeping with the policy of balancing future years through use of the model and conservative budgeting, the General Fund fund balance designated for subsequent years' expenditures has been increased.

Major Initiatives

The following were among the many activities and accomplishments to which both the elected officials and staff devoted their energies in fiscal year 2006-2007:

- 1) Conservative budgeting practices continued throughout the year. The carryover to subsequent years is \$11.6 million with \$1.9 million designated for specific projects.
- 2) The police and fire operating levy became effective July 1, 2005. The levy guarantees minimum staffing at the police department of 101 and 50 at the fire department. Highlights from the fiscal year include:

Police and Fire Operating Millage Fiscal year ended June 30, 2007		
Tax levy	\$2,813,950	
	<u>Police</u>	<u>Fire</u>
Active employees	101	50
Department expenditures	\$12,072,417	\$6,100,845

The millage expires with the July 1, 2007 levy for the fiscal year ending June 30, 2008.

- 3) All staff positions continue to be evaluated when they become open.
- 4) The residential street millage program continued for the twelfth year in a row. To date, we have collected \$17,979,133 and expended \$17,672,159 as detailed on the maps following this letter. The balance of \$306,974 is reserved for qualifying expenditures in the following year. The millage expires with the July 1, 2009 levy for the fiscal year ending June 30, 2010.

- 5) St. Clair Shores' voters approved a tax levy of up to 2 mills to finance federal and state mandated improvements on the Jefferson Interceptor and repairs to sanitary sewers citywide in September 1999 - dubbed the Lake St. Clair Clean Water Initiative Project. Construction of improvements for this massive infrastructure project continued this fiscal year. To date, all of the residential sanitary sewers have been televised and repairs and improvements are ongoing under this project. The residential sewers repaired at the beginning of this undertaking are now being cleaned and televised again to see that the repairs are holding up properly.
- 6) An active blight program aimed at maintaining property values continues to be a successful project citywide. To date, 140+ principal structures have been demolished, leaving room for new development which is a catalyst for numerous neighborhood improvements.
- 7) Police and fire operations represent about 42 percent of the City's general operating budget. Both police and fire departments continue to operate effectively with 35,900 and 6,900 incident responses, respectively.
- 8) The recreational opportunities at this City's disposal rival any community in southeast Michigan. Volunteers should be credited with much of the success of these operations; over 700 coaches participated in baseball, soccer, basketball, and skating associations. The civic ice arenas are utilized regularly by over 1,600 skating club members in addition to the over 6,800 open skating participants. A total of 20,000 volunteer hours were logged at the senior center and there were over 22,000 visits at the pool/waterslide. The St. Clair Shores golf course and country club had 51,000 rounds of golf.

Some of the Major Initiatives for July 1, 2007 and Thereafter are as Follows:

- 1) The sewer repair and construction necessary under the Clean Water Initiative continues.
- 2) The community development department continues to implement the Harper Avenue Revitalization Plan through the creation and adoption of the Harper Avenue Overlay District. Working with Hamilton Anderson Associates, CDI staff created a new zone within the zoning ordinance that would be applied to all properties on Harper Avenue from the south to the north borders of the city.

The intent of the Harper Avenue Overlay Zoning District is to implement the recommendations of the Harper Avenue Revitalization Plan. The Revitalization Plan is a master redevelopment plan for the Harper Avenue corridor, which was crafted on input from business and property owners, residents, and city officials and staff. The objectives of the ordinance are to visually and functionally strengthen private development, public right-of-way space, create an orderly visual image, and foster a business friendly redevelopment climate.

Another action taken by CDI staff during the year was to apply for a streetscape grant. The grant is being funded through the State of Michigan, and the City was approved to move forward with landscape plans at key points on Harper Avenue as well as the replacement of existing street lights with more modern types along Harper Avenue. The award of the grant helps to further implement the revitalization plan for the area. The City awarded the design of the landscaping and key intersections to Stucky Vitale Architects. Identification of the key intersections, entranceways, sculptures, and signage are all elements that are being considered or implemented in the overall plan.

- 3) We continue to monitor the water loss in the Utility Fund. Water loss has returned to its long-term average of 15 percent. Staff continue to take proactive steps to keep the water loss low.
- 4) We have eliminated 49 positions in the last five years and almost all capital spending. The slowdown in the economy and the problems the State of Michigan is having balancing its own budget will seriously affect future budgets. The value of the 49 positions eliminated exceeds \$4.7 million.
- 5) Statutory state-shared revenues continue to be at risk. The most recent estimate from the State places statutory revenue sharing at \$1.3 million for the fiscal year ending June 30, 2008. At this time, the State is having a difficult time balancing its own budget for the fiscal year ending September 30, 2008, leaving statutory revenue sharing at risk along with a host of other funding for streets and infrastructure. On October 1, 2007, the State adopted an interim budget for 30 days in order to avoid a partial shutdown of state operations. At this time, the state legislature continues to negotiate a final budget.

Budgeting and Internal Controls

In accordance with state law, the City's budget is prepared on the modified accrual basis for governmental type funds, and its accounting records are also maintained on that basis. Under modified accrual accounting, revenues are recorded when they are both measurable and available. Expenditures are recorded when a liability is incurred, except for interest on long-term debt and accrued leave time. Governmental fund types, such as the City's General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds are reported on the modified accrual basis. The City's Enterprise Funds, Internal Service Funds, Pension Funds, and other Employee Benefit Trust Funds are reported on the full accrual basis, under which revenues are recorded when earned and expenses are recorded when incurred.

The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of the General Fund are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level for the General Fund, Special Revenue Funds, and certain Debt Service Funds. However, for internal accounting purposes, budgetary control is maintained by object class (line account) for all funds. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Purchase orders that would create an over-encumbrance are not written until additional appropriations are available. Encumbered accounts lapse at year end. However, any encumbrances outstanding at June 30, 2007 are generally reported a designated fund balance for subsequent year expenditures. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

The City relies on a sound system of internal controls over financial reporting and federal program compliance. A system of internal control has been established for the purpose of preventing or detecting errors, misappropriation of assets, and fraudulent financial reporting. The system of internal controls relies on the integrity of the people who work for the City.

Pension and Other Postemployment Benefits

The City has two Pension Trust Funds: the Employees' Retirement System created by the City Charter on July 1, 1951 and the Police and Fire Retirement System created under Public Act 345 and collective bargaining. An actuarial study determines the funding required by the City to meet its future benefit obligations. In the most recent actuarial report for the period ended June 30, 2006, the total estimated actuarial accrued liabilities totaled \$52,481,690 for the Employees' Retirement System and \$107,602,157 for the Police and Fire Retirement System. One method of assessing the financial strength of a pension fund is to compute the percentage of liabilities that have been funded. This percentage at June 30, 2006 was 80.5 percent for the Employees' Retirement System, nearly identical to the 80.6 percent at June 30, 2005, and 87.1 percent for the Police and Fire Retirement System, nearly identical to the 87.2 percent as of June 30, 2005. In both pension systems, the valuation of assets kept pace with increases in liabilities.

The City also provides postretirement healthcare benefits for retirees and their dependents. As of the end of the current year, there were a total of 348 retirees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits at this time. However, GASB Statement Nos. 43 and 45 will soon change reporting requirements. In 2000, the City created the Police and Fire Retiree Health Trust and began setting aside \$250,000 per year toward this unfunded liability for police and fire retirees. In the current year, the City created the General Employees' Retiree Health Care Trust and began funding it with \$156,000 in Medicare part D refunds. The two retiree healthcare plans will have to disclose on an actuarial basis their liabilities for the year ended June 30, 2008 (GASB No. 43). The City will disclose these liabilities for the year ending June 30, 2009 (GASB No. 45). In the most recently agreed-to collective bargaining agreements, the City has been able to make a variety of changes in the areas of pension and retiree health care. Examples of these changes include the closing of our defined benefit pension plan for new hires in some nonpublic safety groups; increasing co-pays and replacing traditional health plans with less costly PPO plans for some retirees; and creating language that has the level of insurance coverage for new retirees changing as changes occur for active employees. While none of these changes have been made across the board for all groups, we believe that we are making positive movement toward reducing these legacy costs.

Cash Management

It is the policy of the City of St. Clair Shores to invest public funds in a manner that will provide maximum security with the highest investment return while meeting the daily cash flow demands of the City and conforming to all state statutes and local ordinances governing the investment of public funds. Cash temporarily idle during the year was invested in demand deposits, certificates of deposits, and mutual funds investing in obligations of the U.S. government.

Risk Management

St. Clair Shores is a member of the Michigan Municipal Risk Management Authority (MMRMA). The MMRMA is a self-insured association with a membership of approximately 1,170 local government units in Michigan. It provides risk management, claims administration, legal defense, and reinsurance services for its members.

The City is also self-insured for workers' compensation and medical benefits coverage. We use The Accident Fund Insurance Company of America as a third-party administrator of the workers' compensation program and purchase reinsurance from them. We utilize Blue Cross/Blue Shield as a third-party administrator of a self-funded medical benefits program and purchase reinsurance insurance from them.

Awards

For the twelfth year in a row, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of St. Clair Shores for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

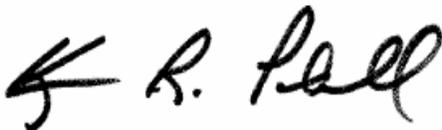
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such CAFRs must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of St. Clair Shores has received a Certificate of Achievement for the last 12 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the department of finance and our independent auditors, Plante & Moran, PLLC. Each of them has our sincere thanks. In closing, without the leadership and support of the mayor and City Council, preparation of this report would not have been possible.

Sincerely,



Kenneth R. Podolski
City Manager



Timothy P. Haney
Director of Finance and City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of St. Clair Shores
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

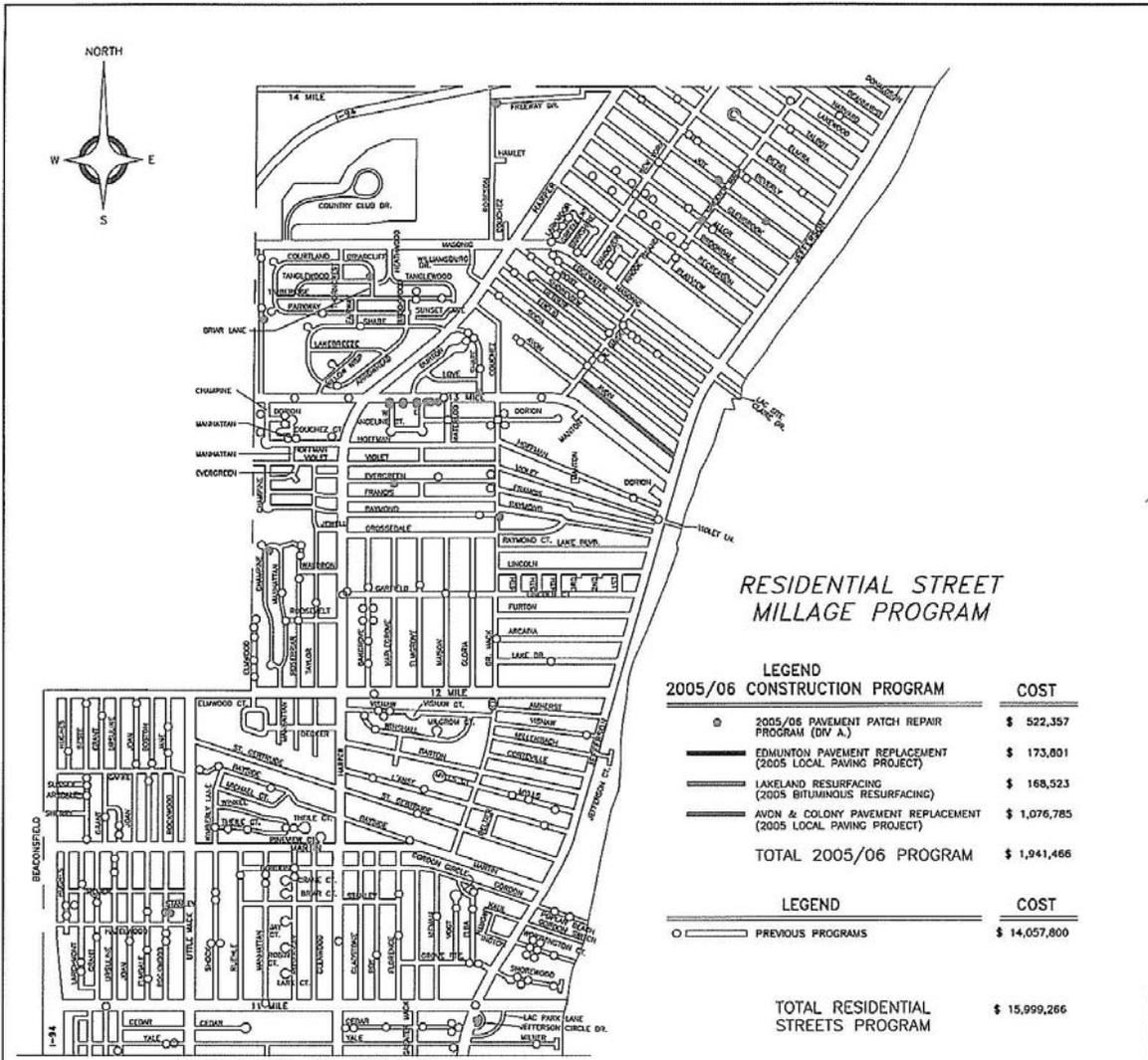


A handwritten signature in black ink, appearing to read "Ronald J. Hawn".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emswiler".

Executive Director

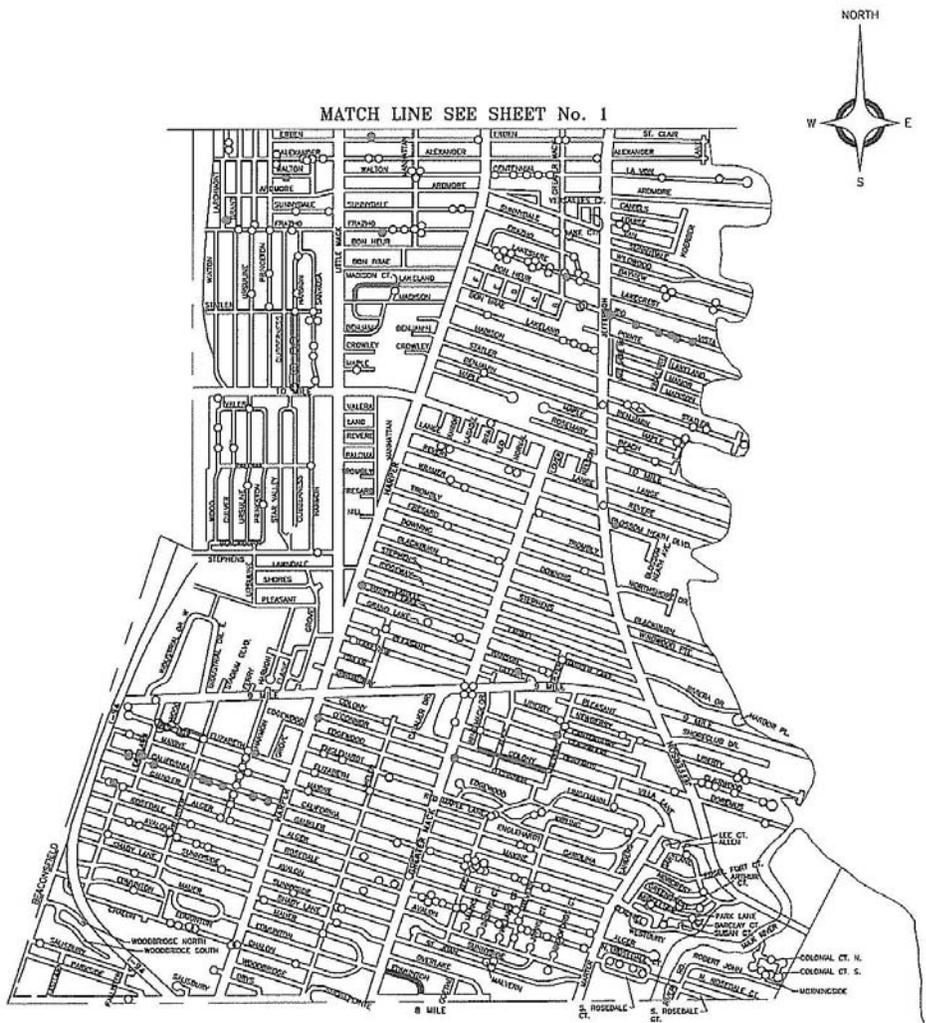


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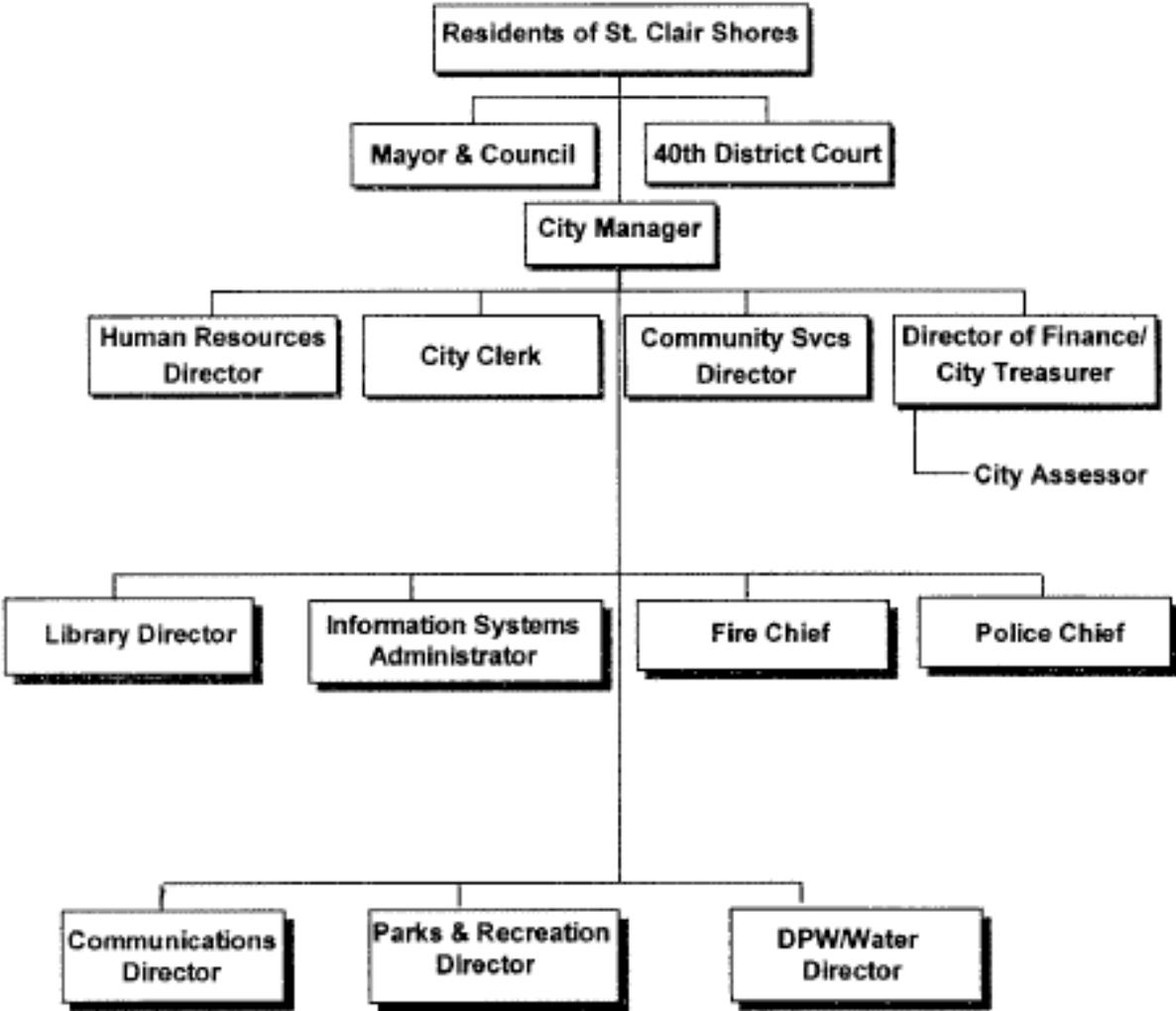
ANDERSON, ECKSTEIN AND WESTRICK, INC.
 Civil Engineers • Surveyors • Architects
 51301 Schoenherr Road, Shelby Township, Michigan 48315
 Phone 586•726•1234 Fax 586•726•8780

1 of 2



	<p>ANDERSON, ECKSTEIN AND WESTRICK, INC. Civil Engineers • Surveyors • Architects 51301 Schoenherr Road, Shelby Township, Michigan 48315 Phone 586•726•1234 Fax 586•726•8780</p>	<p>2 of 2</p>
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**City of St. Clair Shores, Michigan
Organizational Chart**



City of St. Clair Shores, Michigan

List of Principal Officials June 30, 2007

City Manager

Kenneth R. Podolski, City Manager
Michael E. Smith, Human Resource Director
Robert Ihrle, City Attorney

City Clerk

Mary A. Kotowski, City Clerk
Catherine Garnham, Deputy City Clerk

Community Development

Christopher R. Rayes, Director of Community Services
Sandra Wolny, Code Enforcement Supervisor
Elizabeth Koto, City Planner
Dennis Cairns, Chief Building Official

District Court

Carolyn Povich, Court Administrator

Department of Public Works

Curtis L. Dumas Jr., Department of Public Works/Water Director

Finance

Timothy P. Haney, Director of Finance/Treasurer
Sharon A. Schuster, Controller
Susan Kroening, Assistant Controller
Scott Vandermergel, City Assessor

Fire

Matthew M. Kovalcik, Fire Chief

Information Systems

Greg Corless, Information Systems Administrator

Library and Information Services

RoseMary Orlando, City Librarian
Sue Ann Mihalic, Assistant Librarian
Mary Jane D'Herde, Communication Director

Parks and Recreation

Gregory Esler, Parks and Recreation Director
Timothy J. Dorner, Golf Course Superintendent

Police

Charles R. Burnett, Police Chief
Ronald F. Willette, Deputy Police Chief

City of St. Clair Shores, Michigan

Fund Organization Chart

Governmental Funds

General	Special Revenue
General Fund Activity	Library State Aid Library Penal Fund Major Streets Local Streets Court Building Drug Law Enforcement Community Development Block Grant (CDBG) Family Rental Program
Debt Service	Capital Projects
Debt Service Building Authority 1989 MVH Debt Retirement 1991 MVH Debt Retirement 1994 MVH Debt Retirement SEMSD Clean Water Initiative	SEMSD Clean Water Initiative Harper Avenue Streetscape

Proprietary Funds

Enterprise	Internal Service
Recreational Revenue Utility	Motor Pool Computer Replacement

Fiduciary Funds

Pension Trust	Agency
General Employees' Pension Fund Police and Fire Retirement System	General Agency Tax Collections

Other Employee Benefit Trust Fund

Police and Fire Retiree Health Care
General Employees' Retiree Health Care

Component Units

Economic Development Corporation
Tax Increment Finance Authority (TIFA)
Brownfield Redevelopment Authority



Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

Independent Auditor's Report

To the Honorable Mayor and Members
of the City Council
City of St. Clair Shores, Michigan

We have audited the accompanying 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 as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Clair Shores, Michigan's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, retirement systems schedules of funding progress, and the budgetary comparison schedules for the major governmental funds, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and Members
of the City Council
City of St. Clair Shores, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Clair Shores, Michigan's basic financial statements. The accompanying introductory section, other supplemental information, statistical section, and continuing disclosure items, as identified in the table of contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, statistical section, and continuing disclosure items have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2007 on our consideration of the City of St. Clair Shores, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

October 30, 2007

City of St. Clair Shores, Michigan

Management's Discussion and Analysis

Overview of the Financial Statements

Our discussion and analysis of the City of St. Clair Shore's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the transmittal letter on pages i-vii and the City's financial statements which begin on page 12.

Financial Highlights

- The City's overall net assets increased \$7,797,686 or 4.9 percent as a result of this year's operations. Net assets of our governmental activities increased \$3,637,600 or 3.0 percent; net assets of our business-type activities increased \$4,160,086 or 10.7 percent.
- During the year, the City had revenue and transfers out in governmental activities that were \$6,486,948 more than the \$49,919,175 in expenses.
- In the City's business-type activities, revenues and transfers in were \$19,666,041 while expenses were \$15,505,955.
- The General Fund reported revenues in excess of expenditures of \$3,557,657.
- General Fund revenues exceeded the budget by \$991,802 while expenditures were \$5,031,929 less than budgeted.

Government-wide statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The statement of net assets (deficit) includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health.

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

The government-wide financial statements of the City are divided into three categories:

- **Governmental Activities** - Most of the City's basic services are included here such as the police, fire, public works and parks departments, and general administration. Property taxes, state-shared revenue, charges for services, and grants provide most of the funding.
- **Business-type Activities** - The City charges fees to customers to cover costs of providing water and sewer services.
- **Component Units** - The City includes three other entities in its report, the Economic Development Corporation, the Tax Increment Finance Authority, and the Brownfield Redevelopment Authority. Although legally separate, these "component units" are important because the City exercises control over them.

The City as a Whole

The City's combined net assets are \$167.0 million at June 30, 2007. Business-type activities make up \$43.0 million and governmental-type activities make up \$124.0 million. Combined revenues, including transfers between activities, are \$76.1 million. Revenues from governmental-type activities make up \$56.4 million and business-type activities are \$19.7 million. The tables below show a comparison of the current year to last year:

City of St. Clair Shores - Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$ 51,266,898	\$ 44,800,785	\$ 23,161,188	\$ 18,621,838	\$ 74,428,086	\$ 63,422,623
Capital assets	100,051,906	110,315,034	65,541,344	54,443,271	165,593,250	164,758,305
Total assets	151,318,804	155,115,819	88,702,532	73,065,109	240,021,336	228,180,928
Liabilities						
Long-term liabilities outstanding	17,345,027	26,940,189	41,854,970	31,199,739	59,199,997	58,139,928
Other liabilities	9,983,527	7,822,980	3,825,721	3,003,615	13,809,248	10,826,595
Total liabilities	27,328,554	34,763,169	45,680,691	34,203,354	73,009,245	68,966,523
Net Assets						
Invested in capital assets -						
Net of related debt	97,817,670	85,490,733	22,084,903	22,121,451	119,902,573	107,612,184
Restricted	16,223,006	24,596,879	1,314,898	1,399,865	17,537,904	25,996,744
Unrestricted (deficit)	9,949,574	10,265,038	19,622,040	15,340,439	29,571,614	25,605,477
Total net assets	<u>\$ 123,990,250</u>	<u>\$ 120,352,650</u>	<u>\$ 43,021,841</u>	<u>\$ 38,861,755</u>	<u>\$ 167,012,091</u>	<u>\$ 159,214,405</u>

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

Net assets of the City's governmental activities increased by 3.0 percent to \$124.0 million at June 30, 2007 compared to \$120.3 million at June 30, 2006. This increase reflects an increase in general revenues in property taxes. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased \$0.3 million from \$10.3 million at June 30, 2006 to \$9.9 million at the end of this year. This decrease is primarily due to inclusion of court building funds and drug law enforcement funds in restricted net assets in the current year.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program revenue:						
Charges for services	\$ 8,476,841	\$ 8,316,587	\$ 13,252,613	\$ 14,374,437	\$ 21,729,454	\$ 22,691,024
Operating grants and contributions	5,706,069	8,804,915	-	-	5,706,069	8,804,915
Capital grants and contributions	1,854,423	1,505,949	17,825	63,001	1,872,248	1,568,950
General revenues:						
Property taxes	33,662,454	31,194,126	1,833,076	1,760,731	35,495,530	32,954,857
Unrestricted state-shared revenues	6,382,952	5,818,277	-	-	6,382,952	5,818,277
Unrestricted investment earnings	2,725,257	2,820,653	515,235	280,866	3,240,492	3,101,519
Cable revenues	788,875	727,726	-	-	788,875	727,726
Gain on sale of capital assets	-	83,826	-	-	-	83,826
Other	856,544	1,375,096	-	-	856,544	1,375,096
Total revenue	60,453,415	60,647,155	15,618,749	16,479,035	76,072,164	77,126,190
Program Expenses						
General government	11,507,165	10,828,260	-	-	11,507,165	10,828,260
Public safety	18,541,990	17,445,205	-	-	18,541,990	17,445,205
Public works	11,125,235	10,722,110	-	-	11,125,235	10,722,110
Community and economic development	1,911,690	1,306,292	-	-	1,911,690	1,306,292
Recreation and culture	6,615,490	6,699,876	-	-	6,615,490	6,699,876
Interest on long-term debt	217,605	1,610,333	-	-	217,605	1,610,333
Water and sewer	-	-	15,505,955	13,625,089	15,505,955	13,625,089
Total expenses	49,919,175	48,612,076	15,505,955	13,625,089	65,425,130	62,237,165
Income - Before transfers	10,534,240	12,035,079	112,794	2,853,946	10,647,034	14,889,025
Transfers	(4,047,292)	58,000	4,047,292	(58,000)	-	-
Increase in Net Assets	6,486,948	12,093,079	4,160,086	2,795,946	10,647,034	14,889,025
Net Assets - July 1, 2006 (as restated, Note 15)	117,503,302	108,259,571	38,861,755	36,065,809	156,365,057	144,325,380
Net Assets - June 30, 2007	\$ 123,990,250	\$ 120,352,650	\$ 43,021,841	\$ 38,861,755	\$ 167,012,091	\$ 159,214,405

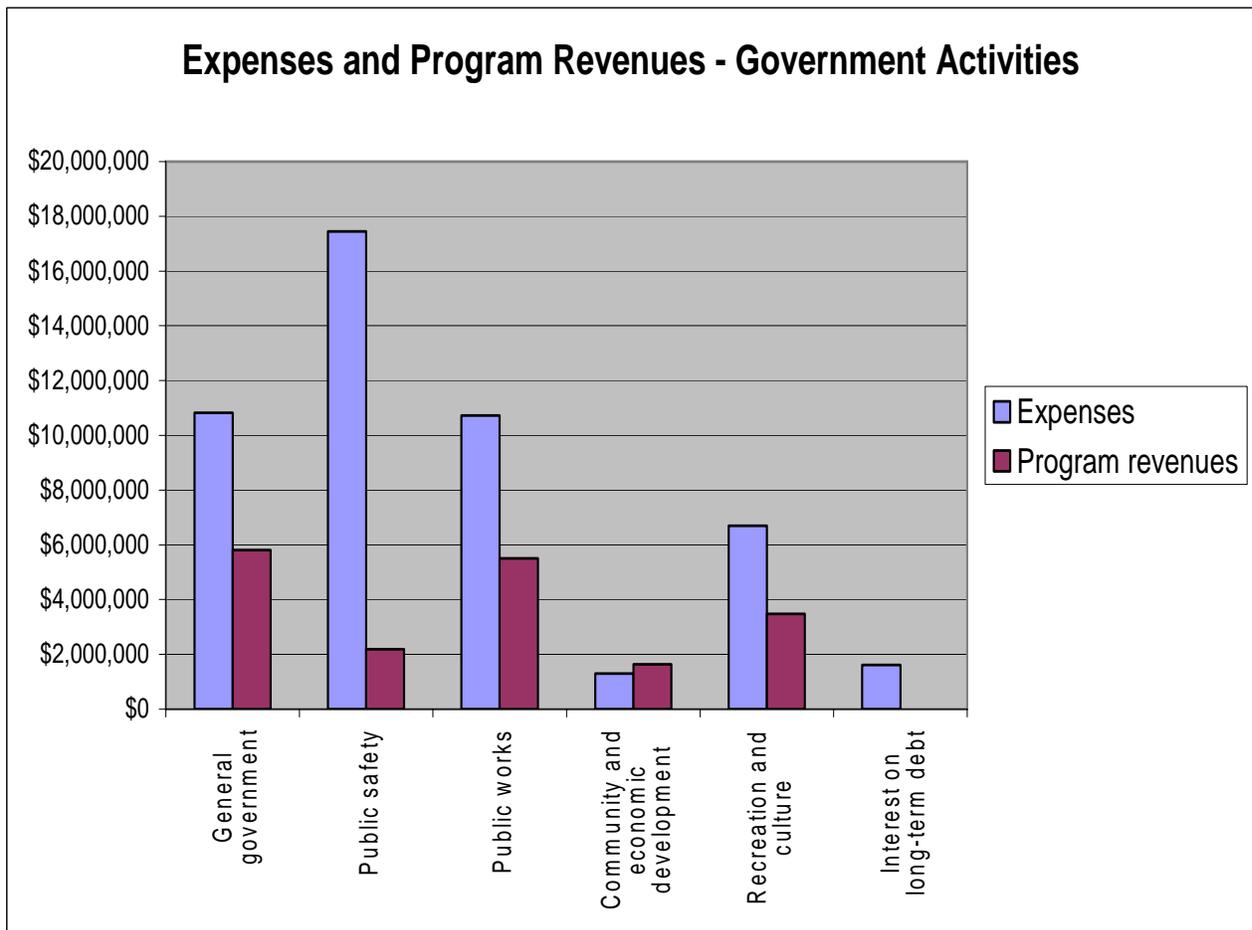
City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

Revenues for the City's governmental activities totaled \$60.5 million in 2007. Property taxes were 56 percent or \$33.7 million. Property taxes are up 7.9 percent from last year, reflecting an increase in property tax rates for the police and fire pensions. Charges for service totaling \$8.5 million or 14 percent support programs such as building inspections, recreation programs, etc. These charges were nearly identical to the prior year. The increase in unrestricted state-shared revenues represents a grant received for construction. The balance of state-shared revenues, totaling \$5.6 million or 9.3 percent remains stagnant from the prior year and continues to be of concern. We are uncertain as to funding levels for the future. We anticipate that the State will continue to reduce the discretionary component of state-shared revenues (currently approximately \$1.4 million) in order to balance its own budget. In the prior year, a large operating grant was received to help fund the clean water initiative project.

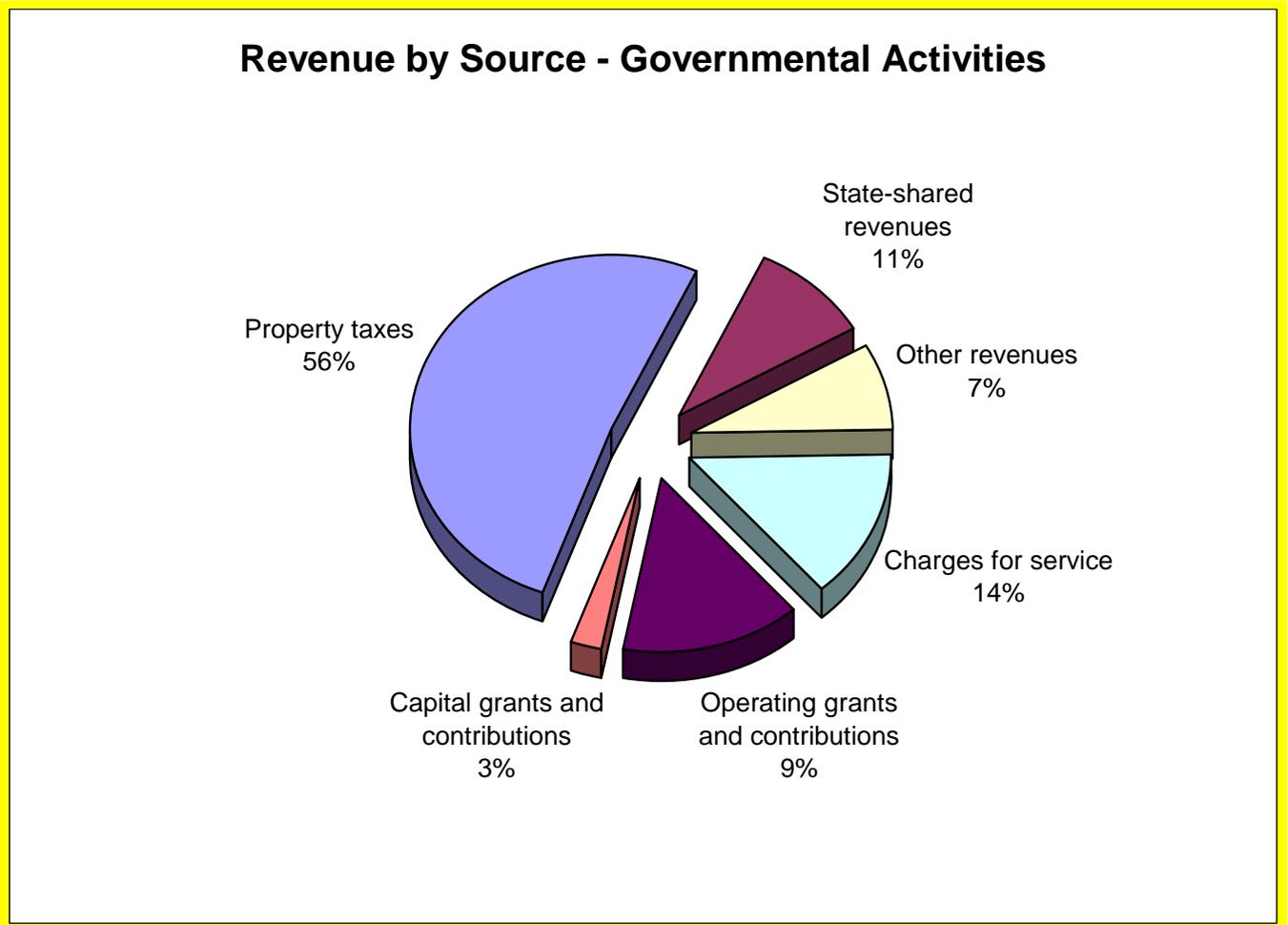
Governmental expenses in total increased \$1.3 million or 3 percent. Public works increased because more was spent on capital projects this year.



City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

All governmental programs rely on property taxes and state-shared revenues except for Community and Economic Development, which relies on Community Development Block Grant funding to cover expenses.

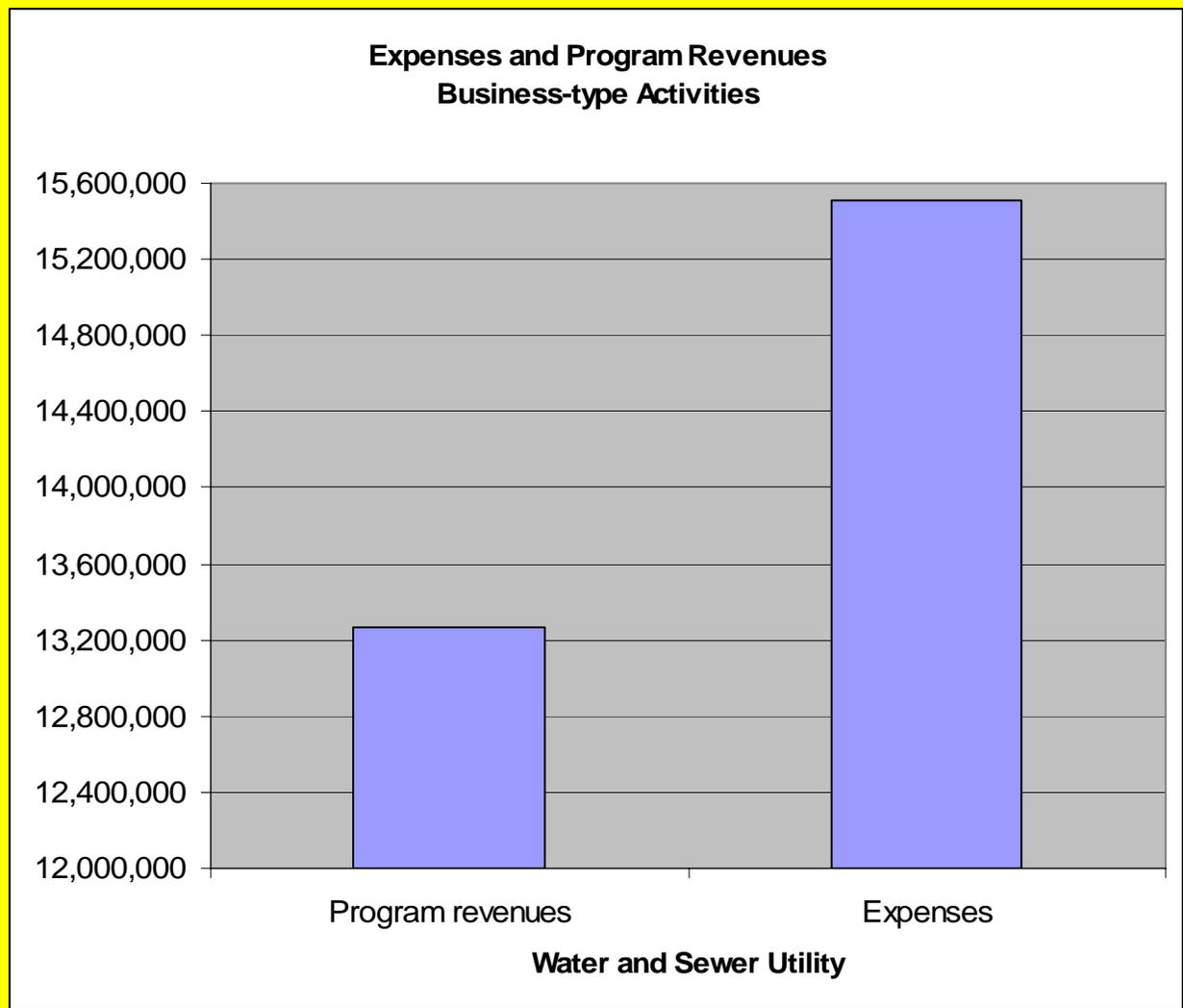


Business-type Activities

The water and sewer operations are funded primarily by user fees or charges for service which make up 84.9 percent of revenues. Property taxes make up substantially all of the remaining revenues. The property tax supplement (1 mill) to user fees was renewed for five years starting on July 1, 2004 in the primary election held on September 9, 2003.

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)



The City has one business-type activity: the water and sewer system. Revenues of the City's Utility Fund totaled \$13.3 million in 2007 and expenses were \$15.5 million. The Utility Fund experienced an increase in net assets of approximately \$4.1 million due to transfers in for the clean water initiative project.

Charges for service reflect a 13 percent reduction in water units sold. The cost of water and sewer service went down due to the lower volume and was offset by increased interest expense due to the bond issue.

- Water rates were increased from \$17.60 per 1,000 cubic feet to \$18.93 per 1,000 cubic feet. This increase reflected the increase in the price to purchase water from the City of Detroit. Sewer rates increased from \$26.53 per 1,000 cubic feet to \$27.06. This increase also reflects the increase in the cost to purchase this service. The volume of water purchased was below budget while water sold was only slightly lower than budget, reflecting a 15 percent water loss.

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

City of St. Clair Shores - Capital Assets (in millions)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 10.1	\$ 10.1	\$ -	\$ -	\$ 10.1	\$ 10.1
Building and improvements	20.7	20.1	5.1	5.1	25.8	25.2
County drains	2.9	2.9	-	-	2.9	2.9
Improvements other than buildings	16.9	16.9	1.0	1.0	17.9	17.9
Furniture, fixtures, and equipment	13.5	13.2	0.7	0.7	14.2	13.9
Water and sewer distribution systems	-	-	82.6	69.9	82.6	69.9
Vehicles	8.6	8.9	-	-	8.6	8.9
Infrastructure	87.4	78.7	-	-	87.4	78.7
Construction in progress	3.4	18.1	2.0	2.2	5.4	20.3
Total	\$ 163.5	\$ 168.9	\$ 91.4	\$ 78.9	\$ 254.9	\$ 247.8

Capital assets related to governmental activities decreased by \$5.4 million, reflecting completed capital improvements that were transferred to the Utility Fund and placed in service.

See Note 5 of the financial statements for additional information.

Long-term Debt

During the year, \$3,750,000 in debt was issued to fund water infrastructure replacements.

See Note 11 of the financial statements for additional information.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law or bond covenants. The City Council also establishes other funds to control and manage money for particular purposes.

The City has three kinds of funds:

- **Governmental Funds** - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

- **Proprietary Funds** - Services to which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund reporting, like government-wide statements, provide both short- and long-term financial information.
- **Fiduciary Funds** - The City is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

The fund financial statements begin on page 15 and provide detailed information on the most significant funds - not the City as a whole. The City Council creates funds to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2007 include the General Fund, the Major and Local Streets Funds, and the SEMSD Clean Water Initiative Debt Service and Capital Projects Funds.

The major components of revenues in these funds are property taxes and state sources. The major components of expenditures in these funds are public safety (police and fire) and public works. There was an excess of revenues and other financing sources over expenditures in these funds of \$3.4 million. The majority of this excess is in the General, Major Streets, and Clean Water Initiative Debt Service Funds offset by a reduction in the SEMSD Clean Water Initiative Construction Fund that reflects investment in infrastructure. As explained below, the City has asked departments to spend only the minimum amounts necessary to continue operations. Any funds left over are being designated to help balance future years. The SEMSD Clean Water Initiative continued to spend funds on sanitary sewer repair and replacement.

General Fund Budgetary Highlights

Actual revenues were within 2.1 percent of the final budget. The investment income budget was increased \$0.6 million during the year, reflecting higher than anticipated interest rates. Expenditures had some changes reflecting amendment of certain budgets to pick up carryover projects from the previous year. Actual expenditures were 10.5 percent below budget, representing a carryover of funds for specific projects and subsequent year expenditures. All departments were under the final budget, allowing us to again build up carryover fund balance to help with anticipated shortfalls in future years. The City is intentionally building fund balance when it can because structurally its budget is in a deficit. Department heads are requested to spend only the amount needed to operate. All departments have responded favorably.

City of St. Clair Shores, Michigan

Management's Discussion and Analysis (Continued)

Current Economic Conditions

The City continues to balance its budget; however, structurally there is a funding problem for established communities in Michigan. The three major funding sources for cities are property taxes, state-shared revenues, and fees and charges. All three revenue sources are subject to limitations that over the last few years and for the foreseeable future will prevent them from increasing at the rate of inflation. Expenses on the other hand are rising faster than inflation in many areas such as health care, energy costs, etc. This has resulted in a reduction in personnel (49 in the last five years) in order to balance the budget. The city government is a service to the City residents; therefore, its primary costs are personnel related. Through the use of long-term planning, the City will continue to balance its budget. On August 3, 2004, the voters of the City approved a millage increase of 1.5927 mills for three years commencing on July 1, 2005 for police and fire operations. The millage guarantees staffing at 101 personnel for the police department and 50 personnel for the fire department. This additional millage revenue in the General Fund has allowed for a balanced budget. The November 2007 ballot contains a proposal to renew this millage for three additional years expiring in fiscal year 2011.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tim Haney, the director of finance/treasurer at the City of St. Clair Shores, 27600 Jefferson Circle Drive, St. Clair Shores, MI 48081.

City of St. Clair Shores, Michigan

Statement of Net Assets (Deficit) June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 33,744,428	\$ 8,933,005	\$ 42,677,433	\$ 1,188,470
Receivables - Net:				
Property taxes	92,014	-	92,014	-
Customers	592	4,295,072	4,295,664	-
Special assessments	319,409	217,921	537,330	-
Other	800,581	-	800,581	-
Due from other governmental units	2,415,305	-	2,415,305	3,347
Internal balances	110,329	(110,329)	-	-
Other assets	367,763	-	367,763	-
Inventories	-	121,581	121,581	-
Restricted assets (Note 7)	12,862,635	1,314,898	14,177,533	-
Investments in joint ventures (Note 14):				
Southeast Macomb Sanitary District	-	8,389,040	8,389,040	-
South Macomb Disposal Authority	553,842	-	553,842	-
Capital assets (Note 5):				
Nondepreciable capital assets	13,593,039	2,009,828	15,602,867	-
Depreciable capital assets - Net	86,458,867	63,531,516	149,990,383	-
Total assets	151,318,804	88,702,532	240,021,336	1,191,817
Liabilities				
Accounts payable	3,488,153	1,435,835	4,923,988	13,640
Accrued and other liabilities	2,334,751	554,646	2,889,397	14,033
Due to other governmental units	1,165,838	67,957	1,233,795	1,801
Unearned revenue (Note 9)	227,111	-	227,111	64,577
Noncurrent liabilities (Note 11):				
Due within one year	2,767,674	1,767,283	4,534,957	315,000
Due in more than one year	17,345,027	41,854,970	59,199,997	1,520,000
Total liabilities	27,328,554	45,680,691	73,009,245	1,929,051
Net Assets (Deficit)				
Invested in capital assets - Net of related debt	97,817,670	22,084,903	119,902,573	-
Restricted:				
Streets	2,648,879	-	2,648,879	-
Debt service	4,083,801	-	4,083,801	-
Sanitation	6,228,303	-	6,228,303	-
County drains (Note 7)	491,917	-	491,917	-
Bond ordinance requirements (Note 7)	493,419	1,314,898	1,808,317	-
Postemployment benefits (Note 6)	512,018	-	512,018	-
Court building	1,123,855	-	1,123,855	-
Drug law enforcement	640,814	-	640,814	-
Unrestricted	9,949,574	19,622,040	29,571,614	(737,234)
Total net assets (deficit)	\$ 123,990,250	\$ 43,021,841	\$ 167,012,091	\$ (737,234)

City of St. Clair Shores, Michigan

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government - Governmental activities:				
General government	\$ 11,507,165	\$ 2,176,094	\$ 115,034	\$ -
Public safety	18,541,990	1,900,183	317,534	293,513
Public works	11,125,235	566,966	3,475,906	1,560,410
Community and economic development	1,911,690	324,650	1,495,531	-
Recreation and culture	6,615,490	3,502,611	302,064	500
Interest on long-term debt	217,605	6,337	-	-
Total governmental activities	49,919,175	8,476,841	5,706,069	1,854,423
Business-type activities - Water and sewer	15,505,955	13,252,613	-	17,825
Total primary government	\$ 65,425,130	\$ 21,729,454	\$ 5,706,069	\$ 1,872,248
Component units:				
Economic Development Corporation	\$ -	\$ -	\$ -	\$ -
Tax Increment Finance Authority	361,963	-	-	-
Brownfield Redevelopment Authority	1,088	-	-	-
Total component units	\$ 363,051	\$ -	\$ -	\$ -

General revenues:

Property taxes
 Unrestricted state-shared revenues
 Unrestricted investment earnings
 Cable franchise fees
 Donations and other

Transfers

Total general revenues and transfers

Change in Net Assets

Net Assets (Deficit) - Beginning of year (as restated, Note 15)

Net Assets (Deficit) - End of year

Statement of Activities
Year Ended June 30, 2007

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (9,216,037)	\$ -	\$ (9,216,037)	\$ -
(16,030,760)	-	(16,030,760)	-
(5,521,953)	-	(5,521,953)	-
(91,509)	-	(91,509)	-
(2,810,315)	-	(2,810,315)	-
(211,268)	-	(211,268)	-
(33,881,842)	-	(33,881,842)	-
-	(2,235,517)	(2,235,517)	-
(33,881,842)	(2,235,517)	(36,117,359)	-
-	-	-	-
-	-	-	(361,963)
-	-	-	(1,088)
-	-	-	(363,051)
33,662,454	1,833,076	35,495,530	850,876
6,382,952	-	6,382,952	-
2,725,257	515,235	3,240,492	57,570
788,875	-	788,875	-
856,544	-	856,544	1,320
(4,047,292)	4,047,292	-	-
40,368,790	6,395,603	46,764,393	909,766
6,486,948	4,160,086	10,647,034	546,715
117,503,302	38,861,755	156,365,057	(1,283,949)
\$ 123,990,250	\$ 43,021,841	\$ 167,012,091	\$ (737,234)

City of St. Clair Shores, Michigan

	Major Special Revenue Funds			Major Debt Service Fund
	General Fund	Major Streets Fund	Local Streets Fund	SEMSD Clean Water Initiative
Assets				
Cash and investments (Note 3)	\$ 23,009,007	\$ 1,994,257	\$ 311,192	\$ 3,947,143
Receivables:				
Taxes	92,014	-	-	-
Special assessments	263,335	-	56,074	-
Other	575,348	-	196,142	27,247
Due from other governmental units	1,373,596	410,374	160,360	79,797
Restricted assets	-	-	-	-
Due from other funds (Note 4)	443,295	-	273,739	-
Other assets	367,763	-	-	-
Total assets	\$ 26,124,358	\$ 2,404,631	\$ 997,507	\$ 4,054,187
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,104,364	\$ 135,088	\$ 348,571	\$ -
Accrued and other liabilities	1,862,882	-	16,204	-
Due to other funds (Note 4)	349,292	156,246	36,697	97,274
Due to other governmental units	1,126,559	-	19,469	-
Deferred revenue (Note 9)	477,784	-	41,853	-
Total liabilities	4,920,881	291,334	462,794	97,274
Fund Balances				
Reserved for:				
Postemployment benefits (Note 6)	512,018	-	-	-
Sanitation Trust (Note 6)	6,228,303	-	-	-
Street Improvement Trust (Note 6)	869	-	-	-
Streets repair and construction	-	-	306,974	-
Lake St. Clair Clean Water Initiative	-	-	-	-
Unreserved:				
Designated for subsequent years' expenditures	11,609,931	-	-	-
Designated for committees	232,213	-	-	-
Undesignated	2,620,143	2,113,297	227,739	3,956,913
Unreserved, reported in:				
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Total fund balances	21,203,477	2,113,297	534,713	3,956,913
Total liabilities and fund balances	\$ 26,124,358	\$ 2,404,631	\$ 997,507	\$ 4,054,187

**Governmental Funds
Balance Sheet
June 30, 2007**

<u>Major Capital Projects Fund</u>		
<u>SEMSD Clean Water Initiative Construction</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,154,504	\$ 31,416,103
-	-	92,014
-	-	319,409
-	-	798,737
-	391,178	2,415,305
11,877,299	-	11,877,299
97,274	-	814,308
-	-	367,763
<u>\$ 11,974,573</u>	<u>\$ 2,545,682</u>	<u>\$ 48,100,938</u>

\$ 1,627,742	\$ 139,035	\$ 3,354,800
-	21,012	1,900,098
-	234,951	874,460
-	-	1,146,028
-	-	519,637
1,627,742	394,998	7,795,023
-	-	512,018
-	-	6,228,303
-	-	869
-	-	306,974
10,346,831	-	10,346,831
-	-	11,609,931
-	-	232,213
-	-	8,918,092
-	1,931,383	1,931,383
-	126,888	126,888
-	92,413	92,413
10,346,831	2,150,684	40,305,915
<u>\$ 11,974,573</u>	<u>\$ 2,545,682</u>	<u>\$ 48,100,938</u>

City of St. Clair Shores, Michigan

Governmental Funds Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities June 30, 2007

Total Fund Balances of Governmental Funds	\$ 40,305,915
Amounts reported for governmental activities in the statement of net assets (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	92,500,885
Certain receivables are expected to be collected over several years in the General Fund and are not available to pay for current year expenditures	292,526
Other payroll liabilities are not due and payable in the current period and are not reported in the funds	(45,755)
Accrued interest payable on long-term debt is not recorded in the funds	(104,089)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(17,349,737)
Investment in joint venture is not included as an asset in the governmental funds	553,842
Cash held by Macomb County for drain projects is not included as an asset in the governmental funds	491,917
The Recreational Revenue Enterprise Fund is included as part of governmental activities	2,270,710
The Internal Service Funds (Motorpool and Computer Replacement) are included as part of governmental activities	<u>5,074,036</u>
Net Assets of Governmental Activities	<u>\$ 123,990,250</u>

City of St. Clair Shores, Michigan

	Major Special Revenue Funds			Major Debt Service Fund
	General Fund	Major Streets Fund	Local Streets Fund	SEMSD Clean Water Initiative
Revenue				
Property taxes	\$ 27,447,711	\$ -	\$ 1,852,861	\$ 3,851,575
Intergovernmental:				
Federal sources	409,758	-	-	-
State sources	6,190,469	2,499,309	976,597	723,189
Licenses and permits	1,262,084	-	-	-
Charges for services	3,873,788	-	297,939	-
Investment income	1,619,730	42,648	30,740	193,327
Court fines and forfeitures	1,878,181	-	-	-
Other income	912,139	-	23,936	-
Total revenue	43,593,860	2,541,957	3,182,073	4,768,091
Expenditures				
Current:				
General government	9,979,713	267,659	624,534	-
Public safety	18,423,262	-	-	-
Public works	3,364,986	1,194,647	4,247,445	-
Community and economic development	997,387	-	-	-
Recreation and culture	4,643,952	-	-	-
Debt service:				
Principal	-	-	-	276,989
Interest and other charges	202	-	-	284,141
Total expenditures	37,409,502	1,462,306	4,871,979	561,130
Excess of Revenue Over (Under) Expenditures	6,184,358	1,079,651	(1,689,906)	4,206,961
Other Financing Sources (Uses)				
Transfers in (Note 4)	124,000	1,370,584	1,918,465	-
Transfers out (Note 4)	(2,750,701)	(816,125)	-	(3,201,100)
Total other financing sources (uses)	(2,626,701)	554,459	1,918,465	(3,201,100)
Net Change in Fund Balances	3,557,657	1,634,110	228,559	1,005,861
Fund Balances - Beginning of year	17,645,820	479,187	306,154	2,951,052
Fund Balances - End of year	\$ 21,203,477	\$ 2,113,297	\$ 534,713	\$ 3,956,913

**Governmental Funds
Statement of Revenue, Expenditures, and
Changes in Fund Balances
Year Ended June 30, 2007**

Major Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 439,130	\$ 33,591,277
-	1,487,282	1,897,040
-	117,043	10,506,607
-	-	1,262,084
-	-	4,171,727
682,901	97,917	2,667,263
-	-	1,878,181
-	465,924	1,401,999
682,901	2,607,296	57,376,178
-	2,225	10,874,131
-	106,030	18,529,292
4,029,157	700,341	13,536,576
-	897,410	1,894,797
-	12,517	4,656,469
-	472,122	749,111
-	166,532	450,875
4,029,157	2,357,177	50,691,251
(3,346,256)	250,119	6,684,927
348,752	630,213	4,392,014
-	(750,436)	(7,518,362)
348,752	(120,223)	(3,126,348)
(2,997,504)	129,896	3,558,579
13,344,335	2,020,788	36,747,336
\$ 10,346,831	\$ 2,150,684	\$ 40,305,915

City of St. Clair Shores, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	3,558,579
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation		10,061,544
Depreciation is recorded as an expense in the statement of activities but not in the governmental funds		(6,478,900)
Drain activities performed by the County on behalf of the City are recorded in the statement of activities but not in the governmental funds		(375,652)
Certain revenue reported in the statement of activities will not provide current financial resources in the governmental funds until future years		218,963
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		910,513
Interest expense is recorded when incurred in the statement of activities		363,337
Decrease in investment in joint venture is not included in the governmental funds		(25,947)
Increase in accumulated employee sick and vacation pay, and other payroll liabilities as well as estimated general liability claims, are recorded when incurred in the statement of activities		(205,623)
The Recreational Revenue Fund is included as governmental activities in the statement of activities		94,706
The Internal Service Funds (Motorpool and Computer Replacement) are also included as governmental activities in the statement of activities		(268,628)
Capital outlays recorded in a Capital Projects Fund have been contributed to an Enterprise Fund, where these costs are allocated over their estimated useful lives		(1,252,944)
In the statement of activities, only the gain (loss) on the sale of an asset is reported, whereas in the governmental funds, the proceeds from the sale are reported. Therefore, the change in net assets differs from the change in fund balance by the proceeds from the assets sold		(113,000)
Change in Net Assets of Governmental Activities	\$	<u>6,486,948</u>

City of St. Clair Shores, Michigan

Proprietary Funds Statement of Net Assets June 30, 2007

	Enterprise Funds			Governmental Activities
	Utility Fund	Recreational Revenue Fund	Total Enterprise Funds	Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 8,933,005	\$ 196,957	\$ 9,129,962	\$ 2,131,368
Receivables:				
Customers	4,295,072	592	4,295,664	-
Interest and other	217,921	-	217,921	1,844
Due from other funds (Note 4)	64,239	176,098	240,337	149,546
Inventories	121,581	-	121,581	-
Restricted assets (Note 7)	<u>1,314,898</u>	<u>493,419</u>	<u>1,808,317</u>	<u>-</u>
Total current assets	14,946,716	867,066	15,813,782	2,282,758
Noncurrent assets:				
Investment in Southeast Macomb Sanitary District (Note 14)	8,389,040	-	8,389,040	-
Capital assets - Net (Note 5):				
Nondepreciable assets	2,009,828	-	2,009,828	56,028
Depreciable capital assets - Net	<u>63,531,516</u>	<u>4,396,381</u>	<u>67,927,897</u>	<u>3,098,612</u>
Total noncurrent assets	73,930,384	4,396,381	78,326,765	3,154,640
Total assets	88,877,100	5,263,447	94,140,547	5,437,398
Liabilities				
Current liabilities:				
Accounts payable	1,435,835	35,843	1,471,678	97,510
Accrued and other liabilities	554,646	130,270	684,916	155,267
Due to other funds	174,568	78,815	253,383	76,348
Due to other governmental units	67,957	11,080	79,037	8,730
Current portion of long-term debt (Note 11)	<u>1,767,283</u>	<u>212,950</u>	<u>1,980,233</u>	<u>5,736</u>
Total current liabilities	4,000,289	468,958	4,469,247	343,591
Noncurrent liabilities - Long-term debt - Net of current portion (Note 11)				
	<u>41,854,970</u>	<u>2,523,779</u>	<u>44,378,749</u>	<u>19,771</u>
Total liabilities	45,855,259	2,992,737	48,847,996	363,362
Net Assets				
Invested in capital assets - Net of related debt	22,084,903	1,716,190	23,801,093	3,154,640
Restricted for bond ordinance requirements (Note 7)	1,314,898	493,419	1,808,317	-
Unrestricted	<u>19,622,040</u>	<u>61,101</u>	<u>19,683,141</u>	<u>1,919,396</u>
Total net assets	<u>\$ 43,021,841</u>	<u>\$ 2,270,710</u>	45,292,551	<u>\$ 5,074,036</u>

Amounts reported for business-type activities in the statement of net assets (deficit) are different because the Recreational Revenue Fund is included as part of governmental activities

(2,270,710)

Net Assets of Business-type Activities

\$ 43,021,841

City of St. Clair Shores, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2007

	Enterprise Funds			Governmental Activities
	Utility	Recreational	Total	Internal
	Fund	Revenue Fund		
Operating Revenue				
Customer fees	\$ 13,011,630	\$ 1,673,543	\$ 14,685,173	\$ -
Charges for services	-	-	-	1,426,008
Tap fees	21,007	-	21,007	-
Other	69,360	20,792	90,152	230,105
Total operating revenue	13,101,997	1,694,335	14,796,332	1,656,113
Operating Expenses				
Water purchases	1,707,711	-	1,707,711	-
Sewage disposal charges	4,891,914	-	4,891,914	-
Salaries and fringe benefits	1,836,919	936,759	2,773,678	230,447
Administrative charge	778,346	-	778,346	487,577
Repairs and maintenance	2,242,752	122,994	2,365,746	-
Depreciation and amortization	1,397,891	421,152	1,819,043	760,165
Supplies	65,164	166,476	231,640	352,055
Other	590,913	229,448	820,361	86,188
Total operating expenses	13,511,610	1,876,829	15,388,439	1,916,432
Operating Loss	(409,613)	(182,494)	(592,107)	(260,319)
Nonoperating Revenue (Expenses)				
Property taxes	1,988,159	-	1,988,159	-
Interest income	515,235	35,505	550,740	90,317
Interest expense	(1,994,345)	(115,105)	(2,109,450)	-
Gain (loss) on disposal of capital assets	(4,467)	24,800	20,333	(98,626)
Total nonoperating revenue (expenses)	504,582	(54,800)	449,782	(8,309)
Income (Loss) - Before contributions and transfers	94,969	(237,294)	(142,325)	(268,628)
Capital Contributed				
Grants	17,825	-	17,825	-
Other funds	1,252,944	-	1,252,944	-
Total capital contributed	1,270,769	-	1,270,769	-
Transfers In (Note 4)	2,852,348	332,000	3,184,348	-
Transfers Out (Note 4)	(58,000)	-	(58,000)	-
Net Change in Net Assets	4,160,086	94,706	4,254,792	(268,628)
Net Assets - Beginning of year	38,861,755	2,176,004	41,037,759	5,342,664
Net Assets - End of year	<u>\$ 43,021,841</u>	<u>\$ 2,270,710</u>	<u>\$ 45,292,551</u>	<u>\$ 5,074,036</u>
Net Change in Net Assets - Total Enterprise Funds			\$ 4,254,792	
Amounts reported for business-type activities in the statement of activities are different because the Recreational Revenue Fund is included as governmental activities in the statement of activities			(94,706)	
Change in Net Assets of Business-type Activities			<u>\$ 4,160,086</u>	

City of St. Clair Shores, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2007

	Enterprise Funds			Governmental Activities
	Utility Fund	Recreational Revenue Fund	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 13,007,296	\$ 1,693,743	\$ 14,701,039	\$ 1,656,113
Payments to suppliers	(11,173,947)	(518,166)	(11,692,113)	(869,830)
Payments to employees	(1,364,228)	(915,898)	(2,280,126)	(195,484)
Internal activity - Receipts from other funds	6,868	-	6,868	89,650
Other payments	(117,516)	(167,708)	(285,224)	(140,610)
Net cash provided by operating activities	358,473	91,971	450,444	539,839
Cash Flows from Noncapital Financing Activities				
Collection of property taxes	1,988,159	-	1,988,159	-
Transfer from other funds	2,794,348	332,000	3,126,348	-
Net cash provided by noncapital financing activities	4,782,507	332,000	5,114,507	-
Cash Flows from Capital and Related Financing Activities				
Proceeds from issuance of long-term debt	3,672,323	-	3,672,323	-
Principal and interest paid on long-term debt	(3,694,253)	(390,105)	(4,084,358)	-
State grant	17,827	-	17,827	-
Purchase of capital assets	(2,085,283)	(222,260)	(2,307,543)	(569,922)
Proceeds from sale of capital assets	-	35,850	35,850	71,842
Net cash used in capital and related financing activities	(2,089,386)	(576,515)	(2,665,901)	(498,080)
Cash Flows from Investing Activities - Interest received on investments	515,235	35,505	550,740	90,317
Net Increase (Decrease) in Cash and Cash Equivalents	3,566,829	(117,039)	3,449,790	132,076
Cash and Cash Equivalents - Beginning of year	6,681,074	807,415	7,488,489	1,999,292
Cash and Cash Equivalents - End of year	<u>\$ 10,247,903</u>	<u>\$ 690,376</u>	<u>\$ 10,938,279</u>	<u>\$ 2,131,368</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 8,933,005	\$ 196,957	\$ 9,129,962	\$ 2,131,368
Restricted assets (Notes 3 and 7)	1,314,898	493,419	1,808,317	-
Total cash and cash equivalents	<u>\$ 10,247,903</u>	<u>\$ 690,376</u>	<u>\$ 10,938,279</u>	<u>\$ 2,131,368</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating loss	\$ (409,613)	\$ (182,494)	\$ (592,107)	(260,319)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation and amortization	1,397,891	421,152	1,819,043	760,165
Change in investment in Southeast Macomb Sanitary District	(783,182)	-	(783,182)	-
Changes in assets and liabilities:				
Receivables	(249,784)	(592)	(250,376)	(730)
Inventories	25,299	-	25,299	-
Due from other funds	(64,239)	(156,098)	(220,337)	(135,308)
Due from other governmental funds	28,278	-	28,278	-
Accounts payable	(139,264)	752	(138,512)	55,990
Accrued and other liabilities	440,645	917	441,562	33,793
Due to other funds	71,107	73,261	144,368	76,348
Due to other governmental funds	32,228	11,080	43,308	8,730
Compensated absences	11,034	6,017	17,051	1,170
Workers' compensation	(1,927)	(82,024)	(83,951)	-
Net cash provided by operating activities	<u>\$ 358,473</u>	<u>\$ 91,971</u>	<u>\$ 450,444</u>	<u>\$ 539,839</u>
Significant Noncash Investing and Financing Transactions				
Contribution of capital assets from other governmental funds	\$ 10,401,345	\$ -	\$ 10,401,345	\$ -
Contribution of debt from other governmental funds	9,148,401	-	9,148,401	-

City of St. Clair Shores, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2007

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 475,579	\$ 171,413
Investments:		
Corporate bonds and notes	21,441,968	-
U.S. government securities	19,896,991	-
Common and preferred stock	83,501,798	-
Mutual funds	8,769,998	-
Investments held by broker-dealer and banks under securities loans:		
U.S. government securities	5,330,479	-
Corporate bonds and notes	360,706	-
Common and preferred stock	18,149,877	-
Securities lending short-term collateral bank investment pool	24,646,228	-
Due from other governmental units	1,231,426	-
Accrued interest receivable	530,187	-
Total assets	184,335,237	\$ 171,413
Liabilities		
Accrued and other liabilities	-	\$ 48,215
Due to other governmental units	-	123,198
Amounts due to broker	2,694,601	-
Amounts due to broker under securities lending agreement	24,646,228	-
Total liabilities	27,340,829	\$ 171,413
Net Assets - Held in trust for pension and other employee benefits	\$ 156,994,408	

City of St. Clair Shores, Michigan

Fiduciary Funds Statement of Changes in Net Assets Pension and Other Employee Benefit Trust Funds Year Ended June 30, 2007

Additions

Investment income:

Interest and dividends	\$ 4,736,203
Net increase in fair value of investments	14,739,652
Less investment expenses	<u>(921,428)</u>

Net investment income 18,554,427

Securities lending income:

Interest lending income	1,423,717
Less borrower rebates and bank fees	<u>(1,360,610)</u>

Net securities lending income 63,107

Contributions:

Employer	5,360,779
Employee	<u>545,345</u>

Total contributions 5,906,124

Total additions 24,523,658

Deductions

Benefit payments	10,756,391
Refunds of contributions	3,915
Administrative expenses	<u>53,539</u>

Total deductions 10,813,845

Net Increase 13,709,813

Net Assets Held in Trust for Pension and Other Employee Benefits

Beginning of year	<u>143,284,595</u>
End of year	<u><u>\$ 156,994,408</u></u>

City of St. Clair Shores, Michigan

Component Units Statement of Net Assets (Deficit) June 30, 2007

	Economic Development Corporation	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and cash equivalents	\$ -	\$ 1,180,660	\$ 7,810	\$ 1,188,470
Receivables - Due from other governmental units	<u>1,546</u>	<u>1,801</u>	<u>-</u>	<u>3,347</u>
Total assets	1,546	1,182,461	7,810	1,191,817
Liabilities				
Accounts payable	-	13,640	-	13,640
Accrued and other liabilities	-	14,033	-	14,033
Due to other governmental units	-	-	1,801	1,801
Deferred revenue	-	64,577	-	64,577
Noncurrent liabilities:				
Due within one year	-	315,000	-	315,000
Due in more than one year	<u>-</u>	<u>1,520,000</u>	<u>-</u>	<u>1,520,000</u>
Total liabilities	<u>-</u>	<u>1,927,250</u>	<u>1,801</u>	<u>1,929,051</u>
Net Assets (Deficit) - Unrestricted	<u>\$ 1,546</u>	<u>\$ (744,789)</u>	<u>\$ 6,009</u>	<u>\$ (737,234)</u>

City of St. Clair Shores, Michigan

	Program Revenues		
	Expenses	Charges for Services	Operating Grants/ Contributions
Economic Development Corporation - Public works	\$ -	\$ -	\$ -
Tax Increment Finance Authority - Public works and interest on long-term debt	361,963	-	-
Brownfield Redevelopment Authority - Public works	<u>1,088</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u><u>\$ 363,051</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

General revenues:

Property taxes

Interest and other investment earnings

Miscellaneous

Total general revenues

Change in Net Assets

Net Assets (Deficit) - Beginning of year

Net Assets (Deficit) - End of year

**Component Units
Statement of Activities
Year Ended June 30, 2007**

Net (Expense) Revenue and Changes in Net Assets			
Economic Development Corporation	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Total
\$ -	\$ -	\$ -	\$ -
-	(361,963)	-	(361,963)
-	-	(1,088)	(1,088)
-	(361,963)	(1,088)	(363,051)
-	850,876	-	850,876
-	57,551	19	57,570
-	1,320	-	1,320
-	909,747	19	909,766
-	547,784	(1,069)	546,715
1,546	(1,292,573)	7,078	(1,283,949)
<u>\$ 1,546</u>	<u>\$ (744,789)</u>	<u>\$ 6,009</u>	<u>\$ (737,234)</u>

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of St. Clair Shores, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of St. Clair Shores, Michigan:

Reporting Entity

The City of St. Clair Shores, Michigan is governed by an elected mayor and six-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. Component unit financial statements have also been presented to display the financial position and results of operations for each of the discretely presented component units.

Blended Component Units - The St. Clair Shores Building Authority (the "Authority") is governed by a board that is appointed by the City Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The operations of the Authority are reported as a nonmajor Debt Service Fund.

Discretely Presented Component Units

The Economic Development Corporation (the "EDC") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The EDC's governing body, consisting of nine individuals, is appointed by the City Council and, accordingly, the City has the ability to impose its will. Complete financial statements for the EDC can be obtained from the administrative office at 27600 Jefferson Circle Drive, St. Clair Shores, MI 48081.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

The Tax Increment Finance Authority (the "TIFA") was created to encourage economic activity within the TIFA district boundaries. The TIFA collects captured property taxes in accordance with state law and budgets expenditures for improvements within the TIFA district boundaries. The TIFA's governing body, consisting of 12 individuals, is appointed by the City Council and, accordingly, the City has the ability to impose its will. Complete financial statements for the TIFA can be obtained from the administrative office at 27600 Jefferson Circle Drive, St. Clair Shores, MI 48081.

The Brownfield Redevelopment Authority (the "BRA") was created to facilitate the implementation of plans for the identification, treatment, and revitalization of environmentally distressed areas within 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. Complete financial statements for the BRA can be obtained from the administrative office at 27600 Jefferson Circle Drive, St. Clair Shores, MI 48081.

The City has excluded the St. Clair Shores Housing Commission from this report. Even though the City appoints the Housing Commission's directors, it does not have the ability to impose its will.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its discretely presented component units. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the discretely presented component units for which the City is financially accountable.

Note I - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenue items not properly included among program revenues are reported instead as general revenue.

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

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Streets Fund - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through state-shared gas and weight taxes.

Local Streets Fund - The Local Streets Fund accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is provided primarily through state-shared gas and weight taxes and a local property tax levy.

The SEMSD Clean Water Initiative Debt Service Fund - The SEMSD Clean Water Initiative Debt Service Fund accounts for the City's share of debt service expenditures for bonds issued in connection with the Lake St. Clair Clean Water Initiative. Funding is provided primarily by a local property tax levy.

The SEMSD Clean Water Initiative Capital Projects Fund - The SEMSD Clean Water Initiative Capital Projects Fund accounts for the City's share of the Lake St. Clair Clean Water Initiative construction activities administered by the Macomb County Public Works Commissioner. Funding is provided primarily through bond issuances.

Note I - Summary of Significant Accounting Policies (Continued)

The City reports the following major Enterprise Funds:

The Utility Fund - The Utility Fund accounts for the activities of the water distribution system and the sewage and storm water collection systems. Funding is provided primarily through user charges and a local property tax levy.

The Recreational Revenue Fund - The Recreational Revenue Fund accounts for the activity of certain recreation activities for which revenue bonds have been issued. Funding is provided primarily through user charges. For purposes of the government-wide financial statements, the Recreational Revenue Fund has been included with the governmental activities.

Additionally, the City reports the following fund types:

Internal Service Funds - The Internal Service Funds account for major machinery and equipment purchases and maintenance services provided to other departments of the City on a cost reimbursement basis.

Pension and Other Employee Benefit Trust Funds - The Pension and Other Employee Benefit Trust Funds account for the activities of employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees.

Agency Funds - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments. Agency fund activity includes tax collections and the general agency fund (District Court activity). Agency Funds are custodial in nature (assets equals liabilities) and do not involve the measurement of results of operations.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become 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. Revenues susceptible to accrual include property taxes, intergovernmental revenue, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the City's policy to first apply restricted net assets.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private sector standards of accounting issued before December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to apply private sector standards issued after November 30, 1989 for its Enterprise Funds.

The fiduciary funds use the economic resources measurement focus and the accrual basis of accounting. Agency Funds are custodial in nature and have no measurement focus.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Property Taxes - Properties are assessed as of December 31 and the related property taxes become a lien at that time. These taxes are billed on July 1 and December 1 of the following year and are due on September 1 and February 14, respectively, with the final collection date of February 28 before they are added to the county tax rolls.

The 2006 taxable valuation of the City totaled \$1.926 billion, on which ad valorem taxes levied consisted of 6.2987 mills for the City's operating purposes, 2.3618 mills for sanitation, 2.9149 mills for the Police and Fire Retirement System, 1.5656 mills for Police and Fire operations, .0265 mills for community promotion, .9830 mills for residential streets, .9725 mills for water and sewer, 2.2281 mills for the Lake St. Clair Clean Water Initiative Project and other debt service obligations, and .9244 mills for the library. The ad valorem taxes levied raised \$11.9 million for operation, \$4.5 million for sanitation, \$5.5 million for the Police and Fire Retirement System, \$3.0 million for Police and Fire operations, \$.05 million for community promotion, \$1.9 million for residential streets, \$1.8 million for water and sewer, \$4.3 million for debt service, and \$1.7 million for the library.

The delinquent real property taxes of the City are purchased by Macomb County. The county sells tax notes, the proceeds of which are used to pay the City for these property taxes. Macomb County remitted its purchased delinquent real property taxes in April 2007. Macomb County delinquent real property taxes have been recorded as revenue in the current year.

Inventories - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Restricted Assets - The revenue bonds of the Enterprise Funds require amounts to be set aside for operations and maintenance, debt service principal and interest, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit with the Macomb County Department of Public Works being held for the construction, maintenance, and debt service of the City's storm drains. The City also has amounts on deposit with the Macomb County Drain Commission for use in the Lake St. Clair Water Initiative that have been classified as restricted assets.

Note I - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets include all infrastructure acquired prior to the adoption of Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, in 2003. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	8 to 40 years
Buildings and improvements	20 to 50 years
County drains	50 years
Land improvements	15 to 30 years
Vehicles	4 to 20 years
Furniture, fixtures, and equipment	7 to 30 years
Water and sewer distribution systems	50 years
Computer equipment	5 to 15 years

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused sick and vacation benefits. Under the City's policy, employees earn benefits based on time of service with the City. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due for payment - generally when an individual's employment has terminated as of year end.

Note I - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 Lake St. Clair Clean Water Initiative construction project administered by the Macomb County Drain Commission is a multi-year infrastructure project affecting several municipalities in southeast Macomb County. Allocations of project costs and related indebtedness issued by Macomb County on behalf of the participating municipalities have been made based on engineering estimates. It is at least reasonably possible that upon completion of the project, changes to the allocations could be made that could have a material effect on the capital assets and long-term debt recorded by the City.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

The City adopts its budget by budgetary center (activity/department), which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the third Monday in April, the City manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. As provided for by the City Charter, at a minimum, prior to the fourth Monday in June, the budget is legally adopted through passage of budget resolutions for each fund. An appropriation ordinance is approved by the City Council at the above-mentioned meeting.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

4. The City manager is authorized to transfer budgeted amounts within budgetary centers (activity); however, any revisions that alter the total expenditure of any budgetary center (activity) must be approved by the City Council.

Budgeted amounts of the revenues and expenditures presented for the General, Special Revenue, and Debt Service Funds are a summarization of the budgeted amounts as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations that were adopted. Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2007 has not been calculated. During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the above funds is presented as required and other supplemental information.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with the following exceptions:

- Transfers have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).”
- Reimbursements from other funds have been included in revenue, rather than as a reduction of expenditures.

Deficits - The Tax Increment Finance Authority (TIFA), a discretely presented component unit, has negative net assets as of June 30, 2007 due to the reporting of a bond payable obligation. The funds of the TIFA, presented on a modified accrual basis, have positive fund balances at June 30, 2007.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City of St. Clair Shores, Michigan incurred expenditures that were in excess of the amounts budgeted, as follows:

General Fund	Final Budget	Actual	Variance
Interest and fiscal charges	\$ -	\$ 202	\$ (202)
Transfers out	3,035,152	3,156,431	(121,279)
<u>Special Revenue Funds</u>			
Major Streets - Transfers out	768,125	816,125	(48,000)
Family Rental Program - Community and economic development	21,000	36,564	(15,564)
<u>Debt Service Funds</u>			
Debt Service - Public works department	430,481	476,657	(46,176)
SEMSD Clean Water Initiative - Transfers out	-	3,201,100	(3,201,100)

These unfavorable variances were caused by unanticipated expenditures/transfers that became necessary during the year.

State Construction Code Act - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2006	\$ (607,625)
Current year building permit revenue	299,207
Related expenses:	
Direct costs	\$ 585,048
Estimated indirect costs	<u>87,757</u>
Total construction code expenses	<u>672,805</u>
Cumulative shortfall at June 30, 2007	<u>\$ (981,223)</u>

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 City 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 City's investment policy, adopted in accordance with state law, permits the City to invest in investment pools organized under the Surplus Funds Investment Act of 1982 and under the Investment Company Act of 1940. For mutual funds, the City may invest in funds registered under the Investment Company Act of 1940. This authorization is limited to investment pools and mutual funds whose intent is to maintain a net asset value of \$1.00 per share and allows for indirect investment in repurchase agreements and bankers' acceptances of United States banks, as allowable for direct investment by public corporations.

The City's Fiduciary Funds, the Pension Retirement Systems, the Police and Fire Retiree Health Care Expendable Trust Fund, and the General Employees' Retiree Health Care Expendable Trust Fund are also authorized by Michigan Public Act 314 of 1965 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

As permitted by state statutes, and under the provisions of a Securities Lending Authorization Agreement, the Pension Retirement System lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Pension Retirement System's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended June 30, 2007, only United States currency was received as collateral.

Note 3 - Deposits and Investments (Continued)

The Pension Retirement Systems have not imposed any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

The Pension Retirement Systems and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of each investment pool as of June 30, 2007 was 133 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2007, the Pension Retirement System had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the Pension Retirement System as of June 30, 2007 was \$24,646,228 and \$23,841,062, respectively.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had approximately \$33,190,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City 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 City 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.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
United States government obligations	\$ 6,516,204	16.91 years
United States government agency bonds or notes	21,556,400	22.44 years
Collateralized mortgage obligations	6,956,268	24.54 years
Corporate asset-backed securities	2,466,900	13.99 years
Corporate bonds	9,231,534	9.91 years
Foreign bonds	302,892	42.03 years
Securities lending investment pool	24,646,228	133 days

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pools	\$ 12,299,571	AAA	Standard and Poor's
United States government agency bonds or notes	21,556,400	NR - AAA	Standard and Poor's
Collateralized mortgage obligations	6,956,268	NR - AAA	Standard and Poor's
Corporate asset-backed securities	2,466,900	AAA	Standard and Poor's
Corporate bonds (pension)	9,231,534	NR - AAA	Standard and Poor's
Foreign bonds (pension)	302,892	A+	Standard and Poor's
Pension custodial accounts	7,092,717	Nonrated	
Securities lending investment pool	24,646,228	Nonrated	

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk - The City's investment policy requires the City to diversify investments by security type and institution, with no more than 50 percent of the City's total investment portfolio being invested in a single security type or with a single financial institution. The City's fiduciary funds are also subject to Michigan Public Act 485 of 1996, which states investments in any one issuer (other than the U.S. government) may not exceed 5 percent of total investments. At June 30, 2007, there were no investments in any one issuer (other than the U.S. government) that exceeded 5 percent of total investments for the fiduciary funds.

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Local Streets Fund	\$ 7,972
	Recreational Revenue Fund	71,931
	Utility Fund	150,770
	Internal Service Funds	76,348
	Nonmajor governmental funds	136,274
	Total General Fund	443,295
Local Streets Fund	General Fund	18,818
	Major Streets Fund	156,246
	Nonmajor governmental funds	98,675
	Total Local Streets Fund	273,739
SEMSD Clean Water Initiative Capital Projects Fund	SEMSD Clean Water Initiative Debt Service Fund	97,274
	Utility Fund	
Utility Fund	General Fund	63,739
	Local Streets Fund	500
	Total Utility Fund	64,239
Recreational Revenue Fund	General Fund	176,098

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 4 - Interfund Receivables, Payables, and Transfers (Continued)

Receivable Fund	Payable Fund	Amount
Internal Service Funds	General Fund	\$ 90,637
	Local Streets Fund	28,227
	Recreational Revenue Fund	6,884
	Utility Fund	<u>23,798</u>
	Total Internal Service Funds	<u>149,546</u>
	Total	<u>\$ 1,204,191</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers are comprised of the following:

Fund Transferred From	Fund Transferred To	Amount
General Fund	Major Streets Fund	(1) \$ 1,353,184
	Local Streets Fund	(1) 917,429
	Recreational Revenue Fund	(1) 332,000
	Nonmajor governmental funds	(2)(3) <u>148,088</u>
	Total General Fund	2,750,701
Major Streets Fund	Local Streets Fund	(1) 334,000
	Nonmajor governmental funds	(2) <u>482,125</u>
	Total Major Streets Fund	816,125
SEMSD Clean Water Initiative Debt Service Fund	SEMSD Clean Water Initiative Capital Projects Fund	(3) 348,752
	Utility Fund	(3) <u>2,852,348</u>
	Total SEMSD Clean Water Initiative Debt Service Fund	3,201,100
Nonmajor governmental funds	General Fund	124,000
	Local Streets Fund	(3) <u>626,436</u>
	Total nonmajor governmental funds	<u>750,436</u>
	Total governmental funds	7,518,362
Utility Fund	Major Streets Fund	17,400
	Local Streets Fund	<u>40,600</u>
	Total Enterprise Funds	<u>58,000</u>
	Total	<u>\$ 7,576,362</u>

(1) Transfer of discretionary funds to be used for the benefit of the community

(2) Transfer for debt service payments

(3) Transfer for capital improvements

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2006 (As restated - Note 15)	Additions	Disposals and Adjustments	Transfers	Balance June 30, 2007
Governmental activities:					
Other governmental capital assets:					
Capital assets not being depreciated:					
Land	\$ 10,093,335	\$ 7,795	\$ -	\$ -	\$ 10,101,130
Construction in progress	15,196,947	4,396,309	(5,107)	(16,152,268)	3,435,881
Subtotal	25,290,282	4,404,104	(5,107)	(16,152,268)	13,537,011
Capital assets being depreciated:					
Infrastructure	78,691,209	4,519,518	(1,447,275)	5,698,645	87,462,097
Buildings and improvements	17,372,162	304,548	(6,400)	22,428	17,692,738
County drains	2,941,165	-	-	-	2,941,165
Land improvements	12,147,820	18,458	-	-	12,166,278
Furniture, fixtures, and equipment	7,525,850	744,490	(200,047)	3,168	8,073,461
Computer equipment	2,936,779	70,426	(300,170)	26,682	2,733,717
Subtotal	121,614,985	5,657,440	(1,953,892)	5,750,923	131,069,456
Accumulated depreciation:					
Infrastructure	28,232,127	4,746,498	(1,447,275)	-	31,531,350
Buildings and improvements	8,591,270	630,298	(1,280)	-	9,220,288
County drains	1,117,791	58,823	-	-	1,176,614
Land improvements	4,151,185	349,876	-	-	4,501,061
Furniture, fixtures, and equipment	3,320,613	391,168	(141,977)	-	3,569,804
Computer equipment	2,059,695	302,237	(255,467)	-	2,106,465
Subtotal	47,472,681	6,478,900	(1,845,999)	-	52,105,582
Net capital assets being depreciated	74,142,304	(821,460)	(107,893)	5,750,923	78,963,874
Net other governmental capital assets	99,432,586	3,582,644	(113,000)	(10,401,345)	92,500,885
Recreational Revenue Fund assets:					
Capital assets not being depreciated -					
Construction in progress	1,000	-	-	(1,000)	-
Capital assets being depreciated:					
Buildings and improvements	2,372,777	59,494	-	-	2,432,271
Land improvements	4,675,146	54,900	-	1,000	4,731,046
Furniture, fixtures, and equipment	2,248,709	107,866	(85,140)	-	2,271,435
Computer equipment	13,585	-	-	-	13,585
Subtotal	9,310,217	222,260	(85,140)	1,000	9,448,337

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Capital Assets (Continued)

	Balance July 1, 2006 (As restated - Note 15)	Additions	Disposals and Adjustments	Transfers	Balance June 30, 2007
Governmental activities (Continued):					
Recreational Revenue Fund assets (Continued):					
Accumulated depreciation:					
Buildings and improvements	\$ 1,403,469	\$ 79,117	\$ -	\$ -	\$ 1,482,586
Land improvements	2,163,307	151,142	-	-	2,314,449
Furniture, fixtures, and equipment	1,218,793	101,270	(74,090)	-	1,245,973
Computer equipment	7,898	1,050	-	-	8,948
Subtotal	4,793,467	332,579	(74,090)	-	5,051,956
Net Recreational Revenue Fund capital assets being depreciated	4,516,750	(110,319)	(11,050)	1,000	4,396,381
Net Recreation Revenue Fund capital assets	4,517,750	(110,319)	(11,050)	-	4,396,381
Motor Pool Fund capital assets:					
Capital assets not being depreciated - Vehicles not in service	21,485	56,028	-	(21,485)	56,028
Capital assets being depreciated:					
Buildings and improvements	345,830	-	-	-	345,830
Vehicles	8,909,877	485,326	(819,021)	21,255	8,597,437
Furniture, fixtures, and equipment	197,415	-	(49,615)	-	147,800
Subtotal	9,453,122	485,326	(868,636)	21,255	9,091,067
Accumulated depreciation:					
Buildings and improvements	172,779	9,437	-	-	182,216
Vehicles	5,889,127	683,727	(651,559)	-	5,921,295
Furniture, fixtures, and equipment	126,977	8,779	(46,610)	-	89,146
Subtotal	6,188,883	701,943	(698,169)	-	6,192,657
Net Motor Pool Fund capital assets being depreciated	3,264,239	(216,617)	(170,467)	21,255	2,898,410
Net Motor Pool Fund capital assets	3,285,724	(160,589)	(170,467)	(230)	2,954,438
Computer Replacement Fund capital assets:					
Capital assets being depreciated - Computer equipment	276,718	28,797	-	-	305,515
Accumulated depreciation - Computer equipment	47,090	58,223	-	-	105,313
Net Computer Replacement Fund capital assets being depreciated	229,628	(29,426)	-	-	200,202
Net Internal Service Fund capital assets	3,515,352	(190,015)	(170,467)	(230)	3,154,640
Governmental capital assets not being depreciated	25,312,767	4,460,132	(5,107)	(16,174,753)	13,593,039
Net governmental capital assets being depreciated	82,152,921	(1,177,822)	(289,410)	5,773,178	86,458,867
Net governmental activities capital assets	\$ 107,465,688	\$ 3,282,310	\$ (294,517)	\$ (10,401,575)	\$ 100,051,906

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Capital Assets (Continued)

	Balance July 1, 2006	Additions	Disposals and Adjustments	Transfers	Balance June 30, 2007
Business-type activities:					
Capital assets not being depreciated -					
Construction in progress	\$ 2,200,164	\$ 1,948,504	\$ -	\$ (2,138,840)	\$ 2,009,828
Capital assets being depreciated:					
Land improvements	1,038,079	-	-	-	1,038,079
Water and sewer distribution systems	69,907,905	119,193	-	12,540,184	82,567,282
Buildings and improvements	5,076,577	-	-	-	5,076,577
Furniture, fixtures, and equipment	311,263	14,062	-	-	325,325
Computer equipment	415,918	3,523	(33,500)	-	385,941
Subtotal	76,749,742	136,778	(33,500)	12,540,184	89,393,204
Accumulated depreciation:					
Land improvements	227,830	34,603	-	-	262,433
Water and sewer distribution systems	18,687,827	1,314,322	-	-	20,002,149
Building and improvements	5,058,818	3,262	-	-	5,062,080
Furniture, fixtures, and equipment	241,563	12,516	-	-	254,079
Computer equipment	290,597	19,383	(29,033)	-	280,947
Subtotal	24,506,635	1,384,086	(29,033)	-	25,861,688
Net capital assets being depreciated	52,243,107	(1,247,308)	(4,467)	12,540,184	63,531,516
Net capital assets	\$ 54,443,271	\$ 701,196	\$ (4,467)	\$ 10,401,344	\$ 65,541,344

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 761,665
Public safety	617,521
Public works	5,137,181
Community and economic development	42,961
Recreation and culture	1,012,317
Total governmental activities	\$ 7,571,645
Business-type activities - Water and sewer	\$ 1,384,086

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Capital Assets (Continued)

Construction Commitments - The City has active construction projects at year end, including the Lake St. Clair Clean Water Initiative Construction project administered by the Macomb County Drain Commission. At June 30, 2007, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
SEMSD Clean Water Initiative Capital Project	\$ 46,862,000	\$ 11,877,000

Note 6 - Changes in General Fund Reserved Fund Balance

	<u>Reserved For</u>		
	<u>Postemployment Benefits</u>	<u>Sanitation</u>	<u>Street Improvement</u>
Reserved fund balances - July 1, 2006	\$ 423,861	\$ 5,541,195	\$ 857
Special tax levy	5,494,738	398,862	177,000
Interest on reserve balance	-	313,330	12
Sanitation expenditures	-	(5,084)	-
Transfer to Local Streets Fund	-	(20,000)	(177,000)
Postemployment benefit payments	<u>(5,406,581)</u>	<u>-</u>	<u>-</u>
Reserved fund balances - June 30, 2007	<u>\$ 512,018</u>	<u>\$ 6,228,303</u>	<u>\$ 869</u>

Note 7 - Restricted Assets

Specific assets of the Utility Fund and the Recreational Revenue Fund have been restricted for operations and maintenance, debt service, and bond reserve in connection with covenants established by revenue bond ordinances.

In addition, the City's governmental activities have funds held by the Macomb County Department of Public Works and the Macomb County Drain Commission on behalf of the City to be used for the construction and maintenance of storm drains, and the Lake St. Clair Clean Water Initiative, respectively, including related debt service.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Restricted Assets (Continued)

The following is the detail of restricted assets at June 30, 2007:

	Governmental Activities	Business-type Activities
Cash and cash equivalents:		
Utility Fund Revenue Bonds required reserves:		
Operations and maintenance	\$ -	\$ 1,262,623
Debt service	-	52,275
Total Utility Fund	-	1,314,898
Recreational Revenue Fund Revenue Bond required reserves:		
Operation and maintenance	135,529	-
Debt service	65,890	-
Bond reserve	292,000	-
Total Recreational Revenue Fund	493,419	-
Total cash and cash equivalents	493,419	1,314,898
Assets held by the Macomb County Dept. of Public Works for Storm Drains	491,917	-
Assets held by the Macomb County Drain Commission for use in the Lake St. Clair Clean Water Initiative	11,877,299	-
Total restricted assets	<u>\$ 12,862,635</u>	<u>\$ 1,314,898</u>

Net assets have been restricted in an equivalent amount at June 30, 2007.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 8 - Retirement Plans

Plan Description

The City contributes to two single-employer defined benefit retirement plans: (1) the General Employees' Retirement System, covering general employees and (2) the Police and Fire Retirement System, covering certain police and fire department personnel. The City's and employees' obligations to contribute benefit provisions and all other requirements of the systems are established under City Charter and Michigan Act No. 345 of the Public Acts of 1937, as amended. The plans do not issue separate financial reports; however, financial statements are provided at the end of this note.

At June 30, 2006, the date of the most recent actuarial valuation, membership in the plans consisted of the following:

	Employees' Retirement System	Police and Fire Retirement System
Retirees and beneficiaries of deceased retirees currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	217	169
Current employees:		
Vested	55	91
Nonvested	79	43
Total	134	134

Annual Pension Costs

For the year ended June 30, 2007, the City's annual pension cost of \$2,978,593 for the Police and Fire Retirement System and \$1,976,456 for the General Employees' Retirement System was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2006 using the entry age actuarial cost method.

Note 8 - Retirement Plans (Continued)

Significant actuarial assumptions used include the assumption that benefits will increase with cost of living adjustments of 2.5 percent to 5 percent at age 60 or five years after retirement, whichever is later for the General Employees' Retirement System and whichever is first for the Police and Fire Retirement System, with additional increases of 2.5 percent to 5 percent occurring in two- to five-year increments after the first increase. Other significant assumptions include the following:

	Employees' Retirement System	Police and Fire Retirement System
Rate of return on the investment of present and future assets, compounded annually	8%	7.5%
Projected salary increases, depending on age, attributable to seniority/merit, compounded annually	4.5-9.4%*	4.5-7.5%*

* Includes an inflation component of 4.5 percent

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis for the General Employees' Retirement System and on an open basis for the Police and Fire Retirement System. The remaining amortization period is 10 years if overfunded and 25 years if underfunded for the Police and Fire Retirement System and 19 years for the General Employees' Retirement System.

Contributions

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 8 - Retirement Plans (Continued)

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 2 percent to 5 percent and 0 percent to 1.5 percent of gross wages for the Police and Fire Retirement System and General Employees' Retirement System, respectively.

The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

The required supplemental information (see table of contents) contained in the additional information is designed to provide information about the plans' progress in accumulating sufficient assets to pay benefits when due.

Reserve Balances

The reserves for the retirement systems at June 30, 2007 consist of the following:

	General Employees' Retirement System	Police and Fire Retirement System
Legally required reserves:		
Reserved for employee contributions	\$ 528,316	\$ 4,513,748
Reserved for retiree benefit payments	23,354,390	66,135,432
Additional reserves:		
Reserved for employer contributions	22,826,456	34,039,003
Reserved for excess earnings distribution	477,865	2,474,558
Total	<u>\$ 47,187,027</u>	<u>\$ 107,162,741</u>

Three-year trend information is as follows:

	General Employees' Retirement System			Police and Fire Retirement System		
	Fiscal Year Ended June 30			Fiscal Year Ended June 30		
	2007	2006	2005	2007	2006	2005
Annual pension cost (APC)	\$ 1,976,456	\$ 1,809,655	\$ 1,605,170	\$ 2,978,593	\$ 2,321,893	\$ 1,024,702
Percentage of APC contributed	100%	100%	100%	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 8 - Retirement Plans (Continued)

Condensed financial statements of the City's defined benefit retirement plans and retirement healthcare plan follow:

	General Employees' Retirement System	Police and Fire Retirement System	General Employees' Health Care Fund	Police and Fire Retiree Health Care Fund
Assets				
Cash	\$ 394,815	\$ -	\$ -	\$ 80,764
Investments	46,206,607	108,842,058	-	2,403,152
Securities lending short-term collateral bank investment pool	7,235,288	17,410,940	-	-
Due from other governmental units	434,945	640,751	155,730	-
Accrued interest receivable	<u>150,660</u>	<u>374,533</u>	<u>-</u>	<u>4,994</u>
Total assets	54,422,315	127,268,282	155,730	2,488,910
Liabilities				
Amounts due to broker	-	2,694,601	-	-
Amounts due to broker under securities lending agreement	<u>7,235,288</u>	<u>17,410,940</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>7,235,288</u>	<u>20,105,541</u>	<u>-</u>	<u>-</u>
Net Assets - Held in trust for pension and other employee benefits	<u><u>\$ 47,187,027</u></u>	<u><u>\$ 107,162,741</u></u>	<u><u>\$ 155,730</u></u>	<u><u>\$ 2,488,910</u></u>

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 8 - Retirement Plans (Continued)

	General Employees' Retirement System	Police and Fire Retirement System	General Employees' Health Care Fund	Police and Fire Retiree Health Care Fund
Additions				
Investment income:				
Interest and dividends	\$ 1,377,872	\$ 3,299,282	\$ -	\$ 59,049
Net increase in fair value of investments	5,175,853	9,346,890	-	216,909
Less investment expenses	<u>(284,110)</u>	<u>(613,362)</u>	<u>-</u>	<u>(23,956)</u>
Net investment income	6,269,615	12,032,810	-	252,002
Securities lending income:				
Interest and fees	398,182	1,025,535	-	-
Less borrower rebates and bank fees	<u>(378,114)</u>	<u>(982,496)</u>	<u>-</u>	<u>-</u>
Net securities lending income	20,068	43,039	-	-
Contributions:				
Employer	1,976,456	2,978,593	155,730	250,000
Employee	<u>40,325</u>	<u>505,020</u>	<u>-</u>	<u>-</u>
Total contributions	<u>2,016,781</u>	<u>3,483,613</u>	<u>155,730</u>	<u>250,000</u>
Total additions	8,306,464	15,559,462	155,730	502,002
Deductions				
Benefit payments	3,985,181	6,771,210	-	-
Refunds of contributions	708	3,207	-	-
Administrative expenses	<u>28,725</u>	<u>24,814</u>	<u>-</u>	<u>-</u>
Total deductions	<u>4,014,614</u>	<u>6,799,231</u>	<u>-</u>	<u>-</u>
Net Increase	4,291,850	8,760,231	155,730	502,002
Net Assets Held in Trust for Pension				
Benefits				
Beginning of year	<u>42,895,177</u>	<u>98,402,510</u>	<u>-</u>	<u>1,986,908</u>
End of year	<u>\$ 47,187,027</u>	<u>\$ 107,162,741</u>	<u>\$ 155,730</u>	<u>\$ 2,488,910</u>

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 9 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Fund Financial Statements			Government-wide Financial Statements
	Unavailable	Unearned	Total	Unearned
Property taxes	\$ 71,177	\$ 8,015	\$ 79,192	\$ 8,015
Grant revenue	33,420	-	33,420	-
Special assessments	187,929	-	187,929	-
Charges for services	-	219,096	219,096	219,096
Total restricted assets	<u>\$ 292,526</u>	<u>\$ 227,111</u>	<u>\$ 519,637</u>	<u>\$ 227,111</u>

Note 10 - Leases

Capital Leases - The City has entered into lease agreements as lessee for financing the purchase of heating and air conditioning units and various other City renovations. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date (see Note 11). The cost and accumulated depreciation of the assets under capital leases as of June 30, 2007 total approximately \$1,515,000 and \$787,000, respectively.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 10 - Leases (Continued)

The future minimum lease payments for all capital leases for the years ending June 30, 2008 through June 30, 2012 and in total are as follows:

Years Ending June 30	Amount
2008	\$ 141,886
2009	96,546
2010	51,205
2011	-
2012	-
Total minimum lease payments	289,637
Less amount representing interest	(14,691)
Present value at June 30, 2007	<u>\$ 274,946</u>

Note 11 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities. Compensated absences are typically liquidated with funds from the General Fund, Local Streets Fund, Recreational Revenue Fund, Utility Fund, and the Internal Service Funds.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 11 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Transfers	Ending Balance	Due Within One Year
Governmental activities:								
Other governmental obligations:								
Milk River Drain Drainage District:								
Amount of Issue - \$93,464	2.50%-	\$7,122 -						
Maturing through 2013	8.50%	\$8,211	\$ 54,084	\$ -	\$ (7,122)	\$ -	\$ 46,962	\$ 7,331
2001 Lake St. Clair Clean Water Initiative:								
Amount of Issue - \$51,644,703	2.500%-	\$210,055 -						
Maturing through 2029	5.125%	\$462,084	16,939,825	-	(276,988)	(9,148,401)	7,514,436	284,384
General obligation bonds:								
2001 Michigan Transportation Fund Bonds:								
Amount of Issue - \$4,200,000	3.20% -	\$355,000 -						
Maturing through 2013	4.25%	\$465,000	3,315,000	-	(355,000)	-	2,960,000	380,000
1997 Building Authority Arena bonds:								
Amount of Issue - \$1,500,000	4.80% -	\$110,000 -						
Maturing through 2012	5.30%	\$140,000	745,000	-	(110,000)	-	635,000	115,000
Total general and other governmental obligations			21,053,909	-	(749,110)	(9,148,401)	11,156,398	786,715
Capital lease obligations:								
Honeywell:								
Amount of Issue - \$574,272		\$42,375 -						
Maturing through 2009	3.49%	\$111,403	236,349	-	(111,403)	-	124,946	82,571
National City Bank:								
Amount of Issue - \$500,000								
Maturing through 2009	4.82%	\$50,000	200,000	-	(50,000)	-	150,000	50,000
Total capital lease obligations			436,349	-	(161,403)	-	274,946	132,571
Other long-term obligations:								
Noncurrent portion of general liability claims and workers' compensation (Note 12)			513,808	356,519	-	-	870,327	279,533
Compensated absences			4,942,823	2,027,598	(1,922,355)	-	5,048,066	1,350,169
Total other long-term obligations			5,456,631	2,384,117	(1,922,355)	-	5,918,393	1,629,702
Subtotal			26,946,889	2,384,117	(2,832,868)	(9,148,401)	17,349,737	2,548,988
Recreational revenue obligations:								
Revenue Bonds:								
2003 Recreational Revenue Refunding Bonds:								
Amount of Issue - \$3,980,000	2.00% -	\$275,000 -						
Maturing through 2016	4.30%	\$375,000	3,195,000	-	(275,000)	-	2,920,000	285,000
Less unamortized discount on issuance			(87,500)	-	23,601	-	(63,899)	(22,354)
Deferred amount on refunding			(240,882)	-	64,972	-	(175,910)	(61,538)
Other long-term obligations:								
Noncurrent portion of general liability claims and workers' compensation (Note 12)			96,273	-	(82,024)	-	14,249	322
Compensated absences			36,272	17,318	(11,301)	-	42,289	11,520
Subtotal - Recreational revenue obligations			2,999,163	17,318	(279,752)	-	2,736,729	212,950

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 11 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Transfers	Ending Balance	Due Within One Year
Internal Service Fund Obligations - Motor Pool Fund:								
Noncurrent portion of general liability claims and workers' compensation (Note 12)			\$ 795	\$ -	\$ (67)	\$ -	\$ 728	\$ 728
Compensated absences			24,270	14,649	(13,412)	-	25,507	5,736
Total governmental activities			29,971,117	2,416,084	(3,126,099)	(9,148,401)	20,112,701	2,768,402
Business-type activities:								
Revenue bonds:								
Water and Sewer Revenue Bonds:								
2004 refunding bond								
Amount of issue - \$2,050,000	2.75% -	\$150,000 -						
Maturing through 2017	3.90%	\$215,000	1,920,000	-	(150,000)	-	1,770,000	150,000
Less unamortized discount on issuance			(57,365)	-	5,180	-	(52,185)	(5,021)
Deferred amount on refunding			(42,723)	-	3,858	-	(38,865)	(3,739)
2006 Limited Tax Obligation Bonds:								
Amount of issue - \$3,750,000	4.25% -	\$130,000 -						
Maturing through 2026	4.375%	\$270,000	-	3,750,000	(140,000)	-	3,610,000	130,000
Less unamortized discount on issuance			-	(56,192)	3,449	-	(52,743)	(3,571)
Deferred amount on refunding			-	(21,486)	1,319	-	(20,167)	(1,365)
Total bond obligations			1,819,912	3,672,322	(276,194)	-	5,216,040	266,304
Other governmental obligations:								
2001 Lake St. Clair Clean Water Initiative:								
Amount of Issue - \$30,501,908	2.500%-	\$1,069,209 -						
Maturing through 2029	5.125%	\$2,352,070	30,501,908	-	(1,409,908)	9,148,401	38,240,401	1,447,552
Other long-term obligations:								
Noncurrent portion of general liability claims and workers' compensation (Note 12)								
			22,940	-	(1,927)	-	21,013	21,013
Compensated absences			133,765	94,224	(83,190)	-	144,799	32,414
Total business-type activities			32,478,525	3,766,546	(1,771,219)	9,148,401	43,622,253	1,767,283
Total governmental and business-type activities			\$ 62,449,642	\$ 6,182,630	\$ (4,897,318)	\$ -	\$ 63,734,954	\$ 4,535,685
Component units - 1997 Tax Increment Finance								
Authority Development Bonds:								
Amount of Issue - \$3,500,000	4.70% -	\$285,000 -						
Maturing through 2012	5.25%	\$415,000	\$ 2,120,000	\$ -	\$ (285,000)	\$ -	\$ 1,835,000	\$ 315,000

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 11 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bond, note, and capital lease obligations are as follows:

	Governmental Activities								
	General Obligations			Recreation Revenue			Total Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Grand Total
2008	\$ 919,286	\$ 430,707	\$ 1,349,993	\$ 285,000	\$ 109,590	\$ 394,590	\$ 1,204,286	\$ 540,297	\$ 1,744,583
2009	907,379	395,690	1,303,069	290,000	101,040	391,040	1,197,379	496,730	1,694,109
2010	893,588	361,107	1,254,695	300,000	92,340	392,340	1,193,588	453,447	1,647,035
2011	878,981	326,592	1,205,573	310,000	82,440	392,440	1,188,981	409,032	1,598,013
2012	903,090	291,382	1,194,472	320,000	71,590	391,590	1,223,090	362,972	1,586,062
2013-2017	2,687,804	1,052,593	3,740,397	1,415,000	151,550	1,566,550	4,102,804	1,204,143	5,306,947
2018-2022	2,082,791	693,305	2,776,096	-	-	-	2,082,791	693,305	2,776,096
2023-2027	1,356,575	348,122	1,704,697	-	-	-	1,356,575	348,122	1,704,697
2028-2032	801,850	62,036	863,886	-	-	-	801,850	62,036	863,886
Total	\$ 11,431,344	\$ 3,961,534	\$ 15,392,878	\$ 2,920,000	\$ 608,550	\$ 3,528,550	\$ 14,351,344	\$ 4,570,084	\$ 18,921,428

	Business-type Activities			Component Units		
	Utility Fund			TIFA		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 1,727,553	\$ 1,608,144	\$ 3,335,697	\$ 315,000	\$ 85,368	\$ 400,368
2009	1,773,569	1,551,738	3,325,307	335,000	69,359	404,359
2010	1,831,304	1,493,086	3,324,390	375,000	51,599	426,599
2011	1,893,030	1,432,200	3,325,230	395,000	31,959	426,959
2012	1,953,225	1,369,222	3,322,447	415,000	10,894	425,894
2013-2017	10,802,434	5,807,417	16,609,851	-	-	-
2018-2022	11,646,685	3,886,288	15,532,973	-	-	-
2023-2027	7,920,148	1,884,970	9,805,118	-	-	-
2028-2032	4,072,454	315,770	4,388,224	-	-	-
Total	\$ 43,620,402	\$ 19,348,835	\$ 62,969,237	\$ 1,835,000	\$ 249,179	\$ 2,084,179

Refunding - In prior years, the City has defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At June 30, 2007, \$2,110,000 of bonds outstanding are considered defeased.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 12 - Risk Management

The City 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 City participates in the Michigan Municipal Risk Management Authority (the "Authority") risk pool program for claims related to liability, auto, and property. The program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although funds are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City is self-funded for workers' compensation and medical benefits up to a retention amount, at which time the City's reinsurance coverage begins. Listed below is an analysis by category of the City's risk of loss.

The City estimates the liability for property loss, general liability, workers' compensation, and medical benefits claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. The estimated liability for property loss, general liability, and medical claims is recorded within the governmental activities column of the statement of net assets (deficit). The estimated liability for workers' compensation is recorded within the governmental activities and business-type activities columns of the statement of net assets (deficit). Changes in the estimated liability for the past two fiscal years were as follows:

	Liability, Auto, and Property		Workers' Compensation		Medical Benefit Plan	
	2007	2006	2007	2006	2007	2006
Estimated liability -						
Beginning of year	\$ 283,258	\$ 322,366	\$ 320,266	\$ 494,338	\$ 30,293	\$ 44,496
Estimated claims						
incurred, including						
changes in estimates	294,470	230,967	73,060	(86,382)	5,433,808	4,873,540
Claim payments	(161,994)	(270,075)	(168,282)	(87,690)	(5,198,562)	(4,887,743)
Estimated liability -						
End of year	\$ 415,734	\$ 283,258	\$ 225,044	\$ 320,266	\$ 265,539	\$ 30,293

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 13 - Other Postemployment Benefits

In addition to providing pension benefits, the City provides certain healthcare benefits to all full-time employees and their spouses and dependents upon retirement, in accordance with labor contracts. As of the most recent actuarial valuations dated June 30, 2006, 348 retirees were eligible. The City includes pre-Medicare retirees and their dependents in its healthcare plan, with no contribution required by the participants. The City provides Medicare supplemental benefits for retirees eligible for Medicare. Expenditures for postemployment healthcare insurance are recognized as the insurance premiums become due. Premiums and benefits for the retirees, their spouses, and dependents are paid annually from the General Fund. Payments totaled approximately \$3,955,000 for the year ended June 30, 2007.

Note 14 - Joint Ventures

The City is a member of the Southeast Macomb Sanitary District, which provides sewage disposal to participating municipalities in Macomb County, Michigan. Other members include the cities of Roseville and Eastpointe, Michigan. The City appoints one member to the joint venture's governing board, who then approve the annual budgets. The City's equity interest of \$8,389,040 is recorded in the Utility Fund financial statements and within the business-type activities column in the statement of net assets (deficit). Complete financial statements for the South Macomb Sanitary District can be obtained from the administrative offices at 20001 Pleasant Avenue, Box 286, St. Clair Shores, MI 48080. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The City is a member of the South Macomb Disposal Authority, which provides refuse disposal services to participating municipalities in Macomb County, Michigan. Other members include the cities of Center Line, Roseville, Eastpointe, and Warren, Michigan. The City appoints one member to the joint venture's governing board, who then approve the annual budgets. The City's equity interest in the Authority's operating reserve of \$553,842 is recorded within the governmental activities column of the statement of net assets (deficit). The Authority also has reserves totaling approximately \$4,246,000 that have been designated for self-insurance activities; the participating community's equity interest in the insurance reserve is not determinable. Complete financial statements for the South Macomb Disposal Authority can be obtained from the administrative offices at 20001 Pleasant Avenue, Box 286, St. Clair Shores, MI 48080. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

City of St. Clair Shores, Michigan

Notes to Financial Statements June 30, 2007

Note 15 - Adjustment of Prior Period

Net assets of the governmental activities as of July 1, 2007 have been adjusted to correct an error in the recognition of infrastructure capital assets under construction related to the Lake St. Clair Clean Water Initiative project administered by the Macomb County Public Works Commissioner as follows:

Balance July 1, 2006, as previously reported	\$ 120,352,650
Correction of prior period error	<u>(2,849,348)</u>
Balance July 1, 2006, as restated	<u>\$ 117,503,302</u>

The error had no effect on the change in net assets of the governmental activities for the year ended June 30, 2006.

Note 16 - Upcoming Accounting and Reporting Change

The Governmental Accounting Standards Board has recently issued Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new standard will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the fiscal year ending June 30, 2009.

An actuarial valuation of the City's postemployment healthcare obligations as of June 30, 2006 estimates an unfunded actuarial accrued liability for the Police and Fire Retiree Health Care Plan and the General Employees' Retiree Health Care Plan of approximately \$54.9 million and \$47.8 million, respectively. The City has recently made changes to retiree healthcare benefits for certain employees through negotiations with bargaining groups that are expected to reduce the estimated unfunded obligation. The effect of these changes and the impact on the estimated annual required contribution of the fiscal year ending June 30, 2009 have not yet been determined.

Required Supplemental Information

City of St. Clair Shores, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued on subsequent page) Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 26,855,348	\$ 27,002,348	\$ 27,447,711	\$ 445,363
State-shared revenue, state grants, and entitlements	5,799,392	5,871,842	6,190,469	318,627
Federal grants	851,554	1,022,454	807,754	(214,700)
Licenses and permits	1,602,550	1,377,550	1,262,084	(115,466)
Charges for services:				
Major and local streets	829,000	829,000	829,000	-
Municipal activities building	1,074,077	1,074,077	1,057,427	(16,650)
Recreation	310,525	594,625	670,654	76,029
Ambulance	850,000	1,000,000	1,101,952	101,952
Water and sewer administrative charge	1,328,000	1,328,000	1,328,000	-
Library reimbursements	74,000	74,000	74,000	-
Motorpool reimbursements	219,000	219,000	219,000	-
Other charges for services	1,691,500	1,416,900	1,263,755	(153,145)
Total charges for services	6,376,102	6,535,602	6,543,788	8,186
Investment income	610,000	1,250,000	1,619,730	369,730
Court fines and forfeitures:				
District Court fees	1,775,000	1,775,000	1,824,409	49,409
Book fines and fees	49,000	49,000	53,772	4,772
Total court fines and forfeitures	1,824,000	1,824,000	1,878,181	54,181
Other income	433,034	786,258	912,139	125,881
Total revenues	44,351,980	45,670,054	46,661,856	991,802
Expenditures				
General government:				
Legislative	84,635	84,635	81,360	3,275
Judicial	1,850,670	1,859,670	1,594,176	265,494
Executive	482,899	485,486	441,553	43,933
Election	657,623	696,123	535,994	160,129
Finance	1,114,779	1,340,779	1,052,074	288,705
Attorney	445,000	445,000	332,095	112,905
Building maintenance	953,866	921,540	795,297	126,243
Assessor	447,787	415,962	388,418	27,544
Information systems	437,489	441,087	375,944	65,143
General government	5,529,871	5,551,871	4,876,374	675,497
Boards and commissions	88,662	104,362	97,564	6,798
Insurance/Claims	1,132,300	1,616,300	537,134	1,079,166
Total general government	13,225,581	13,962,815	11,107,983	2,854,832

City of St. Clair Shores, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures (Continued)				
Public safety:				
Police	\$ 12,924,756	\$ 13,151,466	\$ 12,072,417	\$ 1,079,049
Fire	<u>6,424,064</u>	<u>6,564,114</u>	<u>6,100,845</u>	<u>463,269</u>
Total public safety	19,348,820	19,715,580	18,173,262	1,542,318
Public works:				
Public works administration	146,660	146,660	138,748	7,912
Sanitation	<u>3,173,615</u>	<u>3,423,615</u>	<u>3,355,238</u>	<u>68,377</u>
Total public works	3,320,275	3,570,275	3,493,986	76,289
Community and economic development	2,857,976	2,443,857	2,350,744	93,113
Recreational and cultural:				
Parks and recreation administration	545,472	680,885	615,019	65,866
Recreation	281,804	277,464	250,995	26,469
Parks	944,793	1,162,152	1,004,618	157,534
Arena	826,031	894,213	728,337	165,876
Senior center	425,825	442,825	403,926	38,899
Library and information services	<u>1,948,210</u>	<u>1,950,910</u>	<u>1,818,696</u>	<u>132,214</u>
Total recreational and cultural	4,972,135	5,408,449	4,821,591	586,858
Interest and fiscal changes	-	-	202	(202)
Transfers out	<u>1,571,422</u>	<u>3,035,152</u>	<u>3,156,431</u>	<u>(121,279)</u>
Total expenditures	45,296,209	48,136,128	43,104,199	5,031,929
Excess of Revenues Over (Under) Expenditures	(944,229)	(2,466,074)	3,557,657	6,023,731
Fund Balance - Beginning of year	<u>17,645,820</u>	<u>17,645,820</u>	<u>17,645,820</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 16,701,591</u>	<u>\$ 15,179,746</u>	<u>\$ 21,203,477</u>	<u>\$ 6,023,731</u>

City of St. Clair Shores, Michigan

	Major Streets			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
State-shared revenue, state grants, and entitlements	2,605,753	2,605,753	2,499,309	(106,444)
Right-of-way fees	-	-	-	-
Investment income	10,000	10,000	42,648	32,648
Other income	-	-	-	-
Transfers in	<u>62,584</u>	<u>1,370,584</u>	<u>1,370,584</u>	<u>-</u>
Total revenues	2,678,337	3,986,337	3,912,541	(73,796)
Expenditures				
General government	282,307	282,307	267,659	14,648
Public works	1,671,233	3,360,549	1,194,647	2,165,902
Transfers out	<u>738,125</u>	<u>768,125</u>	<u>816,125</u>	<u>(48,000)</u>
Total expenditures	<u>2,691,665</u>	<u>4,410,981</u>	<u>2,278,431</u>	<u>2,132,550</u>
Excess of Revenues Over (Under) Expenditures	(13,328)	(424,644)	1,634,110	2,058,754
Fund Balances - Beginning of year	<u>479,187</u>	<u>479,187</u>	<u>479,187</u>	<u>-</u>
Fund Balances - End of year	<u>\$ 465,859</u>	<u>\$ 54,543</u>	<u>\$ 2,113,297</u>	<u>\$ 2,058,754</u>

**Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds
Year Ended June 30, 2007**

Local Streets			
Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 1,853,564	\$ 1,853,564	\$ 1,852,861	\$ (703)
1,019,641	1,019,641	976,597	(43,044)
206,000	206,000	297,939	91,939
10,000	10,000	30,740	20,740
8,000	8,000	23,936	15,936
<u>1,925,029</u>	<u>1,977,029</u>	<u>1,918,465</u>	<u>(58,564)</u>
5,022,234	5,074,234	5,100,538	26,304
658,717	658,717	624,534	34,183
4,404,607	4,719,015	4,247,445	471,570
-	-	-	-
<u>5,063,324</u>	<u>5,377,732</u>	<u>4,871,979</u>	<u>505,753</u>
(41,090)	(303,498)	228,559	532,057
<u>306,154</u>	<u>306,154</u>	<u>306,154</u>	<u>-</u>
<u>\$ 265,064</u>	<u>\$ 2,656</u>	<u>\$ 534,713</u>	<u>\$ 532,057</u>

City of St. Clair Shores, Michigan

Required Supplemental Information Retirement Systems Schedule of Funding Progress June 30, 2007

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Unfunded (Overfunded) AAL as a Percentage of Covered Payroll
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General Employees' Retirement System

06/30/01	\$ 45,968,083	\$ 42,648,906	\$ (3,319,177)	107.8	\$ 7,316,759	(45.4)
06/30/02	43,840,530	45,610,034	1,769,504	96.1	7,868,956	22.5
06/30/03	42,168,775	47,200,490	5,031,715	89.3	7,324,919	68.7
06/30/04	41,259,961	49,337,849	8,077,888	83.6	6,969,930	115.9
06/30/05	41,062,064	50,931,381	9,869,317	80.6	6,532,301	151.1
06/30/06	42,222,117	52,481,690	10,259,573	80.5	6,783,425	151.2

Police and Fire Retirement System

06/30/01	113,344,804	86,607,994	(26,736,810)	130.9	9,353,854	(285.8)
06/30/02	108,832,118	90,182,317	(18,649,801)	120.7	9,566,435	(195.0)
06/30/03	101,683,192	93,967,332	(7,715,860)	108.2	9,387,845	(82.2)
06/30/04	94,640,250	98,335,479	3,695,229	96.2	9,687,275	38.1
06/30/05	90,853,624	104,248,328	13,394,704	87.2	10,307,055	130.0
06/30/06	93,730,948	107,602,157	13,871,209	87.1	10,675,665	129.9

City of St. Clair Shores, Michigan

Required Supplemental Information Retirement Systems Schedule of Funding Progress (Continued) June 30, 2007

The schedule of employer contributions is as follows:

General Employees' Retirement System

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2002	\$ 894,141	100
2003	1,050,063	100
2004	1,420,497	100
2005	1,605,170	100
2006	1,809,655	100
2007	1,976,456	100

Police and Fire Retirement System

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2002	\$ 69,906	100
2003	77,559	100
2004	86,089	100
2005	1,024,702	100
2006	2,321,893	100
2007	2,978,593	100

Additional information as of June 30, 2006, the latest actuarial valuation, is as follows:

	General Employees' Retirement System	Police and Fire Retirement System
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent, closed	Level percent, open
Remaining amortization period	19 years	10 years if overfunded 25 years if underfunded
Asset valuation method	4-year smoothed market	4-year smoothed market
Actuarial assumptions:		
Investment rate of return	8.00%	7.5%
Projected salary increases*	4.5%-9.4%	4.5%-7.5%
*Includes inflation at	4.5%	4.5%
Cost of living adjustments	5% cost of living increases at age 60 or five years after retirement, whichever is later, with a second increase of 5% five years after the first increase	2.5% - 5% cost of living increases at age 60 or three to five years after retirement, whichever is first. Up to three additional increases of 2.5% - 5% occurring in two- to five-year increments thereafter

City of St. Clair Shores, Michigan

Note to Required Supplemental Information June 30, 2007

Note - Reconciliation of Budgeted Amounts to Basic Financial Statements

The budgetary comparison schedules for the General and Major Special Revenue Funds are presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenues, expenditures, and changes in fund balances):

	General Fund		Major Special Revenue Funds			
			Major Streets Fund		Local Streets Fund	
	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 43,593,860	\$ 37,409,502	\$ 2,541,957	\$ 1,462,306	\$ 3,182,073	\$ 4,871,979
Transfers recorded as revenue and expenditures	124,000	2,750,701	1,370,584	816,125	1,918,465	-
Reimbursements from other funds recorded as revenue	<u>2,943,996</u>	<u>2,943,996</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts per budget statement	<u>\$ 46,661,856</u>	<u>\$ 43,104,199</u>	<u>\$ 3,912,541</u>	<u>\$ 2,278,431</u>	<u>\$ 5,100,538</u>	<u>\$ 4,871,979</u>

Other Supplemental Information

City of St. Clair Shores, Michigan

Nonmajor Special Revenue Funds

	Library State Aid	Library Penal	Court Building	Drug Law Enforcement	Community Development Block Grant	Family Rental Program
Assets						
Cash and investments	\$ 52,581	\$ 105,294	\$ 1,106,891	\$ 656,882	\$ 3,147	\$ 9,355
Due from other governmental units	24,838	67,169	17,039	-	282,132	-
Total assets	\$ 77,419	\$ 172,463	\$ 1,123,930	\$ 656,882	\$ 285,279	\$ 9,355
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 12,518	\$ -	\$ 75	\$ -	\$ 125,777	\$ 665
Accrued and other liabilities	-	-	-	16,068	-	3,891
Due to other funds	21,000	53,000	-	-	159,502	1,449
Total liabilities	33,518	53,000	75	16,068	285,279	6,005
Fund Balances - Unreserved	43,901	119,463	1,123,855	640,814	-	3,350
Total liabilities and fund balances	\$ 77,419	\$ 172,463	\$ 1,123,930	\$ 656,882	\$ 285,279	\$ 9,355

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007**

Nonmajor Debt Service Funds					Nonmajor Capital Projects Funds		
Debt Service	Building Authority	1989 MVH	1991 MVH	1994 MVH	Harper Ave. Street Scape	Total Nonmajor Governmental Funds	
\$ 85,393	\$ 37,368	\$ 4,239	\$ 54	\$ 887	\$ 92,413	\$ 2,154,504	
-	-	-	-	-	-	391,178	
<u>\$ 85,393</u>	<u>\$ 37,368</u>	<u>\$ 4,239</u>	<u>\$ 54</u>	<u>\$ 887</u>	<u>\$ 92,413</u>	<u>\$ 2,545,682</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 139,035	
1,053	-	-	-	-	-	21,012	
-	-	-	-	-	-	234,951	
1,053	-	-	-	-	-	394,998	
<u>84,340</u>	<u>37,368</u>	<u>4,239</u>	<u>54</u>	<u>887</u>	<u>92,413</u>	<u>2,150,684</u>	
<u>\$ 85,393</u>	<u>\$ 37,368</u>	<u>\$ 4,239</u>	<u>\$ 54</u>	<u>\$ 887</u>	<u>\$ 92,413</u>	<u>\$ 2,545,682</u>	

City of St. Clair Shores, Michigan

Nonmajor Special Revenue Funds

	Library State Aid	Library Penal	Court Building	Drug Law Enforcement	Community Development Block Grant	Family Rental Program
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	1,487,282	-
State sources	49,874	67,169	-	-	-	-
Interest income	1,361	4,873	43,420	29,408	-	-
Other	-	-	334,563	105,918	-	25,443
Total revenue	51,235	72,042	377,983	135,326	1,487,282	25,443
Expenditures						
Current:						
General government	-	-	2,225	-	-	-
Public safety	-	-	-	106,030	-	-
Public works	-	-	-	-	-	-
Community and economic development	-	-	-	-	860,846	36,564
Recreation and culture	12,517	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	12,517	-	2,225	106,030	860,846	36,564
Excess of Revenue Over (Under)						
Expenditures	38,718	72,042	375,758	29,296	626,436	(11,121)
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers out	(21,000)	(53,000)	(50,000)	-	(626,436)	-
Total other financing sources (uses)	(21,000)	(53,000)	(50,000)	-	(626,436)	-
Net Change in Fund Balances	17,718	19,042	325,758	29,296	-	(11,121)
Fund Balances - Beginning of year	26,183	100,421	798,097	611,518	-	14,471
Fund Balances - End of year	\$ 43,901	\$ 119,463	\$ 1,123,855	\$ 640,814	\$ -	\$ 3,350

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2007

Nonmajor Debt Service Funds					Nonmajor Capital Projects Funds		Total Nonmajor Governmental Funds
Debt Service	Building Authority	1989 MVH	1991 MVH	1994 MVH	Harper Ave. Street Scape		
\$ 439,130	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 439,130	
-	-	-	-	-	-	1,487,282	
-	-	-	-	-	-	117,043	
10,930	1,586	-	-	2	6,337	97,917	
-	-	-	-	-	-	465,924	
450,060	1,586	-	-	2	6,337	2,607,296	
-	-	-	-	-	-	2,225	
-	-	-	-	-	-	106,030	
476,657	-	-	-	-	223,684	700,341	
-	-	-	-	-	-	897,410	
-	-	-	-	-	-	12,517	
7,122	110,000	-	-	355,000	-	472,122	
1,319	38,088	-	-	127,125	-	166,532	
485,098	148,088	-	-	482,125	223,684	2,357,177	
(35,038)	(146,502)	-	-	(482,123)	(217,347)	250,119	
-	148,088	-	-	482,125	-	630,213	
-	-	-	-	-	-	(750,436)	
-	148,088	-	-	482,125	-	(120,223)	
(35,038)	1,586	-	-	2	(217,347)	129,896	
119,378	35,782	4,239	54	885	309,760	2,020,788	
\$ 84,340	\$ 37,368	\$ 4,239	\$ 54	\$ 887	\$ 92,413	\$ 2,150,684	

City of St. Clair Shores, Michigan

	Special Revenue Funds					
	Library State Aid			Library Penal		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	-	-
State sources	47,000	49,874	2,874	55,000	67,169	12,169
Interest income	100	1,361	1,261	100	4,873	4,773
Other	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Total revenue	47,100	51,235	4,135	55,100	72,042	16,942
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works department	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Recreation and culture	23,500	12,517	10,983	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Transfers out	21,000	21,000	-	53,000	53,000	-
Total expenditures	44,500	33,517	10,983	53,000	53,000	-
Excess of Revenue Over (Under)						
Expenditures	2,600	17,718	15,118	2,100	19,042	16,942
Fund Balances - Beginning of year	26,183	26,183	-	100,421	100,421	-
Fund Balances - End of year	\$ 28,783	\$ 43,901	\$ 15,118	\$ 102,521	\$ 119,463	\$ 16,942

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Governmental Funds
(Continued on subsequent pages)
Year Ended June 30, 2007

Special Revenue Funds								
Court Building			Drug Law Enforcement			Community Development Block Grant		
Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	2,269,563	1,487,282	(782,281)
-	-	-	-	-	-	-	-	-
37,000	43,420	6,420	5,000	29,408	24,408	-	-	-
307,600	334,563	26,963	183,300	105,918	(77,382)	-	-	-
-	-	-	-	-	-	-	-	-
<u>344,600</u>	<u>377,983</u>	<u>33,383</u>	<u>188,300</u>	<u>135,326</u>	<u>(52,974)</u>	<u>2,269,563</u>	<u>1,487,282</u>	<u>(782,281)</u>
10,000	2,225	7,775	-	-	-	-	-	-
-	-	-	183,670	106,030	77,640	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,643,127	860,846	782,281
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>626,436</u>	<u>626,436</u>	<u>-</u>
<u>60,000</u>	<u>52,225</u>	<u>7,775</u>	<u>183,670</u>	<u>106,030</u>	<u>77,640</u>	<u>2,269,563</u>	<u>1,487,282</u>	<u>782,281</u>
284,600	325,758	41,158	4,630	29,296	24,666	-	-	-
<u>798,097</u>	<u>798,097</u>	<u>-</u>	<u>611,518</u>	<u>611,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,082,697</u>	<u>\$ 1,123,855</u>	<u>\$ 41,158</u>	<u>\$ 616,148</u>	<u>\$ 640,814</u>	<u>\$ 24,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of St. Clair Shores, Michigan

	Special Revenue Funds			Debt Service Funds		
	Family Rental Program			Debt Service		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ 438,746	\$ 439,130	\$ 384
Federal sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Interest income	-	-	-	-	10,930	10,930
Other	25,000	25,443	443	-	-	-
Transfers in	-	-	-	-	-	-
Total revenue	<u>25,000</u>	<u>25,443</u>	<u>443</u>	<u>438,746</u>	<u>450,060</u>	<u>11,314</u>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works department	-	-	-	430,481	476,657	(46,176)
Community and economic development	21,000	36,564	(15,564)	-	-	-
Recreation and culture	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	7,122	7,122	-
Interest and fiscal charges	-	-	-	1,319	1,319	-
Transfers out	-	-	-	-	-	-
Total expenditures	<u>21,000</u>	<u>36,564</u>	<u>(15,564)</u>	<u>438,922</u>	<u>485,098</u>	<u>(46,176)</u>
Excess of Revenue Over (Under) Expenditures	4,000	(11,121)	(15,121)	(176)	(35,038)	(34,862)
Fund Balances - Beginning of year	<u>14,471</u>	<u>14,471</u>	<u>-</u>	<u>119,378</u>	<u>119,378</u>	<u>-</u>
Fund Balances - End of year	\$ 18,471	\$ 3,350	\$ (15,121)	\$ 119,202	\$ 84,340	\$ (34,862)

**Other Supplemental Information
Budgetary Comparison Schedule
Nonmajor Governmental Funds (Continued)
Year Ended June 30, 2007**

Debt Service Funds					
Building Authority			1989 MVH		
Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	1,586	1,586	-	-	-
-	-	-	-	-	-
<u>148,688</u>	<u>148,088</u>	<u>(600)</u>	<u>-</u>	<u>-</u>	<u>-</u>
148,688	149,674	986	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
110,000	110,000	-	-	-	-
38,688	38,088	600	-	-	-
-	-	-	-	-	-
<u>148,688</u>	<u>148,088</u>	<u>600</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	1,586	1,586	-	-	-
<u>35,782</u>	<u>35,782</u>	<u>-</u>	<u>4,239</u>	<u>4,239</u>	<u>-</u>
<u>\$ 35,782</u>	<u>\$ 37,368</u>	<u>\$ 1,586</u>	<u>\$ 4,239</u>	<u>\$ 4,239</u>	<u>\$ -</u>

City of St. Clair Shores, Michigan

	Debt Service Funds					
	1991 MVH			1994 MVH		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
			with Final Budget			with Final Budget
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Interest income	-	-	-	-	2	2
Transfers in	-	-	-	482,125	482,125	-
Total revenue	-	-	-	482,125	482,127	2
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works department	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	355,000	355,000	-
Interest and fiscal charges	-	-	-	127,125	127,125	-
Transfers out	-	-	-	-	-	-
Total expenditures	-	-	-	482,125	482,125	-
Excess of Revenue Over (Under)						
Expenditures	-	-	-	-	2	2
Fund Balances - Beginning of year	54	54	-	885	885	-
Fund Balances - End of year	<u>\$ 54</u>	<u>\$ 54</u>	<u>\$ -</u>	<u>\$ 885</u>	<u>\$ 887</u>	<u>\$ 2</u>

**Other Supplemental Information
Budgetary Comparison Schedule
Nonmajor Governmental Funds (Continued)
Year Ended June 30, 2007**

Debt Service Funds		
SEMSD Clean Water Initiative		
Final Budget	Actual	Variance with Final Budget
\$ 3,846,965	\$ 3,851,575	\$ 4,610
-	723,189	723,189
-	193,327	193,327
-	-	-
<u>3,846,965</u>	<u>4,768,091</u>	<u>921,126</u>
-	-	-
-	-	-
-	-	-
-	-	-
1,741,062	276,989	1,464,073
1,825,245	284,141	1,541,104
-	3,201,100	(3,201,100)
<u>3,566,307</u>	<u>3,762,230</u>	<u>(195,923)</u>
280,658	1,005,861	725,203
<u>2,951,052</u>	<u>2,951,052</u>	<u>-</u>
<u>\$ 3,231,710</u>	<u>\$ 3,956,913</u>	<u>\$ 725,203</u>

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2007

	Motor Pool	Computer Replacement	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,971,208	\$ 160,160	\$ 2,131,368
Receivables - Other	1,844	-	1,844
Due from other funds	132,252	17,294	149,546
Total current assets	2,105,304	177,454	2,282,758
Noncurrent assets - Capital assets - Net	2,954,439	200,201	3,154,640
Total assets	5,059,743	377,655	5,437,398
Liabilities			
Current liabilities:			
Accounts payable	91,906	5,604	97,510
Accrued and other liabilities	155,267	-	155,267
Due to other funds	76,348	-	76,348
Due to other governmental units	8,730	-	8,730
Current portion of long-term debt	5,736	-	5,736
Total current liabilities	337,987	5,604	343,591
Noncurrent liabilities - Long-term debt - Net of current portion	19,771	-	19,771
Total liabilities	357,758	5,604	363,362
Net Assets			
Invested in capital assets - Net of related debt	2,954,439	200,201	3,154,640
Unrestricted	1,747,546	171,850	1,919,396
Total net assets	\$ 4,701,985	\$ 372,051	\$ 5,074,036

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets - Internal Service Funds Year Ended June 30, 2007

	Motor Pool	Computer Replacement	Total
Operating Revenue			
Charges for services	\$ 1,426,008	\$ -	\$ 1,426,008
Other	45,497	184,608	230,105
Total operating revenue	1,471,505	184,608	1,656,113
Operating Expenses			
Salaries and fringe benefits	230,447	-	230,447
Administrative charge	487,577	-	487,577
Depreciation and amortization	701,942	58,223	760,165
Supplies	352,055	-	352,055
Other	9,089	77,099	86,188
Total operating expenses	1,781,110	135,322	1,916,432
Operating Income (Loss)	(309,605)	49,286	(260,319)
Nonoperating Revenue (Expense)			
Interest income	85,365	4,952	90,317
Loss on disposal of capital assets	(98,626)	-	(98,626)
Total nonoperating revenue (expense)	(13,261)	4,952	(8,309)
Net Change in Net Assets	(322,866)	54,238	(268,628)
Net Assets - Beginning of year	5,024,851	317,813	5,342,664
Net Assets - End of year	\$ 4,701,985	\$ 372,051	\$ 5,074,036

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2007

	Motor Pool	Computer Replacement	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,471,505	\$ 184,608	\$ 1,656,113
Payments to suppliers	(780,741)	(89,089)	(869,830)
Payments to employees	(195,484)	-	(195,484)
Internal activity - Payments from other funds	89,650	-	89,650
Other payments	(124,252)	(16,358)	(140,610)
	460,678	79,161	539,839
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(541,125)	(28,797)	(569,922)
Proceeds from sale of capital assets	71,842	-	71,842
	(469,283)	(28,797)	(498,080)
Cash Flows from Investing Activities - Interest received on investments			
	85,365	4,952	90,317
Net Increase in Cash and Cash Equivalents	76,760	55,316	132,076
Cash and Cash Equivalents - Beginning of year	1,894,448	104,844	1,999,292
Cash and Cash Equivalents - End of year	\$ 1,971,208	\$ 160,160	\$ 2,131,368
 Reconciliation of Operating Income (Loss) to Net Cash from			
Operating Activities			
Operating income (loss)	\$ (309,605)	\$ 49,286	\$ (260,319)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	701,942	58,223	760,165
Changes in assets and liabilities:			
Receivables	(730)	-	(730)
Due from other funds	(118,950)	(16,358)	(135,308)
Accounts payable	67,980	(11,990)	55,990
Accrued and other liabilities	33,793	-	33,793
Due to other funds	76,348	-	76,348
Due to other governmental funds	8,730	-	8,730
Compensated absences and workers' compensation	1,170	-	1,170
	\$ 460,678	\$ 79,161	\$ 539,839

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Pension and Other Employee Benefit Trust Funds Fiduciary Funds June 30, 2007

	General Employees' Retirement System	Police and Fire Retirement System	General Employees' Retiree Health Care Fund	Police and Fire Retiree Health Care Fund	Total
Assets					
Cash and cash equivalents	\$ 394,815	\$ -	\$ -	\$ 80,764	\$ 475,579
Investments:					
Corporate bonds and notes	6,415,777	14,830,069	-	196,122	21,441,968
U.S. government securities	3,939,250	15,427,992	-	529,749	19,896,991
Common and preferred stock	27,487,807	56,013,991	-	-	83,501,798
Mutual funds	1,346,380	5,746,337	-	1,677,281	8,769,998
Investments held by broker-dealer and banks under securities loans:					
Corporate bonds and notes	186,193	174,513	-	-	360,706
U.S. government securities	1,712,822	3,617,657	-	-	5,330,479
Common and preferred stock	5,118,378	13,031,499	-	-	18,149,877
Securities lending short-term collateral bank investment pool	7,235,288	17,410,940	-	-	24,646,228
Due from other governmental units	434,945	640,751	155,730	-	1,231,426
Accrued interest receivable	150,660	374,533	-	4,994	530,187
Total assets	54,422,315	127,268,282	155,730	2,488,910	184,335,237
Liabilities					
Amounts due to broker	-	2,694,601	-	-	2,694,601
Amounts due to broker under securities lending agreement	7,235,288	17,410,940	-	-	24,646,228
Total liabilities	7,235,288	20,105,541	-	-	27,340,829
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 47,187,027</u>	<u>\$ 107,162,741</u>	<u>\$ 155,730</u>	<u>\$ 2,488,910</u>	<u>\$ 156,994,408</u>

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Pension and Other Employee Benefit Trust Funds Fiduciary Funds Year Ended June 30, 2007

	General Employees' Retirement System	Police and Fire Retirement System	General Employees' Retiree Health Care Fund	Police and Fire Retiree Health Care Fund	Total
Additions					
Investment income:					
Interest and dividends	\$ 1,377,872	\$ 3,299,282	\$ -	\$ 59,049	\$ 4,736,203
Net increase in fair value of investments	5,175,853	9,346,890	-	216,909	14,739,652
Less investment expenses	<u>(284,110)</u>	<u>(613,362)</u>	<u>-</u>	<u>(23,956)</u>	<u>(921,428)</u>
Net investment income	6,269,615	12,032,810	-	252,002	18,554,427
Securities lending income:					
Interest and fees	398,182	1,025,535	-	-	1,423,717
Less borrower rebates and bank fees	<u>(378,114)</u>	<u>(982,496)</u>	<u>-</u>	<u>-</u>	<u>(1,360,610)</u>
Net securities lending income	20,068	43,039	-	-	63,107
Contributions:					
Employer	1,976,456	2,978,593	155,730	250,000	5,360,779
Employee	<u>40,325</u>	<u>505,020</u>	<u>-</u>	<u>-</u>	<u>545,345</u>
Total contributions	<u>2,016,781</u>	<u>3,483,613</u>	<u>155,730</u>	<u>250,000</u>	<u>5,906,124</u>
Total additions	8,306,464	15,559,462	155,730	502,002	24,523,658
Deductions					
Benefit payments	3,985,181	6,771,210	-	-	10,756,391
Refunds of contributions	708	3,207	-	-	3,915
Administrative expenses	<u>28,725</u>	<u>24,814</u>	<u>-</u>	<u>-</u>	<u>53,539</u>
Total deductions	<u>4,014,614</u>	<u>6,799,231</u>	<u>-</u>	<u>-</u>	<u>10,813,845</u>
Net Increase	4,291,850	8,760,231	155,730	502,002	13,709,813
Net Assets Held in Trust for Pension and Other Employee Benefits					
Beginning of year	<u>42,895,177</u>	<u>98,402,510</u>	<u>-</u>	<u>1,986,908</u>	<u>143,284,595</u>
End of year	<u>\$ 47,187,027</u>	<u>\$ 107,162,741</u>	<u>\$ 155,730</u>	<u>\$ 2,488,910</u>	<u>\$ 156,994,408</u>

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Agency Funds Fiduciary Funds June 30, 2007

	Agency Funds		
	County and School Tax	General Agency	Total
Assets - Cash and cash equivalents	<u>\$ 44,525</u>	<u>\$ 126,888</u>	<u>\$ 171,413</u>
Liabilities			
Accrued and other liabilities	\$ -	\$ 48,215	\$ 48,215
Due to other governmental units	<u>44,525</u>	<u>78,673</u>	<u>123,198</u>
Total liabilities	<u>\$ 44,525</u>	<u>\$ 126,888</u>	<u>\$ 171,413</u>

City of St. Clair Shores, Michigan

Other Supplemental Information Combining Statement of Changes in Assets and Liabilities - Agency Funds Fiduciary Funds Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<u>County and School Tax Fund</u>				
Assets - Cash and cash equivalents	<u>\$ 28,713</u>	<u>\$ 79,528,837</u>	<u>\$ 79,513,025</u>	<u>\$ 44,525</u>
Liabilities - Due to other governmental units	<u>\$ 28,713</u>	<u>\$ 79,528,837</u>	<u>\$ 79,513,025</u>	<u>\$ 44,525</u>
<u>General Agency Fund</u>				
Assets - Cash and cash equivalents	<u>\$ 228,494</u>	<u>\$ 4,095,666</u>	<u>\$ 4,197,272</u>	<u>\$ 126,888</u>
Liabilities				
Accrued and other liabilities	\$ 153,547	\$ 1,696,049	\$ 1,801,381	\$ 48,215
Due to other governmental units	<u>74,947</u>	<u>2,399,617</u>	<u>2,395,891</u>	<u>78,673</u>
Total liabilities	<u>\$ 228,494</u>	<u>\$ 4,095,666</u>	<u>\$ 4,197,272</u>	<u>\$ 126,888</u>
<u>Total - All Agency Funds</u>				
Assets - Cash and cash equivalents	<u>\$ 257,207</u>	<u>\$ 83,624,503</u>	<u>\$ 83,710,297</u>	<u>\$ 171,413</u>
Liabilities				
Accrued and other liabilities	\$ 153,547	\$ 1,696,049	\$ 1,801,381	\$ 48,215
Due to other governmental units	<u>103,660</u>	<u>81,928,454</u>	<u>81,908,916</u>	<u>123,198</u>
Total liabilities	<u>\$ 257,207</u>	<u>\$ 83,624,503</u>	<u>\$ 83,710,297</u>	<u>\$ 171,413</u>

City of St. Clair Shores, Michigan

Statistical Section Contents

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

Financial Trend Information

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time:

Change in Net Assets - Governmental Activities	91
Change in Net Assets - Business-type Activities	92
Change in Fund Balance - Governmental Funds	93-94
Governmental Fund Balance Designations	95-96
Government-wide Net Assets by Component	97

Revenue Capacity Information

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. The following schedules reflecting revenue capacity information have been presented as part of the continuing disclosure items:

- Property Tax Rates - Direct and Overlapping Government
- Property Tax Levy and Collections
- Principal Taxpayers

Taxable Value and Actual Value of Taxable Property	98-99
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Debt Capacity Information

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. The computation of legal debt margin schedule, which includes debt capacity information, has been presented as part of the continuing disclosure items:

Pledged Revenue Coverage	100-101
Ratio of Outstanding Debt	102-103
Ratio of General Bonded Debt Outstanding	104-105
Computation of Direct and Overlapping Debt	106

City of St. Clair Shores, Michigan

Statistical Section Contents (Continued)

Demographic and Economic Information

The following schedule offers demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. The principal employers schedule, which includes demographic and economic information, has been presented as part of the continuing disclosure items:

Demographic and Economic Statistics	107
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Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Full-time Equivalent Government Employees	108-109
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Capital Asset Statistics	116-117

City of St. Clair Shores, Michigan

Change in Net Assets - Governmental Activities Last Four Fiscal Years

	Year Ended June 30			
	2007	2006	2005	2004
Expenses				
General government	\$ 11,507,165	\$ 10,828,260	\$ 10,007,516	\$ 10,113,712
Public safety	18,541,990	17,445,205	16,210,759	14,893,061
Public works	11,125,235	10,722,110	9,322,623	9,664,287
Community and economic development	1,911,690	1,306,292	1,658,320	2,016,726
Recreation and culture	6,615,490	6,699,876	6,525,861	6,311,869
Interest on long-term debt	217,605	1,610,333	2,170,937	1,657,275
Total governmental activities	49,919,175	48,612,076	45,896,016	44,656,930
Program Revenues				
Charges for services				
General government	2,176,094	2,113,145	2,044,894	1,878,715
Public safety	1,900,183	1,901,412	2,005,409	2,027,282
Public works	566,966	516,875	443,775	385,658
Community and economic development	324,650	522,988	498,743	495,442
Recreation and culture	3,502,611	3,262,167	3,246,565	3,348,600
Interest on long-term debt	6,337	-	-	-
Total charges for services	8,476,841	8,316,587	8,239,386	8,135,697
Operating Grants and Contributions	5,706,069	8,804,915	5,123,863	5,714,200
Capital Grants and Contributions	1,854,423	1,505,949	4,156,805	4,064,822
Total program revenue	16,037,333	18,627,451	17,520,054	17,914,719
Net Expense	(33,881,842)	(29,984,625)	(28,375,962)	(26,742,211)
General Revenues				
Property taxes	33,662,454	31,194,126	26,356,518	24,893,825
State-shared revenues	6,382,952	5,818,277	5,890,777	5,954,665
Investment earnings	2,725,257	2,820,653	604,229	303,877
Cable franchise fees	788,875	727,726	708,795	671,771
Gain on sale of assets	-	83,826	189	-
Miscellaneous	856,544	1,375,096	481,439	358,377
Total general revenues	44,416,082	42,019,704	34,041,947	32,182,515
Transfers	(4,047,292)	58,000	74,420	(22,598)
Change in Net Assets	\$ 6,486,948	\$ 12,093,079	\$ 5,740,405	\$ 5,417,706

City of St. Clair Shores, Michigan

Change in Net Assets - Business-type Activities Last Four Fiscal Years

	Year Ended June 30			
	2007	2006	2005	2004
Operating Revenue				
Customer fees	\$ 13,011,630	\$ 14,110,958	\$ 12,630,194	\$ 13,459,585
Tap fees	21,007	102,327	71,986	65,020
Other	69,360	161,152	145,984	58,205
Total operating revenue	13,101,997	14,374,437	12,848,164	13,582,810
Operating Expenses				
Water purchases	1,707,711	2,155,948	2,519,293	2,095,196
Sewage disposal charges	4,891,914	5,397,582	6,328,438	5,649,509
Salaries and fringe benefits	1,836,919	1,856,479	1,915,090	2,022,303
Administrative charge	778,346	761,665	775,377	1,298,686
Repairs and maintenance	2,242,752	1,576,016	1,504,379	1,139,520
Depreciation	1,397,891	1,014,816	753,617	763,907
Supplies	65,164	58,137	56,475	50,591
Other	590,913	738,955	652,977	590,530
Total operating expenses	13,511,610	13,559,598	14,505,646	13,610,242
Operating Income (Loss)	(409,613)	814,839	(1,657,482)	(27,432)
Nonoperating Revenue (Expenses)				
Property taxes	1,988,159	1,760,731	1,706,740	1,580,592
Investment income	515,235	280,866	162,060	74,343
Interest expense	(1,994,345)	(65,491)	(80,091)	(120,599)
Federal grants	-	-	7,914	21,374
Loss on disposal of assets	(4,467)	-	-	-
Income - Before contributions and other items	504,582	1,976,106	1,796,623	1,555,710
Capital Contributions				
Capital grants	17,825	63,001	17,246	251,175
Other funds	1,252,944	-	-	-
Total capital contributions	1,270,769	63,001	17,246	251,175
Transfers from Other Funds	2,852,348	-	-	75,644
Transfers to Other Funds	(58,000)	(58,000)	(74,420)	(53,046)
Change in Net Assets	\$ 4,160,086	\$ 2,795,946	\$ 81,967	\$ 1,802,051

City of St. Clair Shores, Michigan

	Year Ended		
	2007	2006	2005
Revenue			
Property taxes	\$ 33,591,277	\$ 31,610,755	\$ 26,216,797
Licenses and permits	1,262,084	1,429,410	1,400,042
Federal grants	1,897,040	4,801,939	1,070,467
State-shared revenues	10,506,607	9,852,997	9,941,755
Charges for services	4,171,727	3,581,274	3,559,584
Fines and forfeitures	1,878,181	2,014,115	2,096,828
Investment income	2,667,263	2,758,482	572,690
Other	1,401,999	2,212,046	2,245,723
Total revenue	57,376,178	58,261,018	47,103,886
Expenditures			
Current:			
General government	10,874,131	10,813,706	9,747,056
Public safety	18,529,292	17,410,562	16,016,638
Public works	13,536,576	16,767,625	12,597,379
Community and economic development	1,894,797	1,295,692	1,539,660
Recreation and culture	4,656,469	4,611,104	4,534,909
Debt service principal	749,111	2,563,378	2,128,282
Debt service interest	450,875	2,131,669	2,028,811
Total expenditures	50,691,251	55,593,736	48,592,735
Excess of Revenue Over (Under) Expenditures	6,684,927	2,667,282	(1,488,849)
Other Financing Sources (Uses)			
Debt issuance	-	16,023,220	1,699,146
Transfers in	4,392,014	3,961,860	4,561,746
Transfers out	(7,518,362)	(4,098,022)	(5,021,423)
Debt defeasance	-	-	-
Total other financing sources (uses)	(3,126,348)	15,887,058	1,239,469
Net Change in Fund Balances	3,558,579	18,554,340	(249,380)
Fund Balances - Beginning of year	36,747,336	18,192,996	18,442,376
Fund Balances - End of year	<u>\$ 40,305,915</u>	<u>\$ 36,747,336</u>	<u>\$ 18,192,996</u>
Debt Service as a Percentage of Noncapital Expenditures	2.88%	11.90%	10.96%

**Change in Fund Balance
Governmental Funds
Last Ten Fiscal Years**

June 30

2004	2003	2002	2001	2000	1999	1998
\$ 24,830,902	\$ 23,351,664	\$ 21,821,038	\$ 21,232,974	\$ 17,920,891	\$ 18,233,589	\$ 17,625,497
1,332,299	1,288,073	1,388,953	1,279,146	1,296,098	1,259,482	1,011,749
810,681	4,533,774	1,249,583	1,249,409	834,033	2,380,736	1,341,571
10,870,076	10,615,651	10,861,402	11,481,170	11,285,593	10,820,165	10,423,765
3,958,426	3,941,713	3,526,016	3,118,675	2,914,756	2,383,018	2,311,455
1,860,677	1,732,976	1,837,754	1,917,089	2,144,747	1,742,737	1,710,451
293,486	343,326	697,256	1,012,646	1,027,385	940,574	982,673
1,107,361	1,205,771	830,481	789,040	737,596	775,182	1,164,577
<u>45,063,908</u>	<u>47,012,948</u>	<u>42,212,483</u>	<u>42,080,149</u>	<u>38,161,099</u>	<u>38,535,483</u>	<u>36,571,738</u>
10,136,632	9,560,094	8,803,545	8,091,139	8,926,044	8,780,192	7,871,869
14,169,232	13,613,575	13,994,050	13,606,540	12,974,387	13,575,574	13,670,747
11,049,322	14,590,182	34,430,425	12,858,054	7,067,639	7,441,658	6,245,274
2,004,973	2,121,350	3,230,271	3,426,481	2,708,492	4,212,106	2,635,171
4,394,431	4,522,684	4,844,980	4,548,841	4,374,351	4,394,925	4,842,104
2,132,057	1,179,447	931,993	837,293	799,101	985,749	1,569,247
1,333,430	1,834,736	1,670,646	426,249	469,832	563,143	642,634
<u>45,220,077</u>	<u>47,422,068</u>	<u>67,905,910</u>	<u>43,794,597</u>	<u>37,319,846</u>	<u>39,953,347</u>	<u>37,477,046</u>
(156,169)	(409,120)	(25,693,427)	(1,714,448)	841,253	(1,417,864)	(905,308)
1,097,702	4,062,474	30,466,320	2,777,107	-	2,085,943	1,500,000
6,001,429	5,287,746	4,610,625	5,383,382	3,687,908	3,286,542	2,557,391
(6,391,027)	(5,743,150)	(4,900,625)	(5,330,264)	(4,027,908)	(4,310,042)	(2,557,391)
-	-	(2,976,990)	-	-	(1,540,200)	-
<u>708,104</u>	<u>3,607,070</u>	<u>27,199,330</u>	<u>2,830,225</u>	<u>(340,000)</u>	<u>(477,757)</u>	<u>1,500,000</u>
551,935	3,197,950	1,505,903	1,115,777	501,253	(1,895,621)	594,692
<u>17,890,441</u>	<u>14,692,491</u>	<u>13,186,588</u>	<u>12,070,811</u>	<u>11,569,558</u>	<u>13,465,179</u>	<u>12,870,487</u>
<u>\$ 18,442,376</u>	<u>\$ 17,890,441</u>	<u>\$ 14,692,491</u>	<u>\$ 13,186,588</u>	<u>\$ 12,070,811</u>	<u>\$ 11,569,558</u>	<u>\$ 13,465,179</u>
9.53%	8.50%	7.47%	3.78%	4.01%	4.73%	7.17%

City of St. Clair Shores, Michigan

	Year Ended				
	2007	2006	2005	2004	2003
General Fund:					
Reserved	\$ 6,741,190	\$ 5,965,913	\$ 5,409,134	\$ 4,849,616	\$ 3,840,141
Unreserved	<u>14,462,287</u>	<u>11,679,907</u>	<u>6,936,977</u>	<u>6,701,999</u>	<u>6,720,658</u>
Total General Fund	<u>\$ 21,203,477</u>	<u>\$ 17,645,820</u>	<u>\$ 12,346,111</u>	<u>\$ 11,551,615</u>	<u>\$ 10,560,799</u>
All other governmental funds:					
Reserved	\$ 10,653,805	\$ 13,471,341	\$ 289,206	\$ 614,254	\$ -
Unreserved, reported in:					
Special Revenue Funds	4,272,419	2,209,025	2,174,926	2,578,055	1,590,074
Capital Project Funds	92,413	309,760	-	408,432	1,224,706
Debt Service Funds	<u>4,083,801</u>	<u>3,111,390</u>	<u>3,382,753</u>	<u>3,290,020</u>	<u>4,514,862</u>
Total all other governmental funds	<u>\$ 19,102,438</u>	<u>\$ 19,101,516</u>	<u>\$ 5,846,885</u>	<u>\$ 6,890,761</u>	<u>\$ 7,329,642</u>

**Governmental Fund Balance Designations
Last Ten Fiscal Years**

June 30

2002	2001	2000	1999	1998
\$ 4,496,463	\$ 4,215,427	\$ 3,752,023	\$ 3,178,185	\$ 2,796,489
<u>5,779,624</u>	<u>6,220,532</u>	<u>5,683,990</u>	<u>4,940,657</u>	<u>6,386,033</u>
<u>\$ 10,276,087</u>	<u>\$ 10,435,959</u>	<u>\$ 9,436,013</u>	<u>\$ 8,118,842</u>	<u>\$ 9,182,522</u>
\$ -	\$ -	\$ -	\$ -	\$ -
848,438	1,283,754	1,768,088	1,012,835	933,354
1,843,495	614,381	582,826	2,163,324	2,795,443
<u>1,724,471</u>	<u>852,494</u>	<u>283,884</u>	<u>274,557</u>	<u>553,860</u>
<u>\$ 4,416,404</u>	<u>\$ 2,750,629</u>	<u>\$ 2,634,798</u>	<u>\$ 3,450,716</u>	<u>\$ 4,282,657</u>

City of St. Clair Shores, Michigan

Government-wide Net Assets by Component Last Four Fiscal Years

	Year Ended June 30			
	2007	2006	2005	2004
Governmental Activities				
Invested in capital assets - Net of related debt	\$ 97,817,670	\$ 85,490,733	\$ 91,266,510	\$ 87,691,385
Restricted	16,223,006	24,596,879	10,928,070	10,922,405
Unrestricted	9,949,574	10,265,038	6,064,991	3,905,376
Total net assets	<u>\$ 123,990,250</u>	<u>\$ 120,352,650</u>	<u>\$ 108,259,571</u>	<u>\$ 102,519,166</u>
Business-type Activities				
Invested in capital assets - Net of related debt	\$ 22,084,903	\$ 22,121,451	\$ 20,561,223	\$ 20,817,968
Restricted	1,314,898	1,399,865	1,247,015	1,238,993
Unrestricted	19,622,040	15,340,439	14,257,571	13,926,881
Total net assets	<u>\$ 43,021,841</u>	<u>\$ 38,861,755</u>	<u>\$ 36,065,809</u>	<u>\$ 35,983,842</u>
Primary Government in Total				
Invested in capital assets - Net of related debt	\$ 119,902,573	\$ 107,612,184	\$ 111,827,733	\$ 108,509,353
Restricted	17,537,904	25,996,744	12,175,085	12,161,398
Unrestricted	29,571,614	25,605,477	20,322,562	17,832,257
Total net assets	<u>\$ 167,012,091</u>	<u>\$ 159,214,405</u>	<u>\$ 144,325,380</u>	<u>\$ 138,503,008</u>

City of St. Clair Shores, Michigan

		Taxable Value by Property Type			
		Real Property			Agricultural and Other
Tax Year	Fiscal Year Ended June 30	Residential	Commercial	Industrial	
1997	1998	\$ 1,140,843,523	\$ 127,149,015	\$ 19,195,286	\$ -
1998	1999	1,179,830,729	134,535,269	19,579,197	-
1999	2000	1,211,064,658	144,326,486	18,595,461	-
2000	2001	1,254,057,702	153,999,457	19,019,880	-
2001	2002	1,316,791,725	161,868,462	19,604,994	-
2002	2003	1,382,323,800	171,516,700	19,960,300	-
2003	2004	1,431,082,050	176,523,300	20,556,600	-
2004	2005	1,490,343,700	183,426,900	20,569,000	-
2005	2006	1,552,879,800	196,817,900	19,873,700	-
2006	2007	1,631,850,600	208,359,300	20,933,800	-

Note 1: Under Michigan law, the revenue base is referred to as “taxable value.” This amount represents assessed value (50 percent of true cash value), limited for each property by the lower of 5 percent or inflation.

Note 2: Taxes levied in a particular “tax year” become revenue of the subsequent fiscal year.

**Taxable Value and Actual Value of Taxable Property
Last Ten Fiscal Years**

Personal Property	Total Value	Direct City Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a Percentage of Actual
\$ 58,682,761	\$ 1,345,870,585	12.8527	\$ 2,795,161,008	48.15
63,008,711	1,396,953,906	12.8333	3,018,415,712	46.28
67,766,818	1,441,753,423	13.2320	3,455,749,516	41.72
65,115,869	1,492,192,908	14.9975	3,698,365,036	40.35
65,889,360	1,564,154,541	14.7980	3,984,737,566	39.25
63,289,490	1,637,090,290	15.0063	4,298,064,780	38.09
64,030,600	1,692,192,550	15.4504	4,538,070,200	37.29
65,265,200	1,759,604,800	15.8504	4,668,175,800	37.69
67,585,300	1,837,156,700	17.9863	4,812,009,400	38.18
62,338,900	1,923,482,600	18.2755	4,956,830,400	38.80

City of St. Clair Shores, Michigan

Water and Sewer Revenue Bonds

Fiscal Year	Gross Revenue	Applicable Expenses	Net Revenues	Debt Service		Coverage
				Principal	Interest	
1998	\$ 10,557,611	\$ 10,350,661	\$ 206,950	\$ 345,000	\$ 225,521	0.36
1999	12,637,206	10,934,570	1,702,636	390,000	215,664	2.81
2000	11,682,197	10,827,689	854,508	390,000	215,664	1.41
2001	11,911,869	9,561,758	2,350,111	390,000	215,664	3.88
2002	12,968,727	11,041,875	1,926,852	390,000	215,664	3.18
2003	14,363,454	12,691,101	1,672,353	390,000	215,664	2.76
2004	15,259,119	12,846,335	2,412,784	270,000	109,695	6.35
2005	14,716,964	13,752,029	964,935	130,000	66,798	4.90
2006	16,416,028	12,544,782	3,871,246	150,000	62,948	18.18
2007	15,605,391	12,133,719	3,471,672	150,000	58,823	16.62

**Pledged Revenue Coverage
Last Ten Fiscal Years**

Recreational Revenue Bonds						
Gross Revenues	Applicable Expenses	Net Revenues	Debt Service		Coverage	
			Principal	Interest		
\$ 1,886,361	\$ 1,098,534	\$ 787,827	\$ 185,000	\$ 277,651	1.70	
1,857,250	1,148,057	709,193	235,000	268,223	1.41	
1,617,209	1,250,397	366,812	260,000	257,970	0.71	
1,752,748	1,412,484	340,264	360,000	233,552	0.57	
1,763,180	1,421,070	342,110	385,000	216,452	0.57	
1,795,653	1,264,434	531,219	250,000	140,683	1.36	
1,833,085	1,316,125	516,960	265,000	126,890	1.32	
1,818,624	1,430,147	388,477	270,000	121,590	0.99	
1,853,656	1,474,654	379,002	275,000	116,190	0.97	
1,729,840	1,455,677	274,163	285,000	109,590	0.69	

City of St. Clair Shores, Michigan

	2007	2006	2005	2004
Governmental Activities				
General obligation bonds	\$ 3,595,000	\$ 4,060,000	\$ 4,965,000	\$ 5,845,000
County drain obligations	7,561,403	16,993,909	33,130,581	32,680,113
Special assessment bonds	-	-	-	-
Capital leases	274,946	436,349	625,053	764,017
Component unit (TIFA)	1,835,000	2,120,000	2,365,000	2,595,000
Total	13,266,349	23,610,258	41,085,634	41,884,130
Business-type Activities				
General obligation bonds	3,610,000	-	-	160,000
County drain obligations	38,240,401	30,501,908	-	-
Revenue bonds	4,690,000	5,115,000	5,515,000	5,785,000
Capital leases	-	-	-	-
Total	46,540,401	35,616,908	5,515,000	5,945,000
Total debt of the government	<u>\$ 59,806,750</u>	<u>\$ 59,227,166</u>	<u>\$ 46,600,634</u>	<u>\$ 47,829,130</u>
Total Residential Personal Income	Not available	Not available	\$ 2,121,359,547	\$ 2,069,406,105
Ratio of total debt to personal income	-	-	2.20%	2.31%
Total Population	61,028	60,759	61,027	61,343
Total debt per capita	\$ 980	\$ 975	\$ 764	\$ 780

**Ratio of Outstanding Debt
Last Ten Fiscal Years**

2003	2002	2001	2000	1999	1998
\$ 6,735,000	\$ 12,300,000	\$ 11,590,000	\$ 7,475,000	\$ 8,080,000	\$ 8,535,000
33,170,724	29,468,113	3,323,958	749,143	943,244	1,128,993
-	-	-	-	-	230,000
581,699	738,558	912,039	1,078,121	1,200,104	854,362
<u>2,800,000</u>	<u>2,980,000</u>	<u>3,140,000</u>	<u>3,280,000</u>	<u>3,400,000</u>	<u>3,500,000</u>
43,287,423	45,486,671	18,965,997	12,582,264	13,623,348	14,248,355
310,000	455,000	595,000	725,000	850,000	970,000
-	-	-	-	-	-
6,140,000	6,620,000	7,295,000	7,905,000	8,455,000	8,960,000
-	32,275	176,275	320,275	474,000	481,000
<u>6,450,000</u>	<u>7,107,275</u>	<u>8,066,275</u>	<u>8,950,275</u>	<u>9,779,000</u>	<u>10,411,000</u>
<u>\$ 49,737,423</u>	<u>\$ 52,593,946</u>	<u>\$ 27,032,272</u>	<u>\$ 21,532,539</u>	<u>\$ 23,402,348</u>	<u>\$ 24,659,355</u>
\$ 2,123,774,676	\$ 2,058,999,768	\$ 2,053,706,400	\$ 2,078,634,624	\$ 1,921,441,896	\$ 1,835,895,578
2.34%	2.55%	1.32%	1.04%	1.22%	1.34%
62,268	62,292	62,613	63,096	61,974	62,603
\$ 799	\$ 844	\$ 432	\$ 341	\$ 378	\$ 394

City of St. Clair Shores, Michigan

Fiscal Year	Tax-limited		Less Pledged Debt Service Funds	Other General Obligation Debt	Net General Bonded Debt
	General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)			
1998	\$ 8,535,000	\$ -	\$ (553,860)	\$ 1,983,855	\$ 9,964,995
1999	8,080,000	-	(274,557)	2,143,348	9,948,791
2000	7,475,000	-	(283,884)	1,827,264	9,018,380
2001	11,590,000	-	(852,494)	4,235,997	14,973,503
2002	12,300,000	-	(1,724,471)	30,206,671	40,782,200
2003	6,735,000	-	(4,514,862)	33,752,423	35,972,561
2004	5,845,000	-	(3,290,020)	33,444,130	35,999,110
2005	4,965,000	-	(3,382,753)	33,755,634	35,337,881
2006	4,060,000	-	(3,111,389)	47,932,167	48,880,778
2007	7,205,000	-	(4,083,801)	46,076,750	49,197,949

**Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years**

	Debt as a Percentage of		Debt per
Taxable Value	Taxable Value	Population	Capita
\$ 1,307,291,945	0.76	64,553	\$ 154
1,345,870,585	0.74	62,603	159
1,396,953,906	0.65	61,974	146
1,441,753,423	1.04	63,096	237
1,492,192,908	2.73	62,292	655
1,567,930,820	2.29	62,268	578
1,638,213,813	2.20	61,343	587
1,759,604,800	2.01	61,027	579
1,837,156,700	2.66	60,759	805
1,923,482,600	2.56	61,028	806

City of St. Clair Shores, Michigan

Computation of Direct and Overlapping Debt June 30, 2007

Jurisdiction	General Bonded Debt Obligation	Percent Applicable to St. Clair Shores Taxpayers	Amount Applicable to St. Clair Shores Taxpayers
Direct debt - City of St. Clair Shores	\$ 49,396,804	100.00	\$ 49,396,804
Overlapping debt:			
County of Macomb	85,451,318	6.33	5,409,068
Macomb Intermediate	2,000,000	6.20	124,000
L'Anse Creuse Schools	135,585,000	0.08	108,468
Lake Shore Schools	25,460,000	100.00	25,460,000
Lakeview Schools	29,675,000	100.00	29,675,000
South Lake Schools	<u>19,555,000</u>	85.76	<u>16,770,368</u>
Total overlapping debt	<u>297,726,318</u>		<u>77,546,904</u>
Total	<u>\$ 347,123,122</u>		<u>\$ 126,943,708</u>

City of St. Clair Shores, Michigan

Demographic and Economic Statistics Last Ten Years

Fiscal Year Ended June 30	Estimated Population	Personal Income (in Thousands)	Per Capita Personal Income (in Thousands)	Unemployment Rate (Percent) (3)
1998	62,603 (5)	\$ 22,861,388 (1)	\$ 29,326 (1)	3.2
1999	61,974 (5)	24,302,127 (1)	31,004 (1)	3.3
2000	63,096 (4)	26,057,293 (1)	32,944 (1)	3.4
2001	62,613 (5)	26,267,199 (1)	32,800 (2)	4.5
2002	62,292 (5)	26,724,410 (2)	33,054 (2)	5.9
2003	62,268 (5)	27,821,090 (2)	34,107 (2)	6.2
2004	61,343 (5)	27,774,429 (2)	33,735 (2)	6.0
2005	61,027 (5)	28,814,941 (1)	34,761 (1)	7.6
2006	60,759 (5)	Not available (6)	Not available (6)	7.1
2007	61,028 (5)	Not available (6)	Not available (6)	7.2

- (1) Yearly total for Macomb County; data not available on a local level. Data obtained from Michigan Department of Labor and Economic Growth
- (2) Yearly total for Macomb County; data not available on a local level. Updated data was available and obtained from Michigan Department of Labor and Economic Growth
- (3) All unemployment data is from Michigan Employment Security Commission
- (4) From federal census
- (5) State demographer (SEMCOG)
- (6) Data not yet available

City of St. Clair Shores, Michigan

Function/Program	Fiscal				
	2007	2006	2005	2004	2003
General government:					
Court	22	21	19	21	22
City Manager	3	3	3	3	4
Finance	10	10	10	11	13
Clerk/Elections	6	5	5	5	6
Assessing	3	4	4	5	6
Information Systems	2	3	3	3	4
Building Maintenance	3	4	4	5	5
Police	101	101	99	104	106
Fire	50	50	50	50	54
Community Development	16	15	14	17	18
DPW Administration	1	1*	2	2	2
Sanitation	2	2	1	1	1
Parks and Recreation Administration	8	8	8	9	9
Recreation	7	7	7	6	6
Arena	7	8	8	9	10
Parks	15	15	15	15	17
Senior Activity Center	7	7	7	7	8
Library and Information Services	22	22	20	23	23
Utility Fund:					
Water	16	16	21	23	23
Sewer	8	8	8	8	8
Storm Sewer	1	0	0	3	3
Motor Pool	3	3	4	5	5
Streets	12	13	15	16	16
Recreational Revenue System:					
Boating	9	9	9	8	9
Swimming Pool	7	7	7	7	7
Golf	21	21	18	18	18
Total	362	363	361	384	403
Full-time employees	269	274	281	300	307
Part-time employees (at full-time equivalent)	93	89	80	84	96
Total	362	363	361	384	403

Figures obtained through actual budgets

* Beginning with fiscal year 2006, the DPW supervisor position was moved to the sanitation department.

**Full-time Equivalent Government Employees
June 30, 2007**

Year	2002	2001	2000	1999	1998
	22	22	22	22	21
	4	4	4	4	3
	13	13	14	14	14
	7	7	6	7	7
	7	7	6	7	7
	4	4	4	4	4
	5	5	5	5	4
	108	108	108	106	106
	55	55	55	54	52
	19	19	19	19	17
	2	2	2	2	2
	1	1	1	1	1
	9	10	10	10	10
	6	5	4	4	4
	10	10	10	10	10
	17	17	17	16	16
	8	8	7	7	6
	24	24	24	23	21
	24	24	24	24	25
	9	9	9	9	9
	3	3	4	4	4
	6	6	6	6	6
	18	18	20	20	19
	9	8	8	8	7
	7	7	7	7	6
	18	18	18	18	17
	415	414	414	411	398
	320	314	321	318	312
	95	100	93	93	86
	415	414	414	411	398

City of St. Clair Shores, Michigan

Function/Program	Fiscal				
	2007	2006	2005	2004	2003
Police protection:					
Part 1 crimes (1)	2,139	2,725	2,515	2,485	2,659
Part 2 crimes (2)	4,330	4,713	4,435	4,341	3,702
Injury accidents	280	279	339	318	385
Property damage	1,205	1,231	1,429	1,297	1,476
Private property damage (3)	383	149	158	156	167
Civil infractions	18,022	23,947	18,949	12,857	10,979
Parking violations	5,351	7,440	6,592	4,319	4,069
Adult arrests	2,505	2,420	2,315	2,174	1,878
Juvenile arrests	177	126	103	149	123
OUIL arrests	216	206	189	190	183
False alarm billings (3)	1,281	1,392	1,374	1,600	1,641
Fire protection:					
Emergency alarms answered	6,908	6,271	6,293	6,315	6,064
Medical emergencies (EMS)	4,635	4,894	4,510	4,547	4,328
Fire inspections conducted - All types	582	1,258	538	701	2,023
Code violations	2,554	3,018	2,182	1,758	2,570
Training hours completed	845	853	844	764	1,014
Library:					
Registered borrowers	24,218	23,850	23,451	27,638	25,451
Items circulated	338,157	336,518	322,508	307,769	310,687
Reference transactions	24,218	20,816	22,196	28,811	27,466
Program attendance	6,810	8,148	7,174	6,708	5,784
Library visits	174,379	183,515	203,730	203,203	211,769
Museum visits	2,746	2,507	2,487	2,128	2,250
Hours of literacy tutoring	1,347	1,293	1,413	1,095	1,165
Library website logins (3)	101,215	94,831	95,427	88,500	66,304
Electronic database logins (3)	14,465	11,894	14,874	14,714	17,440
Internet sessions (3)	25,733	26,316	24,099	19,527	16,906

Sources: Various city departments and prior year Comprehensive Annual Financial Reports

(1) Murder, criminal sexual conduct, robbery, aggravated assault, burglary, larceny, arson, vehicle theft

(2) Malicious destruction of property, disorderly conduct, assault, family trouble, etc.

(3) Not included in statistical data for all of the last 10 fiscal years - Information was either not tracked or service was not available at that time

Operating Indicators
June 30, 2007

Year	2002	2001	2000	1999	1998
	2,532	2,370	2,641	2,656	2,589
	3,541	3,492	3,357	2,116	4,582
	382	427	370	377	380
	1,378	1,331	1,170	1,254	1,250
	163	159	176	Unknown	Unknown
	14,055	16,843	18,178	16,996	17,824
	5,026	5,528	6,544	6,862	4,416
	1,644	1,594	1,844	1,700	1,720
	149	294	154	187	296
	117	127	134	142	130
	1,659	1,657	1,754	Unknown	Unknown
	6,117	6,072	6,007	5,469	5,289
	4,297	4,301	4,231	3,791	3,634
	3,400	1,642	1,348	1,371	1,583
	3,550	1,622	5,392	5,484	3,166
	986	480	369	213	1,235
	22,857	20,156	29,971	29,974	29,979
	296,499	300,921	291,925	294,368	308,172
	25,624	28,851	28,345	27,220	30,203
	6,726	6,539	6,332	4,243	5,146
	183,271	193,359	195,335	205,509	200,132
	2,235	2,828	2,688	2,356	2,500
	1,387	1,043	932	1,106	1,558
	50,550	N/A	N/A	N/A	N/A
	17,357	19,041	23,236	30,402	30,402
	15,358	11,623	10,839	N/A	N/A

City of St. Clair Shores, Michigan

Function/Program	Fiscal				
	2007	2006	2005	2004	2003
Election data (November general election data):					
Registered voters	47,547	47,798	47,531	46,954	47,231
Voters at polls	20,444	8,956	25,618	9,434	18,641
Absentee ballots	8,411	5,886	10,573	5,903	7,675
Percent voting	60.69%	31.05%	76.14%	32.66%	55.72%
40th District Court - Cases handled:					
Civil	1,860	1,593	1,396	1,383	1,479
Criminal	2,274	1,890	1,795	1,598	1,776
Traffic	17,556	19,718	21,213	18,326	15,759
Landlord and tenant	436	372	268	316	260
Small claims	288	332	373	403	445
Parking	5,190	7,525	6,533	4,286	4,206
Water and sewer services:					
Customers:					
Residential	24,002	23,958	23,952	23,937	23,915
Commercial	1,277	1,272	1,277	1,271	1,281
Water (in thousand cubic feet):					
Purchased from Detroit	279,684	307,220	334,315	301,467	329,918
Sold to residents	241,595	261,208	239,213	266,265	262,300
Water rates (in thousand cubic feet):					
1,000 CU feet	\$ 18.93	\$ 17.60	\$ 18.95	\$ 19.07	\$ 17.30
2,000 CU feet	\$ 18.93	\$ 17.60	\$ 18.95	\$ 19.07	\$ 17.30
Over 3,000 CU feet	\$ 18.93	\$ 17.60	\$ 18.95	\$ 19.07	\$ 17.30
Sewer rates (in thousand cubic feet):					
1,000 CU feet	\$ 27.06	\$ 26.53	\$ 26.53	\$ 26.12	\$ 23.16
2,000 CU feet	\$ 27.06	\$ 26.53	\$ 26.53	\$ 26.12	\$ 23.16
Over 3,000 CU feet	\$ 27.06	\$ 26.53	\$ 26.53	\$ 26.12	\$ 23.16

Sources: Various city departments and prior year Comprehensive Annual Financial Report

Operating Indicators (Continued)
June 30, 2007

Year	2002	2001	2000	1999	1998
	49,250	48,989	49,190	49,156	50,809
	9,486	33,542	7,917	19,379	5,901
	5,570	9,507	5,195	7,331	5,231
	19%	68%	27%	25%	22%
	1,210	963	974	941	916
	2,035	2,004	1,784	1,763	2,399
	18,995	23,569	21,519	17,376	16,658
	214	205	231	171	155
	453	386	354	424	491
	5,315	6,889	5,795	7,191	6,171
	23,890	23,852	23,868	23,831	23,836
	1,279	1,271	1,283	1,300	1,288
	287,550	282,408	299,221	310,103	310,013
	260,474	256,197	274,654	285,919	242,349
	\$ 15.20	\$ 16.82	\$ 13.92	\$ 18.01	\$ 16.91
	\$ 15.20	\$ 16.82	\$ 13.92	\$ 18.01	\$ 16.91
	\$ 15.20	\$ 16.82	\$ 13.92	\$ 18.01	\$ 16.91
	\$ 21.35	\$ 19.16	\$ 20.71	\$ 20.35	\$ 19.11
	\$ 21.35	\$ 19.16	\$ 20.71	\$ 20.35	\$ 19.11
	\$ 21.35	\$ 19.16	\$ 20.71	\$ 20.35	\$ 19.11

City of St. Clair Shores, Michigan

Function/Program	Fiscal				
	2007	2006	2005	2004	2003
Parks and recreation:					
Adult athletic attendance	867	880	1,050	1,100	2,500
Youth athletic attendance	6,895	7,165	3,425	3,300	3,000
Instructional swim attendance	1,211	1,000	1,000	1,000	1,000
Instructional rec attendance	2,313	2,350	2,300	2,250	175
Senior program attendance	39,684	40,050	38,939	43,897	48,379
SMART program attendance	21,002	20,905	19,259	14,570	11,520
USDA meals program/senior meals	5,861	5,719	5,441	5,096	6,306
Health-O-Rama attendance	163	109	215	146	176
Seniors apple pie sale (number sold)	1,000	1,260	1,260	1,260	1,260
Senior volunteer hours	16,405	16,351	16,305	14,736	13,169
Summer playground attendance	1,180	1,200	1,300	1,335	1,340
Pool attendance	22,000	21,800	13,400	12,600	12,000
Boat wells rented (1)	278	315	325	348	353
Pool/waterslide attendance	13,900	12,000	10,500	10,500	11,500
Boat ramp usage	15,200	15,000	14,500	14,000	13,500
Golf course attendance	51,167	54,124	54,771	58,858	60,330
Ice rental - Number of hours (2)	7,487	7,730	8,443	8,601	8,583
Public skating attendance (3)	6,834	8,110	5,607	6,872	8,655
Ice skating lessons attendance	1,648	1,696	1,570	1,569	1,502
Special events attendance (4)	16,286	16,383	14,231	13,300	11,500
Special recreation program attendance	1,200	1,200	900	850	360

Sources: Various city departments and prior year Comprehensive Annual Financial Report

- (1) Number of rentals may exceed wells available for rent due to wells being reserved for more than one party during a season
- (2) Rental hours
- (3) Includes public skate, adult skate, shift hockey, and parent/tot skates
- (4) 1998 increase due to completion of ice arena renovation; includes the ice show, Autumn Classic, four SilverStick tournaments, and the state tournament

Operating Indicators (Continued)
June 30, 2007

Year	2002	2001	2000	1999	1998
	2,000	2,000	1,200	1,200	1,288
	3,000	3,000	2,790	3,000	2,036
	1,000	910	700	840	776
	175	100	150	175	370
	49,578	47,321	49,625	49,292	50,963
	13,014	12,689	14,590	14,829	17,974
	6,301	6,247	6,992	7,127	6,840
	215	281	257	246	257
	1,260	1,260	1,260	1,260	1,250
	9,732	9,935	9,527	9,966	8,955
	1,170	1,530	1,170	1,200	990
	11,904	17,538	27,945	27,274	25,409
	315	362	365	325	343
	11,337	19,600	8,573	6,881	4,312
	13,000	12,992	12,942	12,650	11,771
	65,563	66,273	72,567	76,415	82,205
	8,917	9,179	9,148	7,976	7,776
	9,122	9,224	14,610	14,610	20,034
	1,484	1,565	1,500	1,500	1,500
	10,500	10,500	7,500	7,500	2,000
	315	315	300	300	225

City of St. Clair Shores, Michigan

Function/Program	Fiscal				
	2007	2006	2005	2004	2003
Police stations	1	1	1	1	1
Fire stations:					
Stations	3	3	3	3	3
Number of fire hydrants	1,706	1,706	1,701	1,703	1,704
Library:					
Book collections	140,542	125,188	120,583	113,471	114,259
Other collections (1)	15,034	24,571	22,538	22,718	22,186
Other public works:					
Miles of city streets - Primary	35.08	35.08	35.08	35.08	35.08
Miles of city streets - Secondary	152.04	152.04	152.04	152.04	152.06
Estimated miles of sidewalks	366	365	365	365	365
Bridges	4	4	4	4	4
Streetlights	4,090	4,090	4,090	4,090	4,089
Parks and recreation:					
Acres	371	371	371	371	371
Developed parks	14	14	14	14	14
Boat wells	362	362	362	362	362
Ice rinks	2	2	2	2	2
Senior center	1	1	1	1	1
Golf course	1	1	1	1	1
Water and sewer:					
Miles of water mains	220	220	220	220	220
Miles of sanitary sewers	229	229	229	229	229

Sources: Various city departments and prior year Comprehensive Annual Financial Report

Note: No capital asset indicators are available for the general government

(1) Includes audio/video cassettes, compact discs, talking books, magazines, etc.

Capital Asset Statistics
June 30, 2007

Year				
2002	2001	2000	1999	1998
1	1	1	1	1
3	3	3	3	3
1,702	1,673	1,658	1,665	1,645
119,030	122,699	128,584	121,259	123,750
24,651	23,413	32,203	27,948	23,432
35.08	35.08	35.08	35.08	35.10
152.06	152.06	152.06	152.07	152.07
365	365	365	365	365
4	4	4	2	2
3,747	3,747	3,747	3,747	3,747
371	371	371	371	367
14	14	14	14	13
362	362	362	362	362
2	2	2	2	2
1	1	1	1	1
1	1	1	1	1
220	220	220	220	220
227	227	227	227	230

City of St. Clair Shores, Michigan

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City of St. Clair Shores, Michigan

Direct City Taxes

Fiscal Year Ended June 30	Operating	Sanitation	Police and Fire		Police and			Debt Service	Library	Total Direct Taxes
			Retirement System	Other ACT 359	Fire Operating	Residential Streets	Water			
1998	6.8120	2.5545	1.7443	0.0377	-	1.0000	-	0.4972	0.2070	12.8527
1999	6.8025	2.5509	1.5759	0.0363	-	0.9986	-	0.5371	0.3320	12.8333
2000	6.7712	2.5392	1.1998	0.0353	-	0.9938	0.9952	0.3655	0.3320	13.2320
2001	6.6960	2.5110	1.1995	0.0341	-	0.9843	0.9843	2.2561	0.3322	14.9975
2002	6.5997	2.4748	1.2579	0.0325	-	0.9700	0.9700	2.1607	0.3324	14.7980
2003	6.5600	2.4599	0.8997	0.0311	-	0.9642	0.9642	2.3690	0.7582	15.0063
2004	6.4766	2.4286	1.4376	0.0301	-	0.9519	0.9519	2.4155	0.7582	15.4504
2005	6.4073	2.4026	1.9296	0.0289	-	0.9417	0.9893	2.2106	0.9404	15.8504
2006	6.3310	2.3740	2.5549	0.0277	1.5737	0.9881	0.9775	2.2302	0.9292	17.9863
2007	6.2987	2.3618	2.9149	0.0265	1.5656	0.9830	0.9725	2.2281	0.9244	18.2755

**Property Tax Rates
Direct and Overlapping Government
(Per \$1,000 of Assessed Valuation)
Last Ten Fiscal Years**

		Overlapping Taxes									
		Lakeview Schools		Lake Shore Schools		South Lake Schools		L' Anse Creuse Schools			
Macomb Community College	Macomb Intermediate Schools	Macomb County	Homestead	Non- homestead	Homestead	Non- homestead	Homestead	Non- homestead	Homestead	Non- homestead	State of Michigan
1.6539	2.0367	4.7616	1.3000	18.7114	4.6000	22.6000	7.9708	19.9700	6.7900	24.7900	6.0000
1.6134	2.0363	4.7614	1.3000	18.7114	4.5000	22.5000	9.9385	22.0600	6.6900	24.6900	6.0000
1.5840	2.0210	4.7571	1.3000	18.2182	4.5000	22.5000	9.7419	22.0900	6.6900	24.6900	6.0000
1.5140	2.0210	4.7545	1.1700	19.1700	4.1000	22.1000	9.3279	21.9865	6.6900	24.6900	6.0000
1.6707	2.0033	4.7481	4.7000	22.7000	3.9500	21.9500	9.4740	22.0378	6.1800	23.8974	6.0000
1.6925	2.9863	5.0228	4.6900	22.6900	3.9500	21.5036	8.9978	21.9749	6.6900	24.6900	6.0000
1.5859	2.9729	5.0192	4.6800	22.6800	3.9500	21.2543	8.9653	21.7191	6.6900	24.6900	5.0000
1.5002	2.9615	5.0161	4.6700	22.6700	3.9500	21.9500	8.8737	21.7191	6.6900	24.6900	6.0000
1.4212	2.9430	5.0116	4.4700	22.4700	3.9500	21.9500	8.7232	21.3210	7.0000	25.0000	6.0000
1.4212	2.9430	5.0101	4.4700	22.4700	3.9500	21.9500	8.7197	21.7016	7.0000	25.0000	6.0000

City of St. Clair Shores, Michigan

Property Tax Rates Direct and Overlapping Government (Per \$1,000 of Assessed Valuation) Last Ten Fiscal Years (Continued)

Fiscal Year Ended June 30	Total Tax Rate							
	Lakeview Schools		Lake Shore Schools		South Lake Schools		L'Anse Creuse Schools	
	Homestead	Non-homestead	Homestead	Non-homestead	Homestead	Non-homestead	Homestead	Non-homestead
1998	28.6049	46.0163	31.9049	49.9049	35.2757	47.2749	34.0949	52.0949
1999	28.5444	45.9558	31.7444	49.7444	37.1829	49.3044	33.9344	51.9344
2000	28.8941	45.8123	32.0941	50.0941	37.3360	49.6841	34.2841	52.2841
2001	30.4570	48.4570	33.3870	51.3870	38.6149	51.2735	35.9770	53.9770
2002	33.9201	51.9201	33.1701	51.1701	38.6941	51.2579	35.4001	53.1175
2003	35.3979	53.3979	34.6579	52.2115	39.7057	52.6828	37.3979	55.3979
2004	34.7084	52.7084	33.9784	51.2827	38.9937	51.7475	36.7184	54.7184
2005	35.9982	53.9982	35.2782	53.2782	40.2019	53.0473	38.0182	56.0182
2006	37.8321	55.8321	37.3121	55.3121	42.0853	54.6831	40.3621	58.3621
2007	38.1198	56.1198	37.5998	55.5998	42.3695	55.3514	40.6498	58.6498

City of St. Clair Shores, Michigan

State Equalized Valuation and Taxable Valuation Five-year History

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Year Ended June 30	State Equalized Valuation	Ad Valorem Taxable Valuation
2005	2006	2007	\$ 2,478,415,200	\$ 1,923,482,600
2004	2005	2006	2,406,004,700	1,837,156,700
2003	2004	2005	2,334,087,900	1,759,604,800
2002	2003	2004	2,269,035,100	1,692,192,550
2001	2002	2003	2,149,032,390	1,637,090,290

Per capita 2007 Ad Valorem Taxable Value is \$31,518 based on the 2007 estimated population of 61,028.

City of St. Clair Shores, Michigan

Breakdown of Current Taxable Valuation June 30, 2007

	<u>Percent</u>
By Use	
Residential	88
Commercial	11
Industrial	<u>1</u>
Total	<u><u>100</u></u>
	<u>Percent</u>
By Class	
Real property	97
Personal property	<u>3</u>
Total	<u><u>100</u></u>

City of St. Clair Shores, Michigan

Property Tax Levy and Collections Last Nine Fiscal Years

Tax Year	Fiscal Years Ended June 30	Total Tax Levy (l)	Current Collections	Percent of Levy Collected	Delinquent Collections	Total Tax Collections	Percent of Total Collections to Tax Levy
1998	1999	\$ 17,688,638	\$ 17,203,884	97.26	\$ 456,706	\$ 17,660,590	99.84
	1999	18,764,223	18,224,954	97.13	489,624	18,714,578	99.74
	2000	22,048,516	21,137,409	95.87	648,251	21,785,660	98.81
	2001	22,791,665	22,157,028	97.22	582,288	22,739,316	99.77
	2002	24,204,066	23,331,506	96.39	740,800	24,072,306	99.46
	2003	25,733,163	24,737,402	96.13	831,459	25,568,861	99.36
	2004	27,422,108	26,439,347	96.42	843,573	27,282,920	99.49
	2005	32,480,499	31,051,615	95.60	1,243,001	32,294,616	99.43
	2006	34,541,050	32,938,808	95.36	1,540,009	34,478,817	99.82

I. Includes operational, sanitation, police and fire pension, police and fire operating. Act 359, voted water levy and road levy, library and long-term debt, but does not include penalty and interest on late payment of taxes

City of St. Clair Shores, Michigan

Tax Rate Limitations June 30, 2007

The City Charter provides tax rate limitations as follows:

Purpose	Rate (per \$1,000 of State Equalized Valuation)	Maximum Permitted Rate per \$1,000 of Taxable Valuation
General operating	\$ 8.00	\$ 6.2987
Voted street	1.00	0.9830
Voted water	1.00	0.9725
Voted police and fire operating	1.5927	1.5656

The City may levy taxes in excess of the above limitation pursuant to State law for the following purposes:

Purpose	Authority	Rate (per \$1,000 of Taxable Valuation)
Refuse collection and disposal	Act 298, P.A. of Michigan 1917, as amended	\$ 2.3618
Police and fire pension requirements	Act 345, P.A. of Michigan 1937, as amended	Amount required to make contribution
Community promotion	Act 359, P.A. of Michigan 1925, as amended	4.0 or \$50,000 (the lesser of the two)
Library	Act 164, P.A. of Michigan 1877, as amended	0.9244

In addition, Article IX, Section 6 of the State of Michigan Constitution permits the levy of millage in excess of the above for:

1. All debt service on tax-supported bonds issued prior to December 23, 1978 or tax-supported issues that have been approved by the voters for which the issuer has pledged its full faith and credit
2. Operating purposes for a specified period of time provided that said increase is approved by a majority of the qualified electors of the local unit

City of St. Clair Shores, Michigan

Population

2007 (Estimated)*	61,028
2006 (Estimated)*	60,759
2000 U.S. Census	63,096
1990 U.S. Census	68,107
1980 U.S. Census	76,210
1970 U.S. Census	88,093

* Source: Southeast Michigan Council of Governments (SEMCOG)

City of St. Clair Shores, Michigan

Receipts of Gas and Weight Taxes Last Five Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Gas and Weight Tax Monies Received</u>
2007	\$ 3,475,906
2006	3,515,658
2005	3,558,482
2004	3,684,015
2003	3,413,423

City of St. Clair Shores, Michigan

	2007	2006	2005	2004
Calculation of Debt Limit -				
State equalized valuation	\$ 2,478,415,200	\$ 2,406,004,700	\$ 2,334,087,900	\$ 2,269,035,100
Debt limit (10% of equalized value)	247,841,520	240,600,470	233,408,790	226,903,510
Calculation of Debt Subject to Limit				
Total debt	59,531,804	58,790,818	45,975,976	44,470,113
Less debt not subject to limit:				
Special Assessment Bonds	-	-	-	-
Revenue Bonds	5,325,000	5,860,000	6,365,000	6,735,000
LTGO Bonds	3,610,000	-	-	-
Michigan Transportation Bonds	2,960,000	3,315,000	4,115,000	4,895,000
TIFA Bonds	1,835,000	2,120,000	2,365,000	2,595,000
Net direct debt	45,801,804	47,495,818	33,130,976	30,245,113
Indirect debt - Share of County/ Federal Issued Bonds	-	-	-	160,000
Net debt subject to limit	<u>45,801,804</u>	<u>47,495,818</u>	<u>33,130,976</u>	<u>30,085,113</u>
Legal debt margin	<u>\$ 202,039,716</u>	<u>\$ 193,104,652</u>	<u>\$ 200,277,814</u>	<u>\$ 196,818,397</u>
Net debt subject to limit as % of debt limit	18.48%	19.74%	14.19%	13.26%

**Computation of Legal Debt Margin
Last Ten Fiscal Years**

2003	2002	2001	2000	1999	1998
\$ 2,149,032,390	\$ 2,022,903,435	\$ 1,849,182,518	\$ 1,727,874,758	\$ 1,509,207,856	\$ 1,397,580,504
214,903,239	202,290,344	184,918,252	172,787,476	150,920,786	139,758,050
49,155,724	51,823,113	25,943,958	20,134,310	21,728,244	23,323,993
-	-	-	-	-	230,000
7,185,000	7,755,000	8,515,000	9,205,000	9,830,000	10,395,000
-	-	-	-	-	-
5,690,000	6,415,000	5,620,000	6,175,000	6,705,000	7,100,000
<u>2,800,000</u>	<u>2,980,000</u>	<u>3,140,000</u>	<u>3,280,000</u>	<u>3,400,000</u>	<u>3,500,000</u>
33,480,724	34,673,113	8,668,958	1,474,310	1,793,244	2,098,993
310,000	455,000	595,000	725,000	850,000	970,000
<u>33,170,724</u>	<u>34,218,113</u>	<u>8,073,958</u>	<u>749,310</u>	<u>943,244</u>	<u>1,128,993</u>
<u>\$ 181,732,515</u>	<u>\$ 168,072,231</u>	<u>\$ 176,844,294</u>	<u>\$ 172,038,166</u>	<u>\$ 149,977,542</u>	<u>\$ 138,629,057</u>
15.44%	16.92%	4.37%	0.43%	0.62%	0.81%

City of St. Clair Shores, Michigan

Debt Statement June 30, 2007

City Direct Debt	Gross	Self-supporting	Net	Net Debt (1)	
				Per Capita	Percentage of Taxable Valuation
Water and Sewer Revenue					
Bonds LTGO	\$ 5,380,000	\$ 5,380,000	\$ -		
MTF Bonds LTGO	2,960,000	2,960,000	-		
Revenue Refunding Bonds					
LTGO	2,920,000	2,920,000	-		
Building Authority Revenue					
Bonds LTGO	635,000	635,000	-		
Share of County-issued bonds	45,801,804	-	45,801,804		
Tifa Revenue Bonds	1,835,000	1,835,000	-		
Total direct debt	\$ 59,531,804	\$ 13,730,000	\$ 45,801,804	\$ 750.50	2.38

City Overlapping Debt (2)	Gross	City Share as Percentage of Gross	Net City Share	Net Debt (1)	
				Per Capita	Percentage of Taxable Valuation
South Lake School District	\$ 19,555,000	85.76	\$ 16,770,368		
Lakeview School District	29,675,000	100.00	29,675,000		
Lake Shore School District	25,460,000	100.00	25,460,000		
L'Anse Creuse School District	135,585,000	0.08	108,468		
Macomb ISD	2,000,000	6.20	124,000		
Macomb - County at large	85,451,318	6.33	5,409,068		
Total overlapping debt	297,726,318		77,546,904	\$ 1,270.68	4.03
Total City direct and overlapping debt	\$ 357,258,122		\$ 123,348,708	\$ 2,021.18	6.41

- (1) Based on the Southeastern Michigan Council of Governments 2007 estimated population of 61,028 and 2007 ad valorem taxable valuation of \$1,923,482,600
- (2) Overlapping debt is the portion of other taxing units debt for which a City taxpayer is responsible in addition to debt of the City.

City of St. Clair Shores, Michigan

Revenue-sharing Payments from the State of Michigan General, Special Revenue, and Debt Service Funds Last Five Fiscal Years

Years Ended June 30	Revenue- sharing Payments
2003	\$ 10,615,651
2004	10,870,076
2005	10,506,607
2006	9,852,997
2007	10,506,607

City of St. Clair Shores, Michigan

General Fund Revenues from the State of Michigan Last Five Fiscal Years

Years Ended June 30	Revenue- sharing Payments
2003	\$ 6,629,285
2004	6,104,053
2005	6,238,309
2006	6,291,763
2007	6,190,469

City of St. Clair Shores, Michigan

Principal Employers Current and Nine Years Ago June 30, 2007

Employer	2007			1998		
	Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
Fisher Dynamics	564	1	(1)	539	2	(1)
Lake Shore Public Schools	400	2	(1)	635	1	(1)
South Lake Public Schools	329	3	(1)	420	5	(1)
Lakeview Public Schools	275	4	(1)	375	7	(1)
City of St. Clair Shores	269	5	(1)	293	9	(1)
Stahl's, Inc.	268	6	(1)	440	3	(1)
St. John Health System	213	7	(1)	-		(1)
Michigan Institute Urology	115	8	(1)	-		(1)
Roy O'Brian Ford	108	9	(1)	-		(1)
First State Bank	107	10	(1)	-		(1)
Kmart Corporation	-		(1)	235	10	(1)
American Model and Pattern Company	-		(1)	300	8	(1)
Plastec	-		(1)	415	6	(1)
Kroger	-		(1)	425	4	(1)

(1) Data not available

Source: City of St. Clair Shores

City of St. Clair Shores, Michigan

Principal Taxpayers Current and Nine Years Ago Year Ended June 30, 2007

Taxpayer	June 30, 2007			June 30, 1998		
	2006 Taxable Value	Rank	Percentage of Total	1997 Taxable Value	Rank	Percentage of Total
Detroit Edison	\$ 13,841,600	1	0.72	\$ 9,696,236	1	0.72
Fisher Dynamics	11,826,200	2	0.61	3,135,415	7	0.23
400 Monroe Associates	11,428,300	3	0.59	7,751,066	2	0.58
St. John Health System	5,484,100	4	0.29	5,227,116	4	0.39
Jefferson Beach Marina	5,058,800	5	0.26	2,530,933	8	0.19
Walgreens	4,962,900	6	0.26	-	-	-
Consumers Energy	4,015,600	7	0.21	6,173,549	3	0.46
North Shore Associates	3,793,800	8	0.20	3,174,432	6	0.24
Michigan Harbor Marina	3,525,100	9	0.18	-	-	-
Kmart Corporation	3,321,900	10	0.17	-	-	-
Allied Signal	-	-	-	4,592,532	5	0.34
Comcast Cable	-	-	-	2,495,799	9	0.19
T&M Lakeshore Lakeshore Development	-	-	-	2,005,319	10	0.15
Total	\$ 67,258,300		3.49	\$ 46,782,397		3.49

Source: City of St. Clair Shores

City of St. Clair Shores, Michigan

Water Sold vs. Water Purchased

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Purchased (I)</u>	<u>Sold (I)</u>
1998	310,013	242,349
1999	310,103	285,919
2000	299,221	274,654
2001	282,408	256,197
2002	287,550	260,474
2003	329,918	262,300
2004	301,467	266,265
2005	334,315	239,213
2006	307,220	261,208
2007	279,684	241,595

(I) Unit = 1,000 metered cubic feet (MCF)

City of St. Clair Shores, Michigan

Water Customers and Consumption

Type of User	Fiscal Year Ended June 30				
	2007	2006	2005	2004	2003
Number of Water Customers					
Residential	24,002	23,958	23,952	23,937	23,915
Commercial	1,277	1,272	1,277	1,271	1,281
Total	<u>25,279</u>	<u>25,230</u>	<u>25,229</u>	<u>25,208</u>	<u>25,196</u>
Water Consumption by Number of Units (1)					
Residential	229,515	248,148	227,252	252,952	249,184
Commercial	12,080	13,060	11,961	13,313	13,116
Total	<u>241,595</u>	<u>261,208</u>	<u>239,213</u>	<u>266,265</u>	<u>262,300</u>
Percent of Water Consumption by Category					
Residential	95%	95%	95%	95%	95%
Commercial	5%	5%	5%	5%	5%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) Unit = 1,000 metered cubic feet

City of St. Clair Shores, Michigan

Fiscal Years Ended June 30	Water		Sanitary Sewer	
	Per MCF	Percent Change	Per MCF	Percent Change
1998	16.91	4.13	19.11	3.58
1999	18.01	6.51	20.35	6.49
2000	16.82	(6.61)	19.16	(5.85)
2001	13.92	(17.24)	20.71	8.09
2002	15.20	9.20	21.35	3.09
2003	17.30	13.82	23.16	8.48
2004	19.07	10.23	26.12	12.78
2005	18.95	(0.63)	26.53	1.57
2006	17.60	(7.12)	26.53	-
2007	18.93	7.56	27.06	2.00

(1) Based on a non-lakefront residential lot

(2) Based on average consumption of 2.5 thousand cubic feet

History of Utility Rates

Storm Sewer			Average Quarterly Bill			
Per Quarter (1)	Percent Change	Billing Charge Per Quarter	Operation and Maintenance Charge Per Quarter	Amount (2)	Percent Change	
5.02	-	3.00	0.49	98.56	3.49	
6.00	19.52	3.00	0.49	105.39	6.93	
6.00	-	3.00	0.49	99.44	(5.65)	
6.00	-	3.00	0.49	96.07	(3.39)	
6.00	-	3.00	0.49	100.87	5.00	
6.00	-	3.00	0.49	110.64	9.69	
6.00	-	3.00	0.49	123.81	11.90	
6.00	-	3.00	0.49	123.91	0.08	
10.59	76.50	3.00	0.49	124.39	0.39	
11.15	5.29	3.00	0.49	129.62	4.19	

City of St. Clair Shores, Michigan

Sewer Rates - Commercial and Industrial Users (1)

Meter Size	Fiscal Year Ended June 30				
	2007	2006	2005	2004	2003
5/8"	\$ 17.07	\$ 14.22	\$ 13.50	\$ 17.88	\$ 15.03
3/4"	25.62	21.36	20.22	26.85	22.53
1"	42.66	35.58	33.72	44.73	37.56
1-1/2"	93.87	78.27	74.16	98.40	82.62
2"	136.50	113.85	107.88	143.10	120.18
3"	247.41	206.34	195.54	259.38	217.86
4"	341.25	284.61	269.70	357.75	300.48
6"	511.89	426.90	404.58	536.64	450.72

- (1) Commercial and industrial users pay this additional charge quarterly based on the size of their water meter

City of St. Clair Shores, Michigan

History of Residential Water and Sewer Rate Increases

	Average Quarterly Bill (1)	Percent Change
Effective 07/01/99	\$ 99.44	\$ (5.65)
Effective 07/01/00	96.07	(3.39)
Effective 07/01/01	100.87	5.00
Effective 07/01/02	110.64	9.69
Effective 07/01/03	123.81	11.90
Effective 07/01/04	123.91	0.08
Effective 07/01/05	124.39	0.39
Effective 07/01/06	129.62	4.19
Effective 07/01/07	130.23	0.47

(1) Average monthly bill assumes approximately 2,500 metered cubic feet usage and 5/8" water meter.

City of St. Clair Shores, Michigan

Ten Largest Water and Sewer Customers Fiscal Year Ended June 30, 2007

Customer	Usage (1)	Percent of Total (2)	Revenue	Percent of Total (3)
Lakeshore Village	3,610	1.49	\$ 185,188	1.41
Williamsburg	1,703	0.70	85,679	0.65
Woodbridge East	1,428	0.59	72,787	0.56
Shore Club	1,388	0.57	67,137	0.51
Bon Secour	1,363	0.56	73,185	0.56
Northshore	1,215	0.50	60,973	0.47
Butcher Boy	1,191	0.49	57,034	0.44
Leisure Manor	1,155	0.48	55,718	0.43
City of Grosse Pointe	1,045	0.43	54,570	0.42
Riviera Terrace	897	0.37	47,417	0.36
Total	14,995	6.18	\$ 759,688	5.81

(1) Unit = 1,000 metered cubic feet

(2) Based on June 30, 2006 total water sales of 241,595 units

(3) Based on June 30, 2006 operating revenue of \$13,101,997

City of St. Clair Shores, Michigan

Historical Net Earnings, Cash Flow, and Debt Service Coverage - Utility Fund Last Five Years

	Fiscal Year Ended June 30				
	2007	2006	2005	2004	2003
Operating revenues	\$ 13,101,997	\$ 14,374,437	\$ 12,848,164	\$ 13,604,184	\$ 12,726,697
Operating expenses	<u>13,511,610</u>	<u>13,559,598</u>	<u>14,505,646</u>	<u>13,610,242</u>	<u>13,476,849</u>
Operating income (loss)	(409,613)	814,839	(1,657,482)	(6,058)	(750,152)
Other revenues	5,355,742	2,041,597	1,868,800	1,654,935	1,636,757
Other expenses	<u>(2,056,812)</u>	<u>(123,491)</u>	<u>(154,511)</u>	<u>(120,599)</u>	<u>(141,657)</u>
Net income	2,889,317	2,732,945	56,807	1,528,278	744,948
Plus:					
Depreciation	1,397,891	1,014,816	753,617	763,907	785,748
Interest expense	<u>1,994,345</u>	<u>65,491</u>	<u>80,091</u>	<u>120,599</u>	<u>141,657</u>
Cash available for debt service	<u>\$ 6,281,553</u>	<u>\$ 3,813,252</u>	<u>\$ 890,515</u>	<u>\$ 2,412,784</u>	<u>\$ 1,672,353</u>
Debt service (1)	\$ 213,173	\$ 197,023	\$ 191,282	\$ 212,610	\$ 459,315
Historical debt service coverage	35.34x	19.35x	4.70x	11.35x	3.64x

(1) Includes principal and interest payments on all current and prior revenue bonds

City of St. Clair Shores, Michigan

Schedule of Bond Maturities

Year	Municipal		Revenue Bonds	Drain	Water LTGO	MTF Bonds
	Authority Bonds	Purchase Agreements				
2008	\$ 430,000	\$ 132,571	\$ 435,000	\$ 1,739,267	\$ 130,000	\$ 380,000
2009	455,000	92,375	440,000	1,788,573	135,000	395,000
2010	500,000	50,000	460,000	1,839,892	140,000	410,000
2011	530,000	-	475,000	1,902,009	145,000	425,000
2012	555,000	-	495,000	1,956,315	150,000	435,000
2013	-	-	510,000	2,026,313	155,000	450,000
2014	-	-	530,000	2,076,938	165,000	465,000
2015	-	-	555,000	2,144,546	170,000	-
2016	-	-	575,000	2,221,797	175,000	-
2017	-	-	215,000	2,285,645	185,000	-
2018	-	-	-	2,368,294	190,000	-
2019	-	-	-	2,449,887	200,000	-
2020	-	-	-	2,533,682	210,000	-
2021	-	-	-	2,619,162	220,000	-
2022	-	-	-	2,713,451	225,000	-
2023	-	-	-	2,814,154	235,000	-
2024	-	-	-	1,279,265	250,000	-
2025	-	-	-	1,319,254	260,000	-
2026	-	-	-	1,386,692	270,000	-
2027	-	-	-	1,462,359	-	-
2028	-	-	-	1,542,239	-	-
2029	-	-	-	1,624,481	-	-
2030	-	-	-	1,707,589	-	-
Total	<u>\$ 2,470,000</u>	<u>\$ 274,946</u>	<u>\$ 4,690,000</u>	<u>\$ 45,801,804</u>	<u>\$ 3,610,000</u>	<u>\$ 2,960,000</u>

Debt history: There is no record of default.

Note: The difference between this schedule and the LTD footnote relates to unamortized deferred refunding cost and issue cost for the Water and Sewer 2004 Refunding Bonds, Water and Sewer 2006 Limited Tax Obligation Bonds, and Recreation Revenue 2003 Refunding Bonds, totaling \$91,050, \$72,910, and \$239,809, respectively, as of June 30, 2007.

City of St. Clair Shores, Michigan

General Fund - Fund Balance Last Five Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Fund Balance</u>
2007	\$ 21,203,477
2006	17,645,820
2005	12,346,111
2004	11,551,615
2003	10,560,799

City of St. Clair Shores, Michigan

**Federal Awards
Supplemental Information
June 30, 2007**

City of St. Clair Shores, Michigan

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Independent Auditor's Report

To the Honorable Mayor and City Council
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 as of and for the year ended June 30, 2007, which collectively comprise the City of St. Clair Shores, Michigan's basic financial statements, and have issued our report thereon dated October 30, 2007. Those basic financial statements are the responsibility of the management of the City of St. Clair Shores, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of St. Clair Shores, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 30, 2007

Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and City Council
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 as of and for the year ended June 30, 2007, which collectively comprise the City of St. Clair Shores, Michigan's basic financial statements, and have issued our report thereon dated October 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of St. Clair Shores, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of St. Clair Shores, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of St. Clair Shores, Michigan's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as item 2007-02 to be a significant deficiency in internal control over financial reporting.

To the Honorable Mayor and City Council
City of St. Clair Shores, Michigan

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as item 2007-01 to be a material weakness in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of St. Clair Shores, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of St. Clair Shores' response to the material weakness and finding related to internal control over financial reporting identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 30, 2007



Plante & Moran, PLLC
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Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and City Council
City of St. Clair Shores, Michigan

Compliance

We have audited the compliance of the City of St. Clair Shores, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. The major federal program of the City of St. Clair Shores, Michigan is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of St. Clair Shores, Michigan's management. Our responsibility is to express an opinion on the City of St. Clair Shores, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of St. Clair Shores, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of St. Clair Shores, Michigan's compliance with those requirements.

In our opinion, the City of St. Clair Shores, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

To the Honorable Mayor and City Council
City of St. Clair Shores, Michigan

Internal Control Over Compliance

The management of the City of St. Clair Shores, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of St. Clair Shores, Michigan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 30, 2007

City of St. Clair Shores, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity		Award Amount	Federal Expenditures
		Project/Grant Number			
U.S. Department of Housing and Urban Development -					
Direct programs - Community Development					
Block Grant:	14.218	N/A			
Program year 2004-B03-MC-26-0013			\$ 1,122,000	\$ 17,033	
Program year 2005-B04-MC-26-0013			1,116,000	354,418	
Program year 2006-B05-MC-26-0013			1,064,637	729,273	
Program year 2007-B06-MC-26-0013			955,133	386,558	
Total Community Development Block Grant					1,487,282
U. S. Department of Transportation -					
Passed through State of Michigan Department of					
Transportation - Federal Highway Administration					
	20.205	BRO0650-016	465,697	465,697	
		IM0750-016	10,373	10,373	
		IM0650-013	10,527	10,527	
		IM0750-017	79,884	79,884	
		IM0650-014	9,862	9,862	
		IM0650-052	32,660	32,660	
		IMD0150-034	2,600	2,600	
		BRO0650-015	552,909	552,909	
		NH0550026	28,003	28,003	
Total U.S. Department of Transportation					1,192,515
U.S. Department of Homeland Security - Passed through					
the Michigan Department of State Police - Homeland					
Security Grant (2005)					
	97.067	N/A	144,674	144,610	
U.S. Department of Justice - Direct Programs - COPS					
Technology Initiative (2006)					
	16.710	N/A	256,098	253,798	
Election Assistance Commission - Passed through the					
Michigan Department of State:					
Title I, Section 102, Help America Vote Act	39.011	N/A	76,613	76,613	
Help America Vote Act Requirements Payments	90.401	N/A	5,000	5,000	
Title II, Help America Vote Act	90.401	N/A	91,995	91,995	
Title II, Section 261, Help America Vote Act	93.617	N/A	16,900	5,358	
					178,966
Total federal awards					<u>\$ 3,257,171</u>

City of St. Clair Shores, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 1,897,040
Prior year deferred revenue recognized as revenue during the year ended June 30, 2007	(3,425)
Return of federal funds reported as expenditure in the prior year	2,433
Federal revenue recognized in the prior year	168,608
Michigan Department of Transportation administered grant revenue not reported in basic financial statements	<u>1,192,515</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 3,257,171</u></u>

City of St. Clair Shores, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of St. Clair Shores, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 33,888

City of St. Clair Shores, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

City of St. Clair Shores, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings

Reference Number	Findings
2007-1	<p>Finding Type - Material weakness</p> <p>Criteria - Management's goal is to appropriately recognize capital assets in the statement of net assets.</p> <p>Condition - Certain transactions that had an impact on the City's financial reporting were not properly recorded in the accounting records in a prior period.</p> <p>Context - Capital assets totaling approximately \$2.8 million were improperly recognized in the governmental activities in periods prior to 2007.</p> <p>Effect - Certain capital asset transactions were duplicated in the accounting records in prior periods, resulting in an overstatement of capital assets.</p> <p>Cause - Assets related to a Macomb County administered construction project were recorded in the accounting records upon reimbursement from the County, and then duplicated when the County provided year-to-date expenditure detail at year end.</p> <p>Recommendation - The City should make changes to its accounting processes and controls to prevent errors in the recording of capital assets.</p> <p>Views of Responsible Officials - Management has made changes to the internal control over financial reporting related to capital assets to ensure that County administered construction projects are accounted for accurately.</p>

City of St. Clair Shores, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2007-2	<p>Finding Type - Significant deficiency</p> <p>Criteria - Management's goal is to recognize expenditures in the appropriate period in the basic financial statements.</p> <p>Condition - A cash disbursement in August 2006 related to fiscal year 2007 general insurance expenditures was incorrectly recognized in the prior period.</p> <p>Context - Expenditures totaling \$300,000 related to the 2007 fiscal year were incorrectly reported in the 2006 fiscal year.</p> <p>Effect - Fiscal year 2007 general insurance expenditures were incorrectly recognized in the prior period.</p> <p>Cause - Documents supporting the cash disbursement did not indicate the fiscal year in which the expenditure should be recognized, resulting in the error.</p> <p>Recommendation - The City should make improvements to its check request form to include documentation of the fiscal year to which an expenditure should be charged.</p> <p>Views of Responsible Officials - Management will make an assessment of the internal control over cash disbursement, including the check request and other documentation forms, to ensure that expenditures are recognized in the appropriate period.</p>

Section III - Federal Program Audit Findings

None

October 30, 2007

The Honorable Mayor and Members
of the City Council
City of St. Clair Shores
27600 Jefferson Avenue
St. Clair Shores, MI 48081

Dear Mayor and Council Members:

We have recently completed our audit of the financial statements of the City of St. Clair Shores (the "City") for the year ended June 30, 2007. In addition to our audit report, we offer the following comments and recommendations for your consideration:

Overview of the City's Financial Condition

During the year ended June 30, 2007, General Fund revenues exceeded expenditures by approximately \$3,558,000 taking into account transfers to other funds. Fund balance at June 30, 2007 amounted to approximately \$21,203,000. Of this amount, \$6,741,000 is reserved for postemployment benefits, sanitation and street improvements, \$11,842,000 is designated for current year carryover expenditures, budget shortfalls and committees, and \$2,620,000 is undesignated. The undesignated portion represents approximately 5.7 percent of budgeted 2007-2008 expenditures, which is within the range typically expected by rating agencies.

During the 2006-2007 fiscal year, the City experienced another reduction in state revenue-sharing sources (as discussed below). However, growth in property tax revenue and the continued ability of City departments to remain at or below budgeted expenditures has resulted in fund balance at June 30, 2007, in comparison with the 2006-2007 budget, being higher than anticipated. We compliment the City Council and administration for their success in planning and monitoring the budget.

The City continues to be faced with many budgetary challenges, including continued reductions in state revenue sharing, currently unfunded postemployment benefit obligations, limitations on personal property tax collections, future infrastructure improvements, and necessary improvements to and replacement of facilities and capital equipment.

Certain of these challenges are a direct result of the difficult economic period that has been experienced in the state of Michigan while others are characteristics of the City and its physical framework. The City has continued to use the five-year financial forecasting model and a long-term capital plan to predict the effects of changes in revenue and expenditure trends and the impact those changes will have on the City's ability to provide services to citizens. Use of the forecasting model has been an important tool in the ongoing process of maintaining fiscal health while still providing a high level of service to the City's taxpayers.

State-shared Revenue

The future of the State's revenue-sharing program continues to be directly tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. While the majority of the State's budget shortfall in the current year has been eliminated through increases in income tax rates and an expansion of the sales tax to certain services, it is not completely clear whether the recently passed tax increases have eliminated the structural deficit within the State's General Fund. The outcome of other matters will also impact revenue sharing and those matters include:

- **Future of County Participation in Statutory Revenue Sharing** - In 2004, the State terminated payment of statutory revenue sharing to counties (totaling approximately \$182 million), but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a "reserve fund" which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties are depleted, will counties come back into the "revenue-sharing formula" and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?
- **Statutory Revenue-sharing Formula Expires in 2007** - Legislative action is required on this Act for appropriations to continue into 2008 and beyond.
- **Changes to Michigan's Business Tax Structure** - The Michigan single business tax has been eliminated effective December 31, 2007 which will result in the loss of \$1.9 billion from the State's budget in 2008. In June 2007, a replacement for the single business tax - called the new Michigan business tax - was approved by the legislature. More details on this new tax structure are included below. In the overview, the plan creates a new tax structure for Michigan businesses, provides further personal property tax relief to business taxpayers, and is forecasted by the State to generate about the same revenue (\$1.9 billion) as the single business tax. Technical corrections on this recently passed law are still pending and the law is lengthy and complex. The true financial impact on the State's budget is hard to predict.

State-shared revenue accounts for approximately 12 percent of the City's total General Fund budget and is comprised of a constitutional and statutory portion. The table below details state-shared revenue for the City over the past eight years and projected funding levels for 2008. The final column presents the total decrease in state-shared revenue experienced by the City since the 1999-2000 fiscal year:

Fiscal Year	Statutory	Constitutional	Total	Decrease from 2000
2000	\$ 2,721,414	\$ 4,616,783	\$ 7,338,197	\$ -
2001	3,057,868	4,094,438	7,152,306	185,891
2002	2,710,280	4,136,144	6,846,424	491,773
2003	2,380,915	4,206,169	6,587,084	751,113
2004	1,759,680	4,160,480	5,920,160	1,418,037
2005	1,595,862	4,259,768	5,855,630	1,482,567
2006	1,458,185	4,332,291	5,790,476	1,547,721
2007	1,375,764	4,242,272	5,618,036	1,720,161
2008 (est.)	1,324,957	4,293,079	5,618,036	1,720,161

If the State were to consider additional cuts to revenue sharing, the City is potentially at risk for the amount of statutory revenue sharing (the constitutional portion cannot be modified without a change to the State's constitution). In light of the current environment, we strongly encourage the City to continue to be conservative in budgeting or projecting revenue-sharing payments.

New Michigan Business Tax

As previously indicated, the new Michigan business tax (MBT) was approved by the legislature in June 2007 and replaces the single business tax (SBT) which expires on December 31, 2007. According to the State, the new MBT is intended to generate about the same \$1.9 billion generated by the expiring SBT.

While the MBT intended to simplify the old SBT, the MBT is a very lengthy and complicated new law. The new MBT imposes two taxes - a modified gross receipts tax and a business income tax. The modified gross receipts tax is imposed at .8 percent on a tax base composed of gross receipts less certain purchases. The business income tax will be imposed at a rate of 4.95 percent on business income. The MBT provides for new investment, compensation and research, and development credits to businesses. The MBT also allows certain qualified small businesses to pay a flat 1.8 percent tax on adjusted business income.

More personal property tax relief is also part of the new MBT. Business personal property classified as industrial or commercial will be exempt from certain personal property taxes - specifically from the State Education Tax (SET) and local school operating mills. Industrial personal property will receive exemptions from the 6 SET mills and the 18 schools operating mills (for a total 24 mill exemption). Commercial personal property will be exempt from 12 of the 18 school operating mills. These newly enacted personal property tax exemptions will mean that the City will collect less school taxes on these properties, which will likely result in a decrease in tax collection administration fees.

Given the favorable tax treatment of industrial versus commercial personal property, it is expected that businesses will be reviewing the classification of their personal property. The City assessor will likely receive more frequent inquiries and requests to change classification of personal property to take the most advantage of the tax break afforded to industrial property and commercial property and the additional relief available for industrial property.

We will keep you updated as we continue to explore these and other issues regarding the impact of the MBT on local units of government.

Personal Property Tax

Over the last seven years, the State's personal property tax laws and regulations have changed substantially. In 2000, the State Tax Commission updated the general business depreciation tables that are used to calculate personal property taxes, resulting in an approximate drop in property tax revenue of 10 percent. In addition, the State Tax Commission also approved new personal property tax tables for utilities which made drastic changes to transmission and distribution property of utilities, resulting in significant reductions in personal property tax revenue for local units of government. A recent court case, *WPW Acquisition Co v. City of Troy*, ruled that the Proposal A cap prevents assessors from increasing the taxable value of commercial rental property above the rate of inflation using the occupancy methodology even when reductions in taxable value were previously granted due to a decrease in occupancy.

As discussed above, the new Michigan business tax provides additional personal property tax relief to business taxpayers. Even with this most recent relief provided through the MBT, further reductions to personal property tax remain part of the State's tax structure discussions. Personal property taxes are a significant revenue source to the City, representing approximately 3 percent of the total tax base. A key unresolved issue in the State's business tax structure debate is the extent to which local units of government will be held harmless for prior and future reductions to personal property taxes. The State has previously considered changes to mitigate the impact of the *WPW* case; however, the measures were not implemented.

Funding of Postemployment Benefit Obligations

As you are aware, the City provides postemployment benefits to retirees that are funded currently from the General Fund and the Police and Fire Pension millage. For the year ended June 30, 2007, the cost of these benefits amounted to approximately \$3,955,000, representing an increase of approximately 9 percent over the 2006 amount. The City has experienced postemployment health care cost increases of 6 percent to 15 percent over the past several years and this annual cost is expected to grow as the average age of the City's workforce and the number of former employees eligible for postemployment benefits increases.

The City has established a Police and Fire Retiree Health Care Fund and a General Employees' Retiree Health Care Fund to begin to set aside resources to fund these obligations. These funds were established in accordance with Public Employee Health Act of 1999 (P.A. 149 of 1999) which allows communities to invest assets set aside for postemployment benefit obligations in the same investment vehicles as pension funds (e.g., stocks, bonds, etc.). Consistent with assets set aside to fund pension obligations, amounts that have been transferred to the Retiree Health Care Funds are restricted solely for the payment of healthcare benefits and administrative expenses.

Current accounting pronouncements do not require the accounting for postemployment benefit obligations on an actuarial basis. Recent accounting pronouncements issued by the Governmental Accounting Standards Board (GASB), however, will change the accounting for postemployment benefit obligations to a methodology similar to that used for pension benefits. GASB statements Nos. 43 and 45 will require that postemployment benefit liabilities and expenses be measured on an actuarial basis. The new accounting standards will require disclosure of liabilities on an actuarial basis in the City's June 30, 2008 financial report and the measurement of liabilities and expenses on an actuarial basis with the fiscal year beginning on July 1, 2008.

Actuarial valuations for the Police and Fire Retiree Health Care Plan and the General Employees' Retiree Health Care Plan as of June 30, 2006 were recently completed. The estimated unfunded actuarial liability as of June 30, 2006 is approximately \$54.4 million and \$47.8 million for the Police and Fire and General Employees' Plans, respectively. The City has recently made changes to retiree healthcare benefits for certain employees through negotiations with bargaining groups that are expected to reduce the estimated unfunded obligation. The effect of these changes and the impact on the estimated annual required contribution of the fiscal year beginning on July 1, 2008 have not yet been determined.

Under the new accounting rules, liabilities will be recognized in the government-wide financial statements only to the extent that annual contributions beginning in the 2008-2009 fiscal year are less than the actuarially determined amounts. We encourage the City to continue its discussions regarding these benefit obligations, including funding alternatives and other measures to control or reduce the effect on the City's budget.

The Honorable Mayor and Members
of the City Council
City of St. Clair Shores

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October 30, 2007

We would like to thank the mayor and City Council for the opportunity to serve as auditors for the City. We would also like to express our appreciation for the courtesy and cooperation extended to us by the administration during the audit. If you would like to discuss these or any other matters, please contact us at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "David V. Grubb". The signature is written in a cursive style with a large initial 'D'.

David V. Grubb

A handwritten signature in black ink that reads "Jenny L. Cederstrom". The signature is written in a cursive style with a large initial 'J'.

Jenny L. Cederstrom