

City of
St. Johns,
Michigan



Year Ended
June 30, 2015

Comprehensive
Annual Financial
Report

Prepared by: Treasurer's Office

CITY OF ST. JOHNS, MICHIGAN

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INTRODUCTORY SECTION

CITY OF ST. JOHNS, MICHIGAN

LIST OF OFFICIALS

For the Year Ended June 30, 2015

Dana C. Beaman
Mayor

Heather R. Hanover
Vice Mayor

CITY COMMISSIONERS

Robert Bellgowan, Jr.

Bob Craig

Eric Hufnagel

ADMINISTRATIVE OFFICIALS

Dennis LaForest
City Manager

Patrick Clifford
City Treasurer

Dana C. Beaman
Mayor

Heather R. Hanover
Vice Mayor

Eric Hufnagel
Commissioner

Bob Craig
Commissioner

Robert B. Bellgowan, Jr.
Commissioner



Dennis D. LaForest
City Manager

Dave J. Kudwa, P.E.
Deputy City Manager

Mindy J. Seavey
City Clerk

Patrick Clifford
City Treasurer

Jacob Thurston
City Assessor

John B. Salemi
City Attorney

Steven M. Martin
Director of Public Services

November 12, 2015

To the Mayor, Members of the City Commission, and Citizens of the City of St. Johns:

The City Manager's and Treasurer's Offices are pleased to submit the Comprehensive Annual Financial Report for the City of St. Johns, Michigan for the fiscal year ended June 30, 2015.

This report is published to provide the City Commission, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To assure interested parties have reliable information, a system of internal controls is implemented. These internal controls are designed to detect irregularities in the accounting system. The controls are designed to assure a reasonable level of oversight. While no system of controls can test and examine every financial event, the controls implemented give a high level of confidence that no material misrepresentations are given.

The City of St. Johns charter requires that the City has an annual audit. This audit is performed by contracted independent auditors and their report is included in the following sections.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a 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. Johns' MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of St. Johns is located 18 miles north of downtown Lansing. St. Johns is the county seat for Clinton County, Michigan, and provides ready access to the interstate systems that make travel to Detroit, Chicago, Cleveland, and Indianapolis, and other major metropolitan markets simple and easy. In addition, M-21 and BR US-27, which bisect St. Johns, are routes of quick access to Lansing, Grand Rapids, and Flint. The City encompasses an area of approximately 4.02 square miles, has a population of approximately 7,900, and 43.74 miles of streets.

The City is a home rule city operating under the Commission-Manager form of government. The City Commission is comprised of the Mayor and four Commission members, who enact local laws, determine policies and adopt the annual budget. The City Manager is appointed by the City Commission and is responsible for the daily management of the City. The City Commission is also responsible for appointing the Treasurer.

The Commission is required to adopt a final budget prior to the beginning of the fiscal year (July 1). The annual budget serves as the foundation for the City of St. Johns' financial planning and control. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been formally adopted. For the general fund and garbage special revenue fund, this comparison is in the basic financial statements. For other governmental funds with appropriated annual budgets, this comparison is presented as other supplementary information (for nonmajor funds).

Services Provided

The City provides a full range of municipal services including police and fire protection, refuse and recycling collection, water, sanitary sewer, storm sewer, streets, infrastructure development and maintenance, park and recreational facilities, library services and general administrative services. Internal services of the City include the mobile equipment operations.

Local Economy

People have been coming to St. Johns for over 150 years. Over the past 150 years, people came to St. Johns to set up businesses ranging from retail shops to automotive parts factories. St. Johns continues to be an attractive destination for young families seeking a safe, friendly, and affordable community where a small hometown environment is only minutes away from the City of Lansing. St. Johns offers a wide array of opportunities for businesses, as well as residential housing, both single and multi-dwellings in a variety of price ranges.

State-of-the-art technology is featured in the 7,000 square-foot Briggs Public Library, which serves residents of both the City and surrounding townships. The Briggs Public Library brings to the community many new family programs and featured speakers that enhance the quality of life in St. Johns.

Initiatives

The City initiated a "Complete Streets Ordinance". The ordinance mandates a thorough review of street projects, large or small, that feature safe, convenient travel but is not limited to only streets. This ordinance includes a review of sidewalks, shared use paths, bicycle lanes, and all other transportation. The City annually updates a road condition study and has formulated a long range plan to improve and maintain the current road system. The City has prioritized efforts to address the streets that need repair and supplemented State of Michigan funding with general fund revenues in each fiscal year. The City is continuing to explore financing options and alternatives for the citizens of St. Johns to consider. There was a November 2013 ballot proposal for 4 mil street millage for four years. The ballot proposal passed overwhelmingly and will generate approximately \$800,000 per year to be spent only on street projects. As funds allow, designated streets per the program will be improved through a heavy maintenance program utilizing a mill and fill process. Approximately .7 miles of the City's streets were completed this past fiscal year with the remaining funds being utilized in the next fiscal year.

The City Commission continues to appropriate funds for the installation and repairing of sidewalks. Safe pedestrian travel along City streets are a priority each and every year. The sidewalk program, when developed, divided the City into sections and all sidewalks were evaluated and rated. For the 2014/2015 budget year, \$35,000 was spent on sidewalks. Homeowners are encouraged through a generous reimbursement program to replace sidewalks that front their property that may have deteriorated. This program continues to assist the City in its efforts to provide a safe and connecting network of non-motorized travel throughout the community.

Parks and Recreation

The City of St. Johns continues to reinvest in its recreation assets which includes our Main Park, covered pavilions, a performance shell for community concerts and events, playground equipment for children to play on, and a trail system that offers opportunities for walking, hiking, and bicycle riding. Construction of the child's spray park began in the Fall of 2014. Above ground structures were added over the summer and the facility was officially opened in August of this year. A large outdoor sculpture is set to be installed and introduced to the city residents this fall.

St. Johns High School replaced all their aquatic features so the City, by a joint agreement, utilizes the swimming pool for both lessons and open swim for all residents to enjoy. It is through this joint collaborative effort that taxpayers reap the rewards of tax dollars jointly working together.

Central Business District

The Principal Shopping District Board (PSD) was created for the purpose of facilitating programs for an improved growth environment in and near downtown St. Johns. Throughout the fiscal year ended June 2015, the PSD was active in promotional activities for the downtown area. The activities include various festivals, classic car shows, parades, farmers market and many smaller events to promote the downtown area. The beautification of the downtown area is a major focus with flower planters, benches, tree lights, banners and Christmas decorations adding a visible positive accent to the business district.

The Rail to Trails project through St. Johns was officially opened in spring 2015. The portion of the trail running through St. Johns is part of the 42-mile Fred Meijer Clinton-Ionia-Shiawassee Rail Trail.

The City currently owns the historic railroad depot, which is directly across from the Briggs Public Library. The Clinton County Arts Council utilizes the Depot for railroad history functions and model train displays for the community. This activity greatly enhances the attraction of the depot and exposes the arts council to additional traffic. In 2015 the City made many improvements to the grounds surrounding the depot building and depot pavilion. This area provides a place along the rail trail to sit and relax.

In addition, a Veteran's Memorial is at the north entrance to the downtown district. The memorial was created to honor those men and women from Clinton County that served in the armed forces. It is an impressive site for all visitors to the area and a place for residents to gather and reflect.

Economic Development Effort

The City is a founding member of the Clinton County Economic Alliance (CCEA). CCEA was formed to promote the region as a great place to live and do business. This is a partnership of government and private sector organizations in Clinton County working to further economic growth in the region. The City continues to work closely with all businesses to provide any assistance possible to enhance their success. The industrial park has seen positive growth in recent years and the City has implemented a plan of action to continue to develop opportunities to capture future growth. The City of St. Johns website has been customized to advertise the opportunities in St. Johns with a section of the website dedicated to the industrial/business park and also is linked to the State of Michigan's Certified Business Park designation. The City has had this certification for over 15 years. The City has over 100 acres for future growth and is geared to acquire additional acreage if needed.

The City created a Local Development Finance Authority (LDFA) in our Industrial Park. The LDFA was created primarily to promote economic growth, thus increasing family-sustaining jobs in the City. The LDFA board continues to advance this goal with the purchase of additional land for future growth of the City's industrial park and various infrastructure updates planned. With the tax increment recapture of the LDFA, infrastructure has been maintained and improved in the district. The City is currently working with a telecom provider to install fiber optic cable to the industrial park. This will greatly increase technology capabilities and provide opportunities for future business growth.

As Clinton County's only hospital, Sparrow Clinton Hospital has been continually updating its equipment and staff to ensure the continued provision of convenient, quality, local healthcare services utilizing the latest technologies available to the St. Johns community. A 6 million dollar expansion has been completed further enhancing the emergency room services and will allow for future expansion in their current foot print.

St. Johns senior citizens are well served by the nationally rated Hazel I. Findlay Country Manor, which provides quality care for the area's population. On the campus of Hazel I. Findlay is also an assisted living center complex named Clinton Commons. This provides many different residential and care options depending on your level of need. Grace Haven is another assisted living facility that gives additional options for seniors to be able to stay close to family and friends.

Water & Wastewater Improvements

In 2012, the City received a \$340,000 S2 grant to study the area on the south side of the city for inflow and infiltration. Using the results of the study, the City has concentrated on reinvesting funds into a significant lift station project that will help that area of the City. The project will be completed during the 15/16 fiscal year. In 2014, the City completed a force main bypass project at the Wastewater plant. This project better enables the plant to handle significant weather events in the City.

As technology expands and changes, the City continues to replace old meters with new radio read meters. The new meters will add efficiencies to the quarterly meter reading process.

Intergovernmental Agreements

An agreement with a surrounding township to provide sewer collection service in the designated area or district was modified. At the request of the Township, the agreement was amended to enlarge the sewer district to accommodate a large expansion adjacent to the City's boundary. Due to this expansion, the City was also asked to provide water service to the amended district. The agreement helped the construction of a 12 million dollar headquarters just outside the City. The building is connected to the City's water and sewer system. With challenging economic conditions, intergovernmental cooperation is even more important. This agreement will benefit both parties and allow future growth in the City and surrounding areas.

The City is also a member of a local ambulance authority that provides medical services to the City and surrounding townships.

The City has agreements with two local townships to provide fire suppression services.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of St. Johns for its CAFR for the fiscal year ended June 30, 2014. In order to be awarded the Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR.

This report satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements. A Certificate of Achievement is valid for only one year. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we will submit it to the GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Treasurer's Office. We also wish to express our sincere appreciation to City Department Heads throughout the organization, especially those who were instrumental in the successful completion of this report.

We would like to thank the members of the City Commission for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,



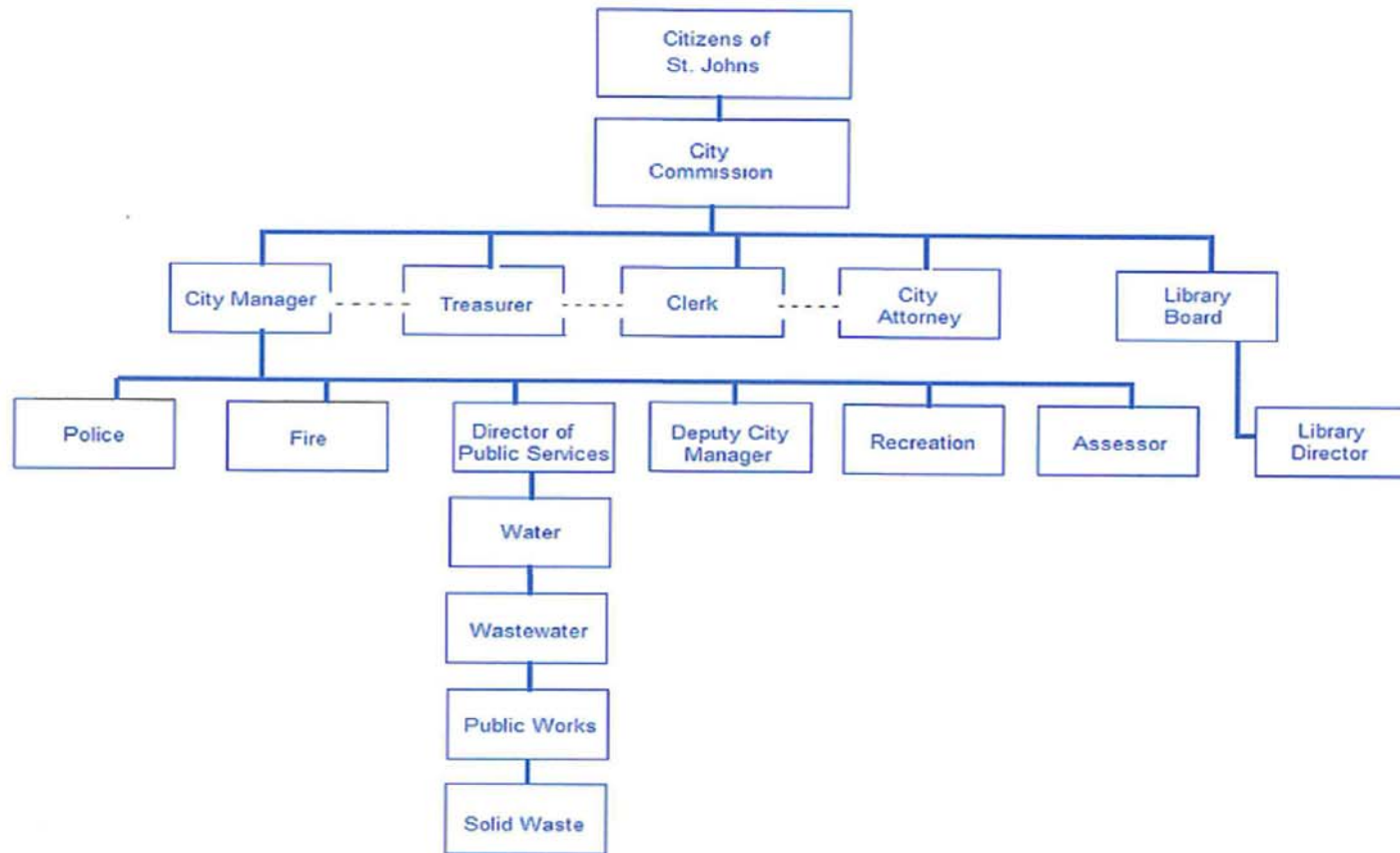
Dennis D. LaForest
City Manager



Patrick Clifford
City Treasurer

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City of St. Johns
Organizational Chart
June 30, 2015



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CITY OF ST. JOHNS, MICHIGAN

GFOA Certificate of Achievement



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of St. Johns
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

November 12, 2015

Honorable Mayor and
Members of the City Commission
City of St. Johns
St. Johns, Michigan

Report on the Financial Statements

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. Johns, Michigan* (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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. Johns, Michigan as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Garbage Special Revenue Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 68

As described in Note 17, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans* in the current year. Accordingly, beginning net position of governmental activities, business-type activities and the enterprise fund were restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ST. JOHNS, MICHIGAN

Management's Discussion and Analysis

The following is a discussion and analysis of the City of St. Johns financial performance and position, providing an overview of the activities for the fiscal year ended June 30, 2015. This analysis should be read in conjunction with the Independent Auditors' Report, our letter of transmittal, and with the City of St. Johns' financial statements, which follow this section. This discussion provides comparisons with the previous fiscal year as required by the Governmental Accounting Standards Board.

Financial Highlights

- . During the current year, the City implemented GASB Statement No. 68 which resulted in restatement of beginning net position in the governmental activities, business-type activities and the water and sewer enterprise fund in the amounts of \$5,048,953, \$2,486,797 and \$2,486,797, respectively.
- . Governmental activities net position at the end of the current year was \$4,734,356. This is an increase of \$947,763 or 25.0%.
- . Business-type activities net position at the end of the current year was \$6,395,014. This is a decrease of \$369,872 or 5.5%.
- . At the close of the fiscal year, the City of St. Johns' governmental funds reported a combined ending fund balance of \$3,296,957, a decrease of \$135,215 or 3.9% less than 2014.
- . During the year, the General Fund's fund balance increased \$111,064, from \$2,074,901 at June 30, 2014 to \$2,185,965 at June 30, 2015.
- . The primary government (governmental activities) issued no new debt for the fiscal year.
- . The total long-term debt for the (governmental activities) was \$2,591,828, a net decrease of \$445,386 from the prior year.
- . The total long-term debt for the (business-type activities) was \$10,834,193, a net decrease of \$535,065 from the prior year.
- . The City of St. Johns remains well below its authorized legal debt limit.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF ST. JOHNS, MICHIGAN

Management's Discussion and Analysis

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and recreation and culture. The business-type activities of the City include water and sewer operations.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Governmental funds such as the General Fund and Garbage Special Revenue Fund focus on the financing of these areas in the short term and what remains for future spending. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Garbage Fund and the Street Millage Fund, each of which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and schedules elsewhere in this report.

Proprietary Funds. The City maintains two different types of proprietary funds. The City utilizes a Water and Sewer Fund as an enterprise fund, which shows how these activities operate like businesses. The City also utilizes an internal service fund to account for the mobile equipment provided to other departments of the government on a cost reimbursement basis.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer Fund. The City's internal service fund is presented in the proprietary fund financial statements in the Governmental Activities - Internal Service Fund column.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Fiduciary fund statements provide information in regards to the Current Tax Collection Agency Fund.

CITY OF ST. JOHNS, MICHIGAN

Management's Discussion and Analysis

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Government-Wide Financial Analysis

As previously stated, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities by \$11,129,370 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 3,547,040	\$ 3,975,699	\$ 3,669,324	\$ 4,292,799	\$ 7,216,364	\$ 8,268,498
Capital assets, net	9,027,871	8,294,572	16,249,282	16,469,296	25,277,153	24,763,868
	<u>12,574,911</u>	<u>12,270,271</u>	<u>19,918,606</u>	<u>20,762,095</u>	<u>32,493,517</u>	<u>33,032,366</u>
Total deferred outflows of resources	<u>352,071</u>	<u>-</u>	<u>202,206</u>	<u>31,014</u>	<u>554,277</u>	<u>31,014</u>
Liabilities						
Other liabilities	5,600,798	397,511	2,891,605	172,168	8,492,403	569,679
Long-term liabilities	2,591,828	3,037,214	10,834,193	11,369,258	13,426,021	14,406,472
	<u>8,192,626</u>	<u>3,434,725</u>	<u>13,725,798</u>	<u>11,541,426</u>	<u>21,918,424</u>	<u>14,976,151</u>
Net position						
Net investment in capital assets	6,713,405	5,528,294	5,443,887	5,100,038	12,157,292	10,628,332
Restricted	1,243,761	1,448,811	1,267,273	1,241,700	2,511,034	2,690,511
Unrestricted (deficit)	<u>(3,222,810)</u>	<u>1,858,441</u>	<u>(316,146)</u>	<u>2,909,945</u>	<u>(3,538,956)</u>	<u>4,768,386</u>
Total net position	<u>\$ 4,734,356</u>	<u>\$ 8,835,546</u>	<u>\$ 6,395,014</u>	<u>\$ 9,251,683</u>	<u>\$11,129,370</u>	<u>\$18,087,229</u>

The City's net position decreased by approximately \$7,000,000, which was mainly the result of the restatement related to the implementation of GASB Statement No. 68.

CITY OF ST. JOHNS, MICHIGAN

Management's Discussion and Analysis

	Change in Net position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenues						
Charges for services	\$ 1,730,012	\$ 1,682,641	\$ 3,367,116	\$ 3,400,952	\$ 5,097,128	\$ 5,083,593
Operating grants	1,035,542	941,965	-	-	1,035,542	941,965
Capital grants	-	-	-	44,918	-	44,918
General revenues						
Property taxes	2,962,510	2,185,855	-	-	2,962,510	2,185,855
State revenue sharing	695,460	683,247	-	-	695,460	683,247
Other	200,008	166,780	75,710	58,699	275,718	225,479
Total revenues	6,623,532	5,660,488	3,442,826	3,504,569	10,066,358	9,165,057
Expenses						
General government	1,239,099	1,533,050	-	-	1,239,099	1,533,050
Public safety	1,465,663	1,405,036	-	-	1,465,663	1,405,036
Public works	1,987,632	2,067,006	-	-	1,987,632	2,067,006
Recreation and culture	909,829	633,608	-	-	909,829	633,608
Interest on long-term debt	101,805	126,170	-	-	101,805	126,170
Water and sewer	-	-	3,784,439	3,775,216	3,784,439	3,775,216
Total expenses	5,704,028	5,764,870	3,784,439	3,775,216	9,488,467	9,540,086
Change in net position, before transfers	919,504	(104,382)	(341,613)	(270,647)	577,891	(375,029)
Transfers	28,259	28,259	(28,259)	(28,259)	-	-
Change in net position	947,763	(76,123)	(369,872)	(298,906)	577,891	(375,029)
Net position						
Beginning of year	8,835,546	8,911,669	9,251,683	9,550,589	18,087,229	18,462,258
Restatement	(5,048,953)	-	(2,486,797)	-	(7,535,750)	-
	3,786,593	8,911,669	6,764,886	9,550,589	10,551,479	18,462,258
End of year	\$ 4,734,356	\$ 8,835,546	\$ 6,395,014	\$ 9,251,683	\$11,129,370	\$18,087,229

The City's net position increased by \$577,891 during the current fiscal year. The governmental activities had an increase of \$947,763 offset by a decrease of \$369,872 for business-type activities.

Governmental Activities. Governmental activities increased the City's net position by \$947,763 for fiscal year 2015. Compared to the fiscal year 2014 decrease of \$76,123, the change in net position improved by \$1,023,886. Key elements of this improvement are as follows:

- Charges for services increased approximately \$47,000, due to an increase in administration charges to other funds, an increase in rural fire service fees plus a one time receipt of insurance money related to a claim.
- Operating grants increased approximately \$94,000. An increase was seen in gas tax refunds as well as a tire grant received from the State of Michigan. This increase was offset by a decrease in the penal fines coming from the State of Michigan.
- Property taxes increased approximately \$777,000, due mainly to the addition of the voter approved street millage that began in fiscal 2015.

CITY OF ST. JOHNS, MICHIGAN

Management's Discussion and Analysis

- State revenue sharing increased approximately \$12,000. Revenue sharing amounts are set by the State of Michigan.
- General government expenditures decreased approximately \$294,000. Salaries and associated fringe benefits decreased in the Administrative area due to fewer personnel. Miscellaneous costs decreased due to fewer board of review charges and no art grant costs in the current year. Capital related purchases increased related to land purchases by the city. These decreases were offset by a legal settlement during the year and additional training related to the property tax assessment processes. In addition, numerous enhancements were made to the area around the train depot building.
- Public safety expenses increased approximately \$61,000, due mainly to increased salaries and associated benefits (contractual pay increases).
- Public works costs decreased approximately \$79,000, due mainly to having two seasons of capital-related street work this past fiscal year vs. one season in the prior year. This was offset by an increase in curbside recycling and garbage collection costs.
- Recreation and culture expenses increased approximately \$276,000. This is due to the equipment and construction costs associated with the new spray park. The spray park officially opened in August, 2015.
- Interest on long-term debt decreased by approximately \$24,000.

Business-type Activities. Business-type activities decreased the City's net position by \$369,872 for fiscal year 2015. Compared to the fiscal year 2014 decrease of \$298,906, the change in net position deteriorated by \$70,966. Key elements of this deterioration are as follows:

- Charges for services decreased approximately \$34,000, due mainly to decreases in water and sewer revenue.
- Capital grants decreased by approximately \$45,000 due to most of the planning work and associated reimbursements being done in the previous year.
- Other revenue increased approximately \$17,000, due to a one-time sludge storage fee earned by the wastewater department in addition to other testing services performed. There was also an increase in employee cost-sharing related to health care costs.
- Water and sewer operating costs decreased by approximately \$9,000.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,296,957, a decrease of \$135,215 in comparison with the prior year. Total revenue for the General Fund decreased slightly by \$10,000, attributable to decreases in taxes and other revenue offset by an increase in charges for services. Overall General Fund expenditures increased in the areas of salaries and associated benefits and capital outlays. Decreases were noted in one-time expenditures in the prior year. The Garbage Fund saw flat revenue change and a slight increase in overall expenses between the two years. This was the first full year for the Street Millage fund with two seasons of street repair and maintenance work performed. For the Nonmajor Governmental Funds, expenses increased due to the materials and labor associated with the construction of the spray park which was officially opened in August of this year.

CITY OF ST. JOHNS, MICHIGAN

Management's Discussion and Analysis

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$2,185,965. Of this amount \$75,240 was classified as nonspendable, \$1,000,000 was classified as assigned, and \$1,110,725 was classified as unassigned. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 31% of total general fund expenditures. This is up slightly from 29% noted for fiscal year 2014.

The fund balance of the City's General Fund increased by \$111,064 after transfers during the current fiscal year. A similar increase in fund balance of \$105,219 was noted in the prior year as well. Much of the increases over the past two years can be attributed to active management of the City budget and a continual look at ways to reduce costs (e.g., reducing overtime, foregoing some costs to the next year).

The General Fund originally budgeted for no change in fund balance and then the budget was amended for a decrease of \$152,500. The actual results increased fund balance by \$111,064. Significant changes in budgetary variances are as follows:

- Legislative underspent their budget by approximately \$26,000. Slight increases were seen in salaries and associated employee benefits. There was also a legal settlement during the year that was not budgeted. These increases were offset by decreases in legal fees, audit fees charged to the department, and tax appeals.
- Administration underspent their budget by over \$92,000. Decreases were seen in salaries and associated employee benefits due to reduced number of staff. Decreases were also seen in hardware maintenance and contractual services as compared to budget.
- Public safety underspent their budget by over \$34,000. Police salaries and associated fringe benefits were over budget by about \$18,000. This was offset by eliminating the director of public safety position part way through the year (\$7,000 under budget) and also being under budget in the firefighter category due to reduced payouts for the services of the volunteer force (\$13,000 under budget). Remaining difference spread across multiple budget line items.
- Recreation and Culture underspent their budget by approximately \$5,000. Expense savings were realized with fewer recreation program participation.
- Public works underspent their budget by approximately \$53,000. Salaries and associated employee benefits were over by \$25,000. This was offset by reduced expenditures for sidewalks, street lights, and storm drains.

The Garbage Fund has a decrease of \$64,552 to its fund balance from the prior year, which was mainly due to an increase in the curbside recycling cost for the contract that ended June 30. The total fund balance is \$117,024 and all is restricted.

The Street Millage Capital Projects Fund ended the year with a deficit fund balance of \$220,947, which was mainly the result of the City working on street projects that are to be funded with future tax revenues.

The Water & Sewer fund had a decrease to its net position of \$369,872 from the prior year. Operating expenses increased by approximately \$89,000, while revenues decreased by approximately \$34,000. The Water & Sewer fund's decrease to its net position is more significant than last year's decrease of \$298,906, due mainly to a decrease in nonoperating and state grant revenues.

CITY OF ST. JOHNS, MICHIGAN

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets - At the end of fiscal year 2015, the City of St. Johns had invested \$9,027,871 and \$16,249,282 (net of accumulated depreciation) for governmental and business-type capital assets, respectively. Accumulated depreciation was \$11,975,824 for the governmental activities and \$17,129,653 for the business-type activities. Depreciation charges for the fiscal year totaled \$854,473 for the governmental activities and \$818,196 for the business-type activities. Significant additions to capital assets during the year include purchases of vehicles, continued improvements to the water and sewer systems, and significant repairs and maintenance to the city streets.

Major capital asset events during the current fiscal year included the following:

- Purchased equipment- two police cars totaling \$65,000, one pickup truck for \$35,000, and a large dump truck for \$119,000. The City took advantage of two construction seasons to make significant repairs to our roads (nearly \$934,000). Work continued on the wastewater lift station on the south end of town (\$253,000). This project will be completed in the next fiscal year.

Additional information on the City's capital assets can be found in Note 9 of this report.

As of June 30, 2015, the City of St. Johns had \$13,426,021 in bonds (net of premiums and discounts), notes, loans and compensated absences outstanding. Of this amount, \$12,805,000 is bonds, \$277,362 is compensated absences, \$309,527 is loans and notes, and \$34,132 is the unamortized portion of net premiums and discounts. This level of net obligation is \$980,451 less than the obligation recorded as of June 30, 2014.

State statute limits the City of St. Johns debt obligations to 10 percent of the current state equalized value (SEV). The City of St. Johns SEV as of June 30, 2015, was \$212 million; therefore, the City of St. Johns debt limitation was \$21.2 million. The City of St. Johns remains below its legal debt limit by approximately \$19 million.

Additional information on the City long-term debt can be found in Note 10.

Economic Factors and Next Year's Budget and Rates

- The amount the State of Michigan will disburse for Revenue Sharing.
- The amount of Property Taxes that will be levied.
- The effect of elimination of personal property taxes on businesses that have \$80,000 or less of personal property.
- The rising costs of fringe benefits.

The City considered these factors in preparing the City's budget for the 2016 fiscal year.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of St. Johns finances and to demonstrate the City of St. Johns accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City of St. Johns Treasurer's Office at (989) 224-8944 or via email: treasurer@ci.saint-johns.mi.us.

BASIC FINANCIAL STATEMENTS

CITY OF ST. JOHNS, MICHIGAN

Statement of Net Position

June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,504,532	\$ 1,582,053	\$ 3,086,585	\$ 162,332
Cash and cash equivalents, restricted	-	1,373,494	1,373,494	-
Investments	511,612	500,269	1,011,881	-
Receivables	693,828	896,103	1,589,931	843
Internal balances	748,215	(748,215)	-	-
Inventories	9,976	65,620	75,596	-
Prepays	78,877	-	78,877	-
Capital assets not being depreciated	1,048,131	740,519	1,788,650	-
Capital assets being depreciated, net	7,979,740	15,508,763	23,488,503	-
Total assets	12,574,911	19,918,606	32,493,517	163,175
Deferred outflows of resources				
Deferred charge on refunding	-	28,798	28,798	-
Deferred pension amounts	352,071	173,408	525,479	-
Total deferred outflows of resources	352,071	202,206	554,277	-
Liabilities				
Accounts payable and accrued liabilities	170,319	220,832	391,151	4,252
Unearned revenues	8,000	-	8,000	-
Long-term liabilities:				
Due within one year	545,648	560,066	1,105,714	-
Due in more than one year	2,046,180	10,274,127	12,320,307	-
Net pension liability	5,422,479	2,670,773	8,093,252	-
Total liabilities	8,192,626	13,725,798	21,918,424	4,252
Net position				
Net investment in capital assets	6,713,405	5,443,887	12,157,292	-
Restricted for:				
Debt service	85,205	1,267,273	1,352,478	-
Capital projects	28,422	-	28,422	-
Garbage	117,024	-	117,024	-
Drug law enforcement	4,196	-	4,196	-
Library	364,873	-	364,873	-
Streets	644,041	-	644,041	-
Unrestricted (deficit)	(3,222,810)	(316,146)	(3,538,956)	158,923
Total net position	\$ 4,734,356	6,395,014	\$ 11,129,370	\$ 158,923

The accompanying notes are an integral part of these basic financial statements.

CITY OF ST. JOHNS, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2015

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 1,239,099	\$ 249,347	\$ 84,921	\$ -	\$ (904,831)
Public safety	1,465,663	77,899	-	-	(1,387,764)
Public works	1,987,632	1,319,356	746,097	-	77,821
Recreation and culture	909,829	83,410	204,524	-	(621,895)
Interest on long-term debt	101,805	-	-	-	(101,805)
Total governmental activities	5,704,028	1,730,012	1,035,542	-	(2,938,474)
Business-type activities:					
Water and sewer	3,784,439	3,367,116	-	-	(417,323)
Total primary government	\$ 9,488,467	\$ 5,097,128	\$ 1,035,542	\$ -	\$ (3,355,797)
Component units					
Principal Shopping District	\$ 64,065	\$ -	\$ 62,381	\$ -	\$ (1,684)
Local Development Finance Authority	151,386	-	-	-	(151,386)
Downtown Development Authority	2,004	-	-	-	(2,004)
Total component units	\$ 217,455	\$ -	\$ 62,381	\$ -	\$ (155,074)

continued...

CITY OF ST. JOHNS, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net expense	\$ (2,938,474)	\$ (417,323)	\$ (3,355,797)	\$ (155,074)
General revenues:				
Property taxes	2,962,510	-	2,962,510	159,535
State shared revenues - unrestricted	695,460	-	695,460	-
Investment earnings	2,117	1,552	3,669	-
Miscellaneous	197,891	74,158	272,049	-
Transfers - internal activities	28,259	(28,259)	-	-
Total general revenues and transfers	3,886,237	47,451	3,933,688	159,535
Change in net position	947,763	(369,872)	577,891	4,461
Net position, beginning of year, as restated	3,786,593	6,764,886	10,551,479	154,462
Net position, end of year	\$ 4,734,356	\$ 6,395,014	\$ 11,129,370	\$ 158,923

concluded

The accompanying notes are an integral part of these basic financial statements.

CITY OF ST. JOHNS, MICHIGAN

Balance Sheet
 Governmental Funds
 June 30, 2015

	General Fund	Garbage Special Revenue Fund	Street Millage Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 305,941	\$ 103,267	\$ 3,201	\$ 992,447	\$ 1,404,856
Investments	511,612	-	-	-	511,612
Receivables:					
Accounts	275,930	16,448	-	43,643	336,021
Special assessments	-	-	-	1,750	1,750
Due from other funds	970,973	-	-	3,080	974,053
Due from other governmental units	142,368	-	-	213,689	356,057
Prepaid items	75,240	-	-	3,637	78,877
Total assets	\$ 2,282,064	\$ 119,715	\$ 3,201	\$ 1,258,246	\$ 3,663,226
Liabilities					
Accounts payable	\$ 37,637	\$ -	\$ 1,395	\$ 33,226	\$ 72,258
Accrued liabilities	48,190	2,691	-	6,714	57,595
Due to other governments	828	-	-	-	828
Due to other funds	1,444	-	222,753	1,641	225,838
Unearned revenues	8,000	-	-	-	8,000
Total liabilities	96,099	2,691	224,148	41,581	364,519
Deferred inflows of resources					
Unavailable revenue - special assessments	-	-	-	1,750	1,750
Fund balances					
Nonspendable	75,240	-	-	3,637	78,877
Restricted	-	117,024	-	1,157,749	1,274,773
Assigned	1,000,000	-	-	53,529	1,053,529
Unassigned (deficit)	1,110,725	-	(220,947)	-	889,778
Total fund balances	2,185,965	117,024	(220,947)	1,214,915	3,296,957
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,282,064	\$ 119,715	\$ 3,201	\$ 1,258,246	\$ 3,663,226

The accompanying notes are an integral part of these basic financial statements.

CITY OF ST. JOHNS, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
June 30, 2015

Fund balances - total governmental funds	\$ 3,296,957
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.	
Capital assets not being depreciated	1,048,131
Capital assets being depreciated, net	7,979,740
Less internal service fund capital assets being depreciated, net	(662,600)
The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows in the governmental funds, and thus are not included in fund balance.	
Deferred special assessments receivable	1,750
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds	
Net pension liability	(5,422,479)
Pension related deferred outflow of resources	352,071
Internal service funds are used by management to charge the costs of certain activities, such as equipment costs, to individual funds. The assets and liabilities of the internal service fund is included in governmental activities.	
Net position of governmental activities accounted for in internal service funds	727,858
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Bonds payable	(2,045,000)
Notes payable	(269,466)
Less internal service fund long-term debt	39,405
Accrued interest on long-term debt	(34,649)
Compensated absences	(277,362)
Net position of governmental activities	<u>\$ 4,734,356</u>

The accompanying notes are an integral part of these basic financial statements.

CITY OF ST. JOHNS, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2015

	General Fund	Garbage Special Revenue Fund	Street Millage Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 1,931,065	\$ 98,458	\$ 787,602	\$ 184,685	\$ 3,001,810
Licenses and permits	117,171	-	-	-	117,171
Intergovernmental revenue	781,123	-	75,000	778,737	1,634,860
Charges for services	933,178	591,302	-	9,882	1,534,362
Fines and forfeitures	33,025	-	-	604	33,629
Interest and rentals	23,123	267	161	361	23,912
Other revenues	124,698	1,911	475	166,949	294,033
Total revenues	3,943,383	691,938	863,238	1,141,218	6,639,777
Expenditures					
Current:					
General government	1,330,285	-	-	-	1,330,285
Public safety	1,433,635	-	-	-	1,433,635
Public works	324,903	766,490	-	430,984	1,522,377
Recreation and culture	274,891	-	-	558,383	833,274
Debt service:					
Principal	50,109	-	-	375,000	425,109
Interest and fiscal charges	7,236	-	-	100,541	107,777
Capital outlay	188,706	-	902,421	59,667	1,150,794
Total expenditures	3,609,765	766,490	902,421	1,524,575	6,803,251
Revenues over (under) expenditures	333,618	(74,552)	(39,183)	(383,357)	(163,474)
Other financing sources (uses)					
Transfers in	-	10,000	-	416,921	426,921
Transfers out	(222,554)	-	-	(176,108)	(398,662)
Total other financing sources (uses)	(222,554)	10,000	-	240,813	28,259
Net change in fund balances	111,064	(64,552)	(39,183)	(142,544)	(135,215)
Fund balances, beginning of year	2,074,901	181,576	(181,764)	1,357,459	3,432,172
Fund balances, end of year	\$ 2,185,965	\$ 117,024	\$ (220,947)	\$ 1,214,915	\$ 3,296,957

The accompanying notes are an integral part of these basic financial statements.

CITY OF ST. JOHNS, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds	\$ (135,215)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital assets purchased	1,352,585
Depreciation expense	(699,944)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.	
Net change in deferred special assessments receivable	(39,300)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments on long-term liabilities	425,109
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in net pension liability and related deferred amounts	(21,455)
Change in accrued interest payable on long-term debt	8,687
Change in the accrual for compensated absences	(6,426)
An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.	
Change in net position of the internal service fund	<u>63,722</u>
Change in net position of governmental activities	<u>\$ 947,763</u>

The accompanying notes are an integral part of these basic financial statements.

CITY OF ST. JOHNS, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - General Fund
 For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
General property taxes	\$ 1,772,000	\$ 1,772,000	\$ 1,770,245	\$ (1,755)
Act 359 tax	50,000	50,000	50,595	595
Property taxes on other than assessed valuation	3,000	3,000	440	(2,560)
Penalties and interest	12,000	12,000	14,405	2,405
Administrative fees	94,000	94,000	95,380	1,380
Total taxes	1,931,000	1,931,000	1,931,065	65
Licenses and permits:				
Parking permits	7,000	7,000	9,221	2,221
Peg channel fees	5,600	5,600	4,790	(810)
Franchise fees	88,000	88,000	98,686	10,686
City licenses and permits	3,000	3,000	4,474	1,474
Total licenses and permits	103,600	103,600	117,171	13,571
Intergovernmental revenues:				
State shared revenue - sales tax	688,339	688,339	695,460	7,121
State shared revenue - liquor licenses	5,000	5,000	5,319	319
Metro act	23,000	23,000	21,144	(1,856)
Local	65,986	65,986	59,200	(6,786)
Total intergovernmental revenues	782,325	782,325	781,123	(1,202)
Charges for services:				
Fire protection	70,000	70,000	68,150	(1,850)
Water and sewage administration	611,000	611,000	611,000	-
Mobile equipment administration	69,000	69,000	69,000	-
Library administration and maintenance	26,250	26,250	25,000	(1,250)
Garbage administration	94,000	94,000	94,000	-
LDFA administration	17,500	17,500	17,500	-
Recreation	62,053	62,053	48,528	(13,525)
Total charges for services	949,803	949,803	933,178	(16,625)
Fines and forfeitures:				
Parking fines	6,000	6,000	9,145	3,145
District court	22,000	22,000	23,880	1,880
Total fines and forfeitures	28,000	28,000	33,025	5,025
Interest and rentals:				
Interest	1,500	1,500	1,328	(172)
Rents	19,175	19,175	21,795	2,620
Total interest and rentals	20,675	20,675	23,123	2,448
Other revenues:				
Other reimbursements	48,977	48,977	79,602	30,625
Miscellaneous	24,300	43,508	45,096	1,588
Total other revenues	73,277	92,485	124,698	32,213
Total revenues	3,888,680	3,907,888	3,943,383	35,495

continued...

CITY OF ST. JOHNS, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - General Fund
 For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures				
Current:				
General government:				
Legislative	\$ 324,971	\$ 332,571	\$ 306,959	\$ (25,612)
Administration	1,057,401	1,000,701	908,725	(91,976)
Municipal building	88,000	81,100	81,006	(94)
Cemetery	10,000	10,000	10,000	-
Other	23,595	23,595	23,595	-
Total general government	1,503,967	1,447,967	1,330,285	(117,682)
Public safety:				
Police department	1,196,020	1,229,388	1,227,309	(2,079)
Fire department	236,051	237,991	206,326	(31,665)
Total public safety	1,432,071	1,467,379	1,433,635	(33,744)
Public works:				
Department of public works	347,700	377,700	324,903	(52,797)
Recreation and culture:				
Recreation department	120,215	143,215	139,220	(3,995)
City parks	112,818	136,718	135,671	(1,047)
Total recreation and culture	233,033	279,933	274,891	(5,042)
Debt service:				
Principal	61,740	61,740	50,109	(11,631)
Interest	3,237	3,237	7,236	3,999
Total debt service	64,977	64,977	57,345	(7,632)
Capital outlay	87,185	176,685	188,706	12,021
Total expenditures	3,668,933	3,814,641	3,609,765	(204,876)
Revenues over expenditures	219,747	93,247	333,618	240,371
Other financing uses				
Transfers out	(219,747)	(245,747)	(222,554)	(23,193)
Net change in fund balance	-	(152,500)	111,064	217,178
Fund balance, beginning of year	2,074,901	2,074,901	2,074,901	-
Fund balance, end of year	\$ 2,074,901	\$ 1,922,401	\$ 2,185,965	\$ 217,178

concluded

The accompanying notes are an integral part of these basic financial statements.

CITY OF ST. JOHNS, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Garbage Special Revenue Fund
 For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 105,165	\$ 105,393	\$ 98,458	\$ (6,935)
Charges for services	607,046	613,236	591,302	(21,934)
Interest	-	-	267	267
Other revenues	-	-	1,911	1,911
Total revenues	712,211	718,629	691,938	(26,691)
Expenditures				
Current:				
Public works	711,892	768,310	766,490	(1,820)
Revenue over (under) expenditures	319	(49,681)	(74,552)	(24,871)
Other financing sources				
Transfers in	-	10,000	10,000	-
Net change in fund balance	319	(39,681)	(64,552)	(24,871)
Fund balance, beginning of year	181,576	181,576	181,576	-
Fund balance, end of year	\$ 181,895	\$ 141,895	\$ 117,024	\$ (24,871)

The accompanying notes are an integral part of these basic financial statements.

CITY OF ST. JOHNS, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2015

	Business-type Activities - Enterprise Fund	Governmental Activities Internal Service Fund
	Water and Sewer Fund	Mobile Equipment Fund
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,582,053	\$ 99,676
Cash and cash equivalents, restricted	1,373,494	-
Investments	500,269	-
Accounts receivable	896,103	-
Inventories	65,620	9,976
Total current assets	<u>4,417,539</u>	<u>109,652</u>
Noncurrent assets:		
Capital assets not being depreciated	740,519	-
Capital assets being depreciated, net	15,508,763	662,600
Total noncurrent assets	<u>16,249,282</u>	<u>662,600</u>
Total assets	<u>20,666,821</u>	<u>772,252</u>
Deferred outflows of resources		
Deferred charge on refunding	28,798	-
Deferred pension amounts	173,408	-
Total deferred outflows of resources	<u>202,206</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	82,633	3,069
Accrued liabilities	31,978	1,261
Accrued interest payable	106,221	659
Due to other funds	748,215	-
Bonds and notes payable - current	560,066	24,172
Total current liabilities	<u>1,529,113</u>	<u>29,161</u>
Noncurrent liabilities, net of current portion:		
Bonds and notes payable	10,274,127	15,233
Net pension liability	2,670,773	-
Total noncurrent liabilities	<u>12,944,900</u>	<u>15,233</u>
Total liabilities	<u>14,474,013</u>	<u>44,394</u>
Net position		
Net investment in capital assets	5,443,887	623,195
Restricted for:		
Debt service	1,267,273	-
Unrestricted (deficit)	<u>(316,146)</u>	<u>104,663</u>
Total net position	<u>\$ 6,395,014</u>	<u>\$ 727,858</u>

The accompanying notes are an integral part of these basic financial statements.

CITY OF ST. JOHNS, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Fund	Governmental Activities Internal Service Fund
	Water and Sewer Fund	Mobile Equipment Fund
Operating revenues		
Charges for services	\$ 3,362,116	\$ 525,026
Rentals	5,000	-
Total operating revenues	<u>3,367,116</u>	<u>525,026</u>
Operating expenses		
Water plant operation	418,627	-
Water distribution	559,744	-
Wastewater plant operation	824,994	-
Sewage collection	62,408	-
Administrative expenses	673,087	-
Mobile equipment	-	327,115
Depreciation	818,196	154,529
Total operating expenses	<u>3,357,056</u>	<u>481,644</u>
Operating income	<u>10,060</u>	<u>43,382</u>
Nonoperating revenues (expenses)		
Interest income	1,552	-
Other revenue	74,158	23,055
Interest expense	(427,383)	(2,715)
Total nonoperating revenues (expenses)	<u>(351,673)</u>	<u>20,340</u>
Income (loss) before transfers	(341,613)	63,722
Transfers out	<u>(28,259)</u>	<u>-</u>
Change in net position	(369,872)	63,722
Net position, beginning of year, as restated	<u>6,764,886</u>	<u>664,136</u>
Net position, end of year	<u>\$ 6,395,014</u>	<u>\$ 727,858</u>

The accompanying notes are an integral part of these basic financial statements.

CITY OF ST. JOHNS, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Fund	Governmental Activities Internal Service Fund
	Water and Sewer Fund	Mobile Equipment Fund
Cash flows from operating activities		
Receipts from customers and users	\$ 3,529,477	\$ -
Receipts from interfund services provided	-	525,026
Payments to employees	(1,108,531)	(63,625)
Payments to suppliers	(913,632)	(286,640)
Net cash provided by operating activities	<u>1,507,314</u>	<u>174,761</u>
Cash flows from noncapital financing activities		
Miscellaneous receipts	74,158	23,055
Transfers out	(28,259)	-
Net cash provided by noncapital financing activities	<u>45,899</u>	<u>23,055</u>
Cash flows from capital and related financing activities		
Purchase of capital asset	(598,182)	(235,187)
Interest paid on long-term debt	(439,019)	(2,780)
Principal paid on long-term debt	(527,631)	(26,703)
Net cash used in capital and related financing activities	<u>(1,564,832)</u>	<u>(264,670)</u>
Cash flows from investing activities		
Purchase of investments	(500,269)	-
Interest received on investments	1,552	-
Net decrease in cash and cash equivalents	<u>(510,336)</u>	<u>(66,854)</u>
Cash and cash equivalents, beginning of year	<u>3,465,883</u>	<u>166,530</u>
Cash and cash equivalents, end of year	<u>\$ 2,955,547</u>	<u>\$ 99,676</u>
Classified on the statement of net position as:		
Cash and cash equivalents	\$ 1,582,053	\$ 99,676
Cash and cash equivalents, restricted	<u>1,373,494</u>	<u>-</u>
	<u>\$ 2,955,547</u>	<u>\$ 99,676</u>

continued...

CITY OF ST. JOHNS, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Fund	Governmental Activities Internal Service Fund
	Water and Sewer Fund	Mobile Equipment Fund
Cash flows from operating activities		
Operating income	\$ 10,060	\$ 43,382
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	818,196	154,529
Change in operating assets and liabilities that provided (used) cash:		
Accounts receivable	13,038	-
Due from other funds	149,323	-
Inventories	(1,441)	(4,754)
Prepaid items	851	-
Accounts payable	62,082	(2,772)
Accrued liabilities	(7,000)	97
Due to other funds	451,637	(15,721)
Pension related amounts	10,568	-
Net cash provided by operating activities	\$ 1,507,314	\$ 174,761
		concluded

The accompanying notes are an integral part of these basic financial statements.

CITY OF ST. JOHNS, MICHIGAN

Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2015

	Current Tax Collection Agency Fund
Assets	
Cash and cash equivalents	<u>\$ 77</u>
Liabilities	
Due to other governments	<u>\$ 77</u>

The accompanying notes are an integral part of these basic financial statements.

CITY OF ST. JOHNS, MICHIGAN

Statement of Net Position

Discretely Presented Component Units

June 30, 2015

	Principal Shopping District	Local Development Finance Authority	Downtown Development Authority	Total Component Units
Assets				
Cash and cash equivalents	\$ 21,239	\$ 113,787	\$ 27,306	\$ 162,332
Due from other governmental units	843	-	-	843
Total assets	22,082	113,787	27,306	163,175
Liabilities				
Accounts payable	4,252	-	-	4,252
Net position				
Unrestricted	\$ 17,830	\$ 113,787	\$ 27,306	\$ 158,923

The accompanying notes are an integral part of these basic financial statements.

CITY OF ST. JOHNS, MICHIGAN

Statement of Activities

Discretely Presented Component Units
For the Year Ended June 30, 2015

Functions / Programs	Expenses	Program Revenues	Net (Expense) Revenue
		Operating Grants and Contributions	
Component units:			
Community and economic development			
Principal shopping district	\$ 64,065	\$ 62,381	\$ (1,684)
Local development finance authority	151,386	-	(151,386)
Downtown development authority	2,004	-	(2,004)
Total component units	<u>\$ 217,455</u>	<u>\$ 62,381</u>	<u>\$ (155,074)</u>

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CITY OF ST. JOHNS, MICHIGAN

Statement of Activities

Discretely Presented Component Units
For the Year Ended June 30, 2015

	Component Units			Total Component Units
	Principal Shopping District	Local Development Finance Authority	Downtown Development Authority	
Changes in net position				
Net expense	\$ (1,684)	\$ (151,386)	\$ (2,004)	\$ (155,074)
General revenues:				
Property taxes	-	151,159	8,376	159,535
Change in net position	(1,684)	(227)	6,372	4,461
Net position, beginning of year	19,514	114,014	20,934	154,462
Net position, end of year	<u>\$ 17,830</u>	<u>\$ 113,787</u>	<u>\$ 27,306</u>	<u>\$ 158,923</u>

concluded

The accompanying notes are an integral part of these basic financial statements.

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NOTES TO FINANCIAL STATEMENTS

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of St. Johns, Michigan (the "City") conform to generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

Reporting Entity

As required by accounting principles generally accepted in the United States of America; and Governmental Accounting Standards Board, these financial statements present the financial activities of the City of St. Johns (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government.

Blended Component Unit

Building Authority - The Building Authority is governed by a three (3) member board appointed by the City Commission. Its purpose is to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities, stadiums and the necessary site or sites therefore for the use of the City.

Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, the City of St. Johns remains financially accountable for these entities or the nature and significance of the relationship between these entities and the City of St. Johns is such that exclusion of these entities would render the financial statements misleading or incomplete.

Principal Shopping District (PSD) - The PSD is governed by a board of no less than nine (9) and no more than thirteen (13) directors. The board is comprised of owners and/or operators of downtown businesses, excepting by statute that one member shall be a representative of the City and one member shall be an adjacent neighborhood resident to the downtown area. The members are appointed by the City Commission. In addition, the Clinton County Board of Commissioners appoints one (1) County representative to the board. The purpose of the PSD is to facilitate programs for an improved growth environment in and near downtown St. Johns, and to assist the downtown area in becoming a stronger mixed-use urban center by encouraging a variety of retail, service, professional, residential and recreational opportunities. The City has the ability to significantly influence operations of the PSD and also has a potential financial benefit or burden. The PSD is legally separate and fiscally independent of the City. The PSD is included in the City's audited financial statements and separate financial statements have not been issued.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

Local Development Finance Authority (LDFA) - The LDFA is governed by a ten (10) member board, seven (7) of whom are appointed by the Chief Executive Officer, subject to approval by the City Commission, one (1) of whom is appointed by the Clinton County Board of Commissioners, and two (2) of whom are appointed by the chief executive officer of St. Johns Public Schools. The purpose of the LDFA is to eliminate the causes of unemployment, under-employment, and joblessness and to promote economic growth in the City, pursuant to Act 281 of the Public Acts of Michigan, 1986, as amended. The City has the ability to significantly influence operations of the LDFA and also has a potential financial benefit or burden. The LDFA is legally separate and fiscally independent of the City. The LDFA is included in the City's audited financial statements and separate financial statements have not been issued.

Downtown Development Authority (DDA) - The DDA is governed by a board of no less than nine (9) and no more than thirteen (13) directors. Members of the governing board of the DDA are appointed by the City Commission. The City also has the ability to significantly influence operations of the DDA. Additionally, the DDA's budget is subject to approval by the City Commission. The DDA may issue debt payable solely from tax increment revenues. The full faith and credit of the City may be given for the debt of the DDA. The City temporarily relinquishes part of its tax base to the Authority (tax increment revenues). The DDA is included in the City's audited financial statements and separate financial statements have not been issued.

Joint Ventures

The City participates in the following activity which is considered to be a joint venture in relation to the City, due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Clinton Area Ambulance Service Authority - The City is a member of the Clinton Area Ambulance Service Authority (CAASA), which is a joint venture agreement between the following municipalities: City of St. Johns, Village of Fowler, Village of Maple Rapids, Township of Bengal, Township of Bingham, Township of Dallas, Township of Essex, Township of Greenbush, Township of Lebanon, and Township of Riley. The City appoints two (2) of the eleven (11) members of the governing board. CAASA is considered a Municipal Emergency Service Authority as provided in the Emergency Services to Municipalities Act, 1988 PA57, and MCL 124.601.

CAASA has no stockholders and all monies received are to be used for emergency services in accordance with the joint venture agreement between the constituent municipalities.

The financial activities of CAASA are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended March 31, 2015, are available at CAASA's administrative offices. As of March 31, 2015, CAASA had a net position of \$626,541.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are 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 certain component units for which the primary government is financially accountable.

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

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are 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. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement basis grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all the financial resources of the general government, except those accounted for and reported in another fund.

The *Garbage Special Revenue Fund* is used to account for the proceeds of garbage collection that are legally restricted to expenditures for the purpose of garbage collection.

The *Street Millage Capital Projects Fund* is used to account for the proceeds of the street property taxes that are restricted to repairs and maintenance of the City's streets.

The City reports the following major proprietary funds:

The *Water and Sewer Fund* is used to account for the operations of the water and sewer services to the general public; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

Additionally, the City reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Internal service fund accounts for the mobile equipment used by departments within the City and the related expenses incurred on a cost reimbursement basis.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity (such as taxes collected for other governments).

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The General Fund provides certain central services to other funds of the City which are presented as program expenses in the funds receiving services. The related General Fund revenue has been netted against program expense in the government-wide statement of activities.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

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

Restricted net position are assets that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, deferred inflows of resources, and equity

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in:

Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

Receivables and payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable. At year-end, the City deemed no allowances were necessary and, therefore, had none recorded.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred are shown as unearned revenue.

Property taxes are levied by the City of St. Johns on July 1 and December 1 and are payable without penalty through August 14 and February 14, respectively. The July 1 levy was composed of the County's levy, the State Education Tax assessment and the City's millage and assessments. The December 1 levy was composed of school taxes as well as any unpaid July 1 City levies. All real property taxes not paid to the City by March 1 are turned over to the Clinton County Treasurer for collection. The Clinton County Treasurer remits pay-off payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by state statute to levy taxes up to 10 mills (\$10 per \$1,000 of assessed valuation) for general governmental services other than the payment of Debt Service Fund expenditures. They are also permitted to levy additional mills specifically designated for library, garbage, and recreation services. For the year ended June 30, 2015, the City levied 9.4360 mills for general governmental services, 0.9845 mills for library services, 0.5000 mills for garbage services, 0.2570 mills for recreation services, and 4.0000 for streets and sidewalks. The total taxable value for the 2014 levy for property within the City was \$194,485,096.

Inventories

Inventories in the Enterprise Fund consist of Water Department supplies which are stated at the lower of cost or market on the first in - first out basis. Inventory in the internal service fund consist of consumable mobile equipment supplies which are stated at the lower of cost or market on the first in - first out basis. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

Other assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/ expenses when consumed rather than when purchased.

Capital assets

Capital assets, which include land, construction on progress, land improvements, building and improvements, vehicles, furniture and other assets, drain flowage rights, water system, sewer system, water and sewer equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than 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. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all roads and streets regardless of their acquisition date or amount.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed.

Property, infrastructure, buildings and equipment are depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements	5 - 25
Buildings and improvements	20 - 40
Vehicles	5
Furniture and other assets	5
Infrastructure	20
Drain flowage rights	25
Sewer lines	40
Pump stations	20
Equipment	3 - 10

The City reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred the asset is written down to its net realizable value and a current charge to income is recognized.

Deferred outflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City reports deferred outflows of resources for the change in expected and actual investments returns, assumptions, and benefits provided in its pension plan as well as for a deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Compensated absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, individual employees have vested rights to receive payment for unused vacation and sick leave.

Accumulated vacation and sick pay amounts that are vested have been recorded in the government-wide financial statements.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

Long-term obligations

In the government wide financial statements and proprietary fund types in the 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 type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 on debt issuances are reported as other financing uses.

Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from one source: special assessments receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund balances

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Commission (the government's highest level of decision-making authority). A formal resolution of the Commission is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Commission has delegated the authority to assign fund balance to the City Manager, who assigns amounts based on policy set forth by the Commission. Unassigned fund balance is the residual classification for the General Fund.

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

Interfund transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Internal service funds are used to record charges for services to all City departments and funds as transfers or operating revenues. All City funds record these payments to the internal service funds as transfers or operating expenditures/expenses.

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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. The City utilizes various investment instruments which are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

2. BUDGETARY INFORMATION

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General Fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. Debt service funds are also included in the budgetary process; however, State statutes do not require legally adopted budgets for such funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before April 1, the City Manager submits to the City Commission, 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 for the general and special revenue funds. Informational summaries of projected revenues and expenditures are provided for all other City funds, as well as estimated total costs and proposed methods of financing all capital construction projects.
2. Public hearings are conducted to obtain taxpayer comments.
3. In May, by resolution, the approved budgets of the City were adopted on the department level basis for all governmental funds for the ensuing fiscal year, in accordance with Public Act 621 of the State of Michigan.
4. The City Manager, or his designee, is authorized to transfer budgeted amounts within departmental appropriation accounts; however, any revisions that alter the total expenditures of any department must be approved by the City Commission.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

6. Budget appropriations lapse at year-end.
7. The original budget was amended during the year in compliance with the City Charter and applicable state laws. The budget-to-actual expenditures in the financial statements represent the final budgeted expenditures as amended by the City Commission.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There were no encumbrances at year-end.

3. DEFICIT NET POSITION AND FUND BALANCE

Governmental activities reported a deficit in unrestricted net position of \$3,219,173. Business-type activities and the Water and Sewer fund reported a deficit in unrestricted net position of \$287,348.

The Street Millage Projects capital projects fund reported a deficit fund balance at year-end. This deficit is due to fiscal year 2014 projects that are to be funded with future revenue that will be received from the 4 mill property tax that was approved and the City began collections during fiscal year 2015.

4. EXCESS OF EXPENDITURES OVER BUDGET

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. The approved budgets of the City were adopted on the department level basis for the general fund and the function level for special revenue funds, which is the legal level of control. During the year ended June 30, 2015 the City had incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	Final Budget	Actual	Over Budget
General Fund:			
Debt service - interest expense	\$ 3,237	\$ 7,236	\$ (3,999)
Capital outlay	176,685	188,706	(12,021)
Major Streets:			
Capital outlay	-	8,560	(8,560)
Transfers out	168,583	176,108	(7,525)
Local Streets:			
Capital outlay	-	11,908	(11,908)

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

5. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of June 30, 2015:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and cash equivalents	\$ 3,086,585	\$ 162,332	\$ 3,248,917
Restricted cash and cash equivalents	1,373,494	-	1,373,494
Investments	1,011,881	-	1,011,881
Statement of Fiduciary Assets and Liabilities			
Cash and cash equivalents	77	-	77
Total	\$ 5,472,037	\$ 162,332	\$ 5,634,369
Deposits and investments			
Bank deposits:			
Checking and savings accounts			\$ 4,621,927
Pooled certificates of deposit:			
Due within one year			1,011,882
Cash on hand			560
Total			\$ 5,634,369

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. It is City policy to review and verify a bank's creditworthiness through a system of ratio analysis and from information provided by several third-party sources. In addition, the City's investment policy places concentration limits on the total amount deposited with a single financial institution. As of year-end, \$4,477,243 of the City's bank balance of \$6,222,367 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the City believes it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The City has adopted an official investment policy which is in accordance with investments permitted by Act 20 of the Michigan Public Acts of 1943, as amended. The Act generally allows the City to deposit funds in banks, savings and loan associations, and credit unions in the State of Michigan. The Act also provides for investment in U.S. government obligations; certificates of deposit of banks, savings and loans, and credit unions; commercial paper; repurchase agreements; bankers' acceptances; and, with some restrictions, mutual funds.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

Credit Risk. Statutes and various bond indentures authorized the City to invest in obligations of the U.S. Treasury, governmental agencies and instrumentalities, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, U.S. government or federal agency obligation repurchase agreements, obligations of the State of Michigan or any of its political subdivisions rated as investment grade by not less than one standard rating service, and mutual funds composed of the types of investment vehicles named previously.

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. To limit its exposure to fair value losses from rising interest rates, the City's investment policy requires that the investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. This is accomplished by investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio as required by the City's policy.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk.

6. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 336,021	\$ 896,103	\$ -
Special assessments	1,750	-	-
Intergovernmental	356,057	-	843
	<u>\$ 693,828</u>	<u>\$ 896,103</u>	<u>\$ 843</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the deferred inflows of resources of \$1,750 reported in the governmental funds consisted entirely of special assessments, which are expected to be received during the next fiscal year.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 75,327	\$ 82,633	\$ 4,252
Accrued liabilities	58,856	31,978	-
Due to other governments	828	-	-
Accrued interest on long-term debt	35,308	106,221	-
	<u>\$ 170,319</u>	<u>\$ 220,832</u>	<u>\$ 4,252</u>

8. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances at year-end, was as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 970,973	\$ 1,444
Street millage projects Fund	-	222,753
Nonmajor governmental funds	3,080	1,641
Water and sewer fund	-	748,215
	<u>\$ 974,053</u>	<u>\$ 974,053</u>

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year ended June 30, 2015, interfund transfers consisted of the following:

	Transfers In	Transfer Out
General Fund	\$ -	\$ 222,554
Garbage Fund	10,000	-
Nonmajor governmental funds	416,921	176,108
Water and Sewer Fund	-	28,259
	<u>\$ 426,921</u>	<u>\$ 426,921</u>

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

9. CAPITAL ASSETS

Primary government

Capital asset activity for the primary government for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Disposals	Adjustments	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 805,951	\$ 242,180	\$ -	\$ -	\$ 1,048,131
Capital assets, being depreciated:					
Land improvements	1,302,484	25,787	-	-	1,328,271
Buildings and improvements	3,194,912	64,812	-	20,188	3,279,912
Vehicles	2,028,319	242,937	(19,065)	82,827	2,335,018
Furniture and other assets	1,166,982	26,353	-	-	1,193,335
Drain flowage rights	529,268	-	-	-	529,268
Infrastructure	10,304,057	985,703	-	-	11,289,760
	<u>18,526,022</u>	<u>1,345,592</u>	<u>(19,065)</u>	<u>103,015</u>	<u>19,955,564</u>
Less accumulated depreciation for:					
Land improvements	(661,090)	(57,860)	-	-	(718,950)
Buildings and improvements	(1,213,900)	(88,083)	-	(20,188)	(1,322,171)
Vehicles	(1,391,883)	(173,165)	19,065	(82,827)	(1,628,810)
Furniture and other assets	(1,027,439)	(51,213)	-	-	(1,078,652)
Drain flowage rights	(66,037)	(11,198)	-	-	(77,235)
Infrastructure	(6,677,052)	(472,954)	-	-	(7,150,006)
	<u>(11,037,401)</u>	<u>(854,473)</u>	<u>19,065</u>	<u>(103,015)</u>	<u>(11,975,824)</u>
Total capital assets being depreciated, net	<u>7,488,621</u>	<u>491,119</u>	<u>-</u>	<u>-</u>	<u>7,979,740</u>
Governmental activities capital assets, net	<u>\$ 8,294,572</u>	<u>\$ 733,299</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,027,871</u>

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CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Adjustments	Ending Balance
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 91,570	\$ 77,591	\$ -	\$ -	\$ 169,161
Construction in progress	318,289	253,069	-	-	571,358
	<u>409,859</u>	<u>330,660</u>	<u>-</u>	<u>-</u>	<u>740,519</u>
Capital assets, being depreciated:					
Water system	5,728,837	87,867	-	2,002	5,818,706
Sewer system	25,404,099	179,655	-	2,548	25,586,302
Water and sewer equipment	1,080,811	-	-	152,597	1,233,408
	<u>32,213,747</u>	<u>267,522</u>	<u>-</u>	<u>157,147</u>	<u>32,638,416</u>
Less accumulated depreciation for:					
Water system	(3,633,316)	(92,147)	-	(2,002)	(3,727,465)
Sewer system	(11,868,661)	(688,803)	-	(2,548)	(12,560,012)
Water and sewer equipment	(652,333)	(37,246)	-	(152,597)	(842,176)
	<u>(16,154,310)</u>	<u>(818,196)</u>	<u>-</u>	<u>(157,147)</u>	<u>(17,129,653)</u>
Total capital assets being depreciated, net	<u>16,059,437</u>	<u>(550,674)</u>	<u>-</u>	<u>-</u>	<u>15,508,763</u>
Business-type activities capital assets, net	<u>\$ 16,469,296</u>	<u>\$ (220,014)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,249,282</u>

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

Depreciation of governmental activities by function

General government	\$ 63,396
Public safety	22,841
Public works	536,596
Recreation and culture	77,111
Internal service fund	154,529
	<u>\$ 854,473</u>

Depreciation of business-type activities by function

Water and Sewer	<u>\$ 818,196</u>
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CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

10. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
1997 General Obligation Building Authority Bonds, \$750,000, with future annual installments of \$55,000 to \$60,000 through October 1, 2016, interest at 5.500%	\$ 170,000	\$ -	\$ (55,000)	\$ 115,000	\$ 55,000
1998 Building Authority Bonds, \$1,400,000, with future annual installments ranging from \$90,000 to \$110,000 through October 1, 2018, interest at 4.375%	490,000	-	(90,000)	400,000	90,000
2003 Michigan Transportation Fund Bonds, \$480,000, with future annual installments ranging from \$60,000 to \$70,000 through August 1, 2018, interest ranging from 3.700% to 4.200% payable semi-annually	320,000	-	(60,000)	260,000	60,000
2004 Capital Improvement Bonds \$735,000, with a final annual installment of \$90,000 on March 1, 2015, interest at 4.100% payable semi-annually	90,000	-	(90,000)	-	-
2007 Capital Improvement Bonds, \$1,850,000, with future annual installments ranging from \$80,000 to \$130,000 through April 1, 2027, interest ranging from 4.000% to 4.125%	1,350,000	-	(80,000)	1,270,000	85,000
Installment Note Payable, to purchase land of \$536,000, with future annual installments ranging from \$32,656 to \$35,818 through July 1, 2019, interest at 4.675%	171,092	-	(32,656)	138,436	33,419

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CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities (concluded)					
Installment Note Payable, \$112,000, to purchase a fire truck, due in semi- annual installments of \$6,850 through October 1, 2015, including interest at 4.000%	\$ 22,266	\$ -	\$ (12,732)	\$ 9,534	\$ 9,534
Installment Note Payable, to purchase a street sweeper of \$127,730, due in annual installments of \$15,975 through April 1, 2017, including interest at 4.500%	43,842	-	(13,971)	29,871	14,638
CDBG loan of \$1,100,000 for expansion of the City's industrial park, governmental portion, at quarterly installments of \$6,271 through August 1, 2020 at 0.000% interest	109,078	-	(17,453)	91,625	17,453
Total governmental activities bonds and notes	2,766,278	-	(451,812)	2,314,466	365,044
Compensated absences	270,936	200,110	(193,684)	277,362	180,604
Total governmental activities	\$ 3,037,214	\$ 200,110	\$ (645,496)	\$ 2,591,828	\$ 545,648

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type Activities					
Water Supply and Sewage Disposal System Revenue Refunding Bonds dated May 24, 2005, \$3,240,000, with annual installments ranging from \$500,000 to \$575,000 through October 1, 2017, with interest ranging from 3.900% to 5.000% payable semi-annually	\$ 2,150,000	\$ -	\$ (500,000)	\$ 1,650,000	\$ 525,000
Water Supply and Sewage Disposal System Revenue Refunding Bonds dated December 18, 2007, \$6,295,000, with future annual installments ranging from \$5,000 to \$800,000 through October 1, 2032, with interest ranging from 4.000% to 5.000% payable semi-annually	6,285,000	-	(5,000)	6,280,000	5,000
Water Supply and Sewage Disposal System Revenue Refunding Bonds dated July 16, 2013, \$2,845,000, with future annual installments of \$15,000 to \$300,000 through October 1, 2027, interest at 3.150% payable semi-annually	2,845,000	-	(15,000)	2,830,000	15,000
CDBG loan of \$1,100,000 for expansion of the City's industrial park, enterprise portion, due in quarterly installments of \$6,271 through August 1, 2020 at 0.000% interest	47,692	-	(7,631)	40,061	7,631
Total business type activities bonds and notes	11,327,692	-	(527,631)	10,800,061	552,631
Net bond premium/discount	41,566	-	(7,434)	34,132	7,435
Total business-type activities	\$ 11,369,258	\$ -	\$ (535,065)	\$ 10,834,193	\$ 560,066

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

Annual debt service requirements to maturity for long-term debt (excluding compensated absences and bond premium/discount) are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 365,044	\$ 88,285	\$ 552,631	\$ 325,138
2017	376,887	72,842	577,631	303,713
2018	312,453	58,287	602,631	281,288
2019	328,269	45,526	462,631	265,813
2020	117,453	37,013	477,631	257,688
2021-2025	559,360	122,121	2,626,906	1,132,996
2026-2030	255,000	15,882	3,200,000	785,726
2031-2033	-	-	2,300,000	150,961
	<u>\$ 2,314,466</u>	<u>\$ 439,956</u>	<u>\$ 10,800,061</u>	<u>\$ 3,503,323</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for those funds are included as part of the above governmental activities totals. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund.

Advanced Refundings

On May 24, 2005, the City defeased a portion of the 1997 Water Supply and Sewage Disposal System Revenue Refunding Bonds which were due and payable October 1, 1997 through October 1, 2016, and a portion of the 1997A Water Supply and Sewage Disposal System Revenue Bonds, which were due and payable October 1, 1997, through October 1, 2017. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued the 2005 Water Supply and Sewage Disposal System Revenue Refunding Bonds in the amount of \$3,240,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2015, bonds due and payable October 1, 2015 through October 1, 2016, for the 1997 Water Supply and Sewage Disposal System Revenue Refunding Bonds in the amount of \$410,000; and bonds due and payable October 1, 2015 through October 1, 2017, for the 1997A Water Supply and Sewage Disposal System Revenue Bonds in the amount of \$1,225,000 are considered defeased.

11. RISK MANAGEMENT

Primary Government

The City participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

The City also participates in a State pool, the Michigan Municipal League Liability & Property Pool, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

12. CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City and its Corporate Counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

On May 22, 2012 the Michigan State Housing Development Authority (MSHDA) sent a demand letter to the City asserting that the City breached two Community Development Block grant agreements. MSHDA is seeking the full grant amount of \$707,977 to be repaid. The City has retained legal counsel regarding this matter. As of the date of audit report issuance no lawsuit has been filed.

13. BENEFIT PLANS

Defined Contribution - ICMA

The City of St. Johns is the sponsor of a defined contribution retirement plan for the sole benefit of its employees. The plan is administered by the Michigan Municipal Employees Retirement System. The plan was established by the City Commission. Plan provisions and contribution requirements can be amended by the City Commission. Non-union employees hired after May 31, 2003 receive 8% of their wages as a contribution to the plan. Non-union new hires have an irrevocable option at the time of hire to contribute 2% of their wages to the plan and the City matches this contribution. If this option is refused, then the 8% City funding is what is received. Union employees hired after July 1, 2007 receive 8% of their wages as a contribution to the plan. The City will match up to 4% of additional contributions for a total maximum contribution of 16%. During the year ended June 30, 2015, the City of St. Johns made contributions for all eligible participating employees. To be eligible to participate, an employee must be full time. Elected officials and volunteer firefighters are not eligible for this plan.

During the year, contributions of \$16,412 and \$99,222 were made by the employees and employer, respectively, in accordance with contribution requirements established by the City Commission.

Defined Benefit - Michigan Municipal Employees' Retirement System

General Information About the Plan

Plan Description. The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

Benefits Provided. Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 3 year period) and multipliers ranging from 2.25% to 2.50%. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60 with early retirement at age 50 with 25 years of service or 55 with 20 or more years of service. Election of early retirement other than one of these options is subject to reduction of benefits as outlined below.

Participants are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by 2.5% of the member's final average compensation (FAC) for General and Police/Fire. The retirement allowance is reduced 1/2% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available.

Employees Covered by Benefit Terms. At June 30, 2015, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	53
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>16</u>
 Total membership	 <u><u>73</u></u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees, which currently range from 0% to 4.5%. Employer contributions range from 12.39% to 69.83% of annual payroll.

Net Pension Liability. The City's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3% to 4%
Salary increases	4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)
 Additional salary increases	 0.0% to 13.0%
Investment rate of return	8%, net of investment expense and including inflation

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study conducted in 2009.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	57.50%	5.02%	2.89%
Global fixed income	20.00%	2.18%	0.44%
Real Assets	12.50%	4.23%	0.53%
Diversifying strategies	10.00%	6.56%	0.64%
	<u>100.00%</u>		
Inflation			3.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u>8.25%</u>

Discount Rate. The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

Changes in Net Pension Liability

The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2013	\$ 16,549,829	\$ 8,692,400	\$ 7,857,429
Changes for the year:			
Service cost	102,554	-	102,554
Interest	1,315,290	-	1,315,290
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	663,817	(663,817)
Employee contributions	-	4,054	(4,054)
Net investment income	-	533,601	(533,601)
Benefit payments, including refunds of employee contributions	(1,316,382)	(1,316,382)	-
Administrative expense	-	(19,451)	19,451
Other changes	-	-	-
Net changes	<u>101,462</u>	<u>(134,361)</u>	<u>235,823</u>
Balances at December 31, 2014	<u>\$ 16,651,291</u>	<u>\$ 8,558,039</u>	<u>\$ 8,093,252</u>

The governmental activities portion of the net pension liability is generally liquidated by the General Fund.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 8.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's net pension liability	\$ 9,746,135	\$ 8,093,252	\$ 6,683,506

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$774,866. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ -	\$ -
Changes in assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	124,774	-	124,774
	<u>124,774</u>	<u>-</u>	<u>124,774</u>
Contributions subsequent to the measurement date	400,705	-	400,705
	<u>400,705</u>	<u>-</u>	<u>400,705</u>
Total	<u>\$ 525,479</u>	<u>\$ -</u>	<u>\$ 525,479</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

June 30,	Amount
2016	\$ 31,194
2017	31,194
2018	31,194
2019	<u>31,192</u>
Total	<u>\$ 124,774</u>

Payable to the Pension Plan. At June 30, 2015, the City did not have any outstanding contribution amounts payable to the pension plan.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

14. COMMITMENTS

Lease Commitments - Primary Government

In December 1998, the City entered into a construction agreement with Clinton County to construct a new Courthouse. At the same time, the Building Authority entered into a ground lease with Clinton County that provides the City administrative office space for a term of ninety-nine (99) years, at a rate of \$1 per year.

The terms of the construction agreement dictate that the City shall pay 9.2% of the cost of improvements incurred by the County. The terms of the ground lease dictate that the County or City may terminate the lease on or after the December 31 occurring not earlier than ten (10) years following occupancy ("termination date"). For ten (10) years following the termination date, the County or City may terminate the lease subject to varying percentage payments reimbursing the City for their pro rata share of the cost of improvements. After the tenth year following the termination date, either party may terminate the lease subject to 100% reimbursement of the City's pro rata share of the cost of improvements.

At June 30, 2015, the City held operating lease agreements for heavy equipment, copiers, and a postage meter. Future minimum lease commitments are as follows:

Year Ended June 30,	Amount
2016	\$ 17,452
2017	15,105
2018	11,423
2019	<u>5,711</u>
Total	<u>\$ 49,691</u>

Total lease expense for the year ended June 30, 2015 was \$17,452.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

15. FUND BALANCE - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General	Garbage Fund	Street Millage Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Prepaid items	\$ 75,240	\$ -	\$ -	\$ 3,637	\$ 78,877
Restricted for:					
Drug law enforcement	-	-	-	4,196	4,196
Streets	-	-	-	644,041	644,041
Library:					
Operating	-	-	-	318,736	318,736
Special purpose	-	-	-	42,500	42,500
Garbage	-	117,024	-	-	117,024
Debt service	-	-	-	119,854	119,854
Capital projects	-	-	-	28,422	28,422
Total restricted	-	117,024	-	1,157,749	1,274,773
Assigned for:					
Employee retirement	800,000	-	-	-	800,000
Community development	200,000	-	-	53,529	253,529
Total assigned	1,000,000	-	-	53,529	1,053,529
Unassigned (deficit)	1,110,725	-	(220,947)	-	889,778
Totals fund balances - governmental funds					
	\$ 2,185,965	\$ 117,024	\$ (220,947)	\$ 1,214,915	\$ 3,296,957

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

16. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2015, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 1,048,131	\$ 740,519
Capital assets being depreciated, net	<u>7,979,740</u>	<u>15,508,763</u>
	9,027,871	16,249,282
Related debt:		
Total bonds and notes payable, net	<u>(2,314,466)</u>	<u>(10,805,395)</u>
Net investment in capital assets	<u>\$ 6,713,405</u>	<u>\$ 5,443,887</u>

17. RESTATEMENT

The City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result of this change, beginning net position of governmental activities, business-type activities and the water and sewer enterprise fund were decreased by \$5,048,953, \$2,486,797, and \$2,486,797, respectively.

18. SUBSEQUENT EVENTS

In July of 2015, the City entered into a \$73,500 construction contract to build out the industrial park to install fiber optic cable throughout the park.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ST. JOHNS, MICHIGAN

Required Supplementary Information Municipal Employees' Retirement System of Michigan

Schedule of Changes in City's Net Pension Liability and Related Ratios

	Year Ended June 30, 2015
Total pension liability	
Service cost	\$ 102,554
Interest	1,315,290
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(1,316,382)
Net change in total pension liability	<u>101,462</u>
Total pension liability, beginning of year	<u>16,549,829</u>
Total pension liability, end of year	<u>16,651,291</u>
Plan fiduciary net position	
Employer contributions	663,817
Employee contributions	4,054
Net investment income	533,601
Benefit payments, including refunds of employee contributions	(1,316,382)
Administrative expense	(19,451)
Other	-
Net change in plan fiduciary net position	<u>(134,361)</u>
Plan fiduciary net position, beginning of year	<u>8,692,400</u>
Plan fiduciary net position, end of year	<u>8,558,039</u>
City's net pension liability	<u>\$ 8,093,252</u>
Plan fiduciary net position as a percentage of total pension liability	51.4%
Covered-employee payroll	\$ 870,041
City's net pension liability as a percentage of covered-employee payroll	930.22%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF ST. JOHNS, MICHIGAN

Required Supplementary Information Municipal Employees' Retirement System of Michigan

Schedule of the Net Pension Liability

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered-Employee Payroll	Net Pension Liability as Percentage of Covered Payroll
2015	\$ 16,651,291	\$ 8,558,039	\$ 8,093,252	51.40%	\$ 870,041	930.22%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF ST. JOHNS, MICHIGAN

Required Supplementary Information

Municipal Employees' Retirement System of Michigan

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as Percentage of Covered-Employee Payroll
2015	\$ 680,351	\$ 680,351	\$ -	\$ 947,831	71.78%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

Valuation Date: December 31, 2014
 Notes: Actuarially determined contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	24 years
Asset valuation method	Open; 10-year smooth market
Inflation	3.0% to 4.0%
Salary increases	4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)
Investment rate of return	8.00%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2011 valuation. The next study is scheduled for 2016.
Mortality	50% male-50% female blend of the 1994 Group Annuity Mortality Table. For disabled retirees, the regular mortality table is used with a 10-year set forward rate.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

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CITY OF ST. JOHNS, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds

Major Street - The Major Street fund accounts for revenues received from the State of Michigan for the City's share of State gasoline and weight taxes, which is used for maintenance of major streets.

Local Street - The Local Street fund accounts for revenues received from the State of Michigan for the City's share of State gasoline and weight taxes, which is used for maintenance of local streets.

Library - This fund accounts for all revenues received by the City for the operation and maintenance of the public library. Financing is provided primarily by an annual property tax levy, penal fines distributed by the county, and through donations.

Drug Law Enforcement - This fund accounts for all revenues received by the City for drug forfeiture activities, which finance the City drug law enforcement program activities and related public safety activities.

Debt Service Funds

1997 Library Building Authority Fund Bonds - This fund is used to account for payment of principal and interest of bonds related to the Library Facility. Funding is set aside from the Library Fund's operating revenue and restricted in the Library Fund fund balance.

1998 Courthouse Building Authority Fund Bonds - This fund is used to account for payment of principal and interest of bonds related to the Courthouse project. Funding is set aside from the General Fund's operating revenue.

2003 Michigan Transportation Fund Bonds - This fund accounts for the payment of the 2003 Michigan Transportation Fund Bonds related to major streets.

2004 Capital Improvement Bonds - This fund is used to account for the payment of principal and interest of bonds related to the 2004 Capital Improvement Fund.

2007 Building Authority Capital Improvement Bonds - This fund is used to account for the payment of principal and interest of bonds related to the 2007 Capital Improvement Fund.

Capital Project Funds

Fantasy Forest - This fund accounts for funds received and expended for the construction of a city-owned playground structure.

Splash Park - This fund accounts for funds received and expended for the construction of a splash park structure.

Revolving Special Assessment - This fund accounts for small capital projects that are repaid through assessments to residents. Costs and repayment of projects are monitored through this fund.

CITY OF ST. JOHNS, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue Funds			
	Major Street	Local Street	Library	Drug Law Enforcement
Assets				
Cash and cash equivalents	\$ 307,985	\$ 264,691	\$ 254,884	\$ 4,196
Accounts receivable	-	-	-	-
Special assessments receivable	-	-	-	-
Due from other funds	-	-	1,704	-
Due from other governmental units	71,719	27,242	114,728	-
Prepaid items	-	-	3,637	-
Total assets	<u>\$ 379,704</u>	<u>\$ 291,933</u>	<u>\$ 374,953</u>	<u>\$ 4,196</u>
Liabilities				
Accounts payable	\$ 14,388	\$ 11,780	\$ 4,789	\$ -
Accrued liabilities	855	568	5,291	-
Due to other funds	5	-	-	-
Total liabilities	<u>15,248</u>	<u>12,348</u>	<u>10,080</u>	<u>-</u>
Deferred inflows of resources				
Unavailable revenue - special assessments	-	-	-	-
Fund balances				
Nonspendable	-	-	3,637	-
Restricted	364,456	279,585	361,236	4,196
Assigned	-	-	-	-
Total fund balances	<u>364,456</u>	<u>279,585</u>	<u>364,873</u>	<u>4,196</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 379,704</u>	<u>\$ 291,933</u>	<u>\$ 374,953</u>	<u>\$ 4,196</u>



Debt Service Funds				
1997 Library Building Authority Fund Bonds	1998 Courthouse Building Authority Fund Bonds	2003 Michigan Transportation Fund Bonds	2004 Capital Improvement Bonds	2007 Building Authority Capital Improvement Bonds
\$ 121,462	\$ -	\$ 28	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 121,462</u>	<u>\$ -</u>	<u>\$ 28</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
<u>1,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
119,826	-	28	-	-
-	-	-	-	-
<u>119,826</u>	<u>-</u>	<u>28</u>	<u>-</u>	<u>-</u>
<u>\$ 121,462</u>	<u>\$ -</u>	<u>\$ 28</u>	<u>\$ -</u>	<u>\$ -</u>

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CITY OF ST. JOHNS, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Capital Projects Funds			Total
	Fantasy Forest	Splash Park	Revolving Special Assessment	
Assets				
Cash and cash equivalents	\$ 6,033	\$ 12,155	\$ 21,013	\$ 992,447
Accounts receivable	-	43,643	-	43,643
Special assessments receivable	-	-	1,750	1,750
Due from other funds	1,376	-	-	3,080
Due from other governmental units	-	-	-	213,689
Prepaid items	-	-	-	3,637
Total assets	\$ 7,409	\$ 55,798	\$ 22,763	\$ 1,258,246
Liabilities				
Accounts payable	\$ -	\$ 2,269	\$ -	\$ 33,226
Accrued liabilities	-	-	-	6,714
Due to other funds	-	-	-	1,641
Total liabilities	-	2,269	-	41,581
Deferred inflows of resources				
Unavailable revenue - special assessments	-	-	1,750	1,750
Fund balances				
Nonspendable	-	-	-	3,637
Restricted	7,409	-	21,013	1,157,749
Assigned	-	53,529	-	53,529
Total fund balances	7,409	53,529	21,013	1,214,915
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,409	\$ 55,798	\$ 22,763	\$ 1,258,246

concluded

CITY OF ST. JOHNS, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2015

	Special Revenue Funds			
	Major Street	Local Street	Library	Drug Law Enforcement
Revenues				
Property taxes	\$ -	\$ -	\$ 184,685	\$ -
Intergovernmental:				
Federal/State	427,454	163,299	11,193	-
Local	-	-	176,791	-
Charges for services	-	-	9,882	-
Fines and forfeitures	-	-	-	604
Interest	39	-	106	-
Other revenue	5,505	3,167	19,249	-
Total revenues	432,998	166,466	401,906	604
Expenditures				
Current:				
Public works	242,332	188,652	-	-
Recreation and culture	-	-	354,615	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	8,560	11,908	39,199	-
Total expenditures	250,892	200,560	393,814	-
Revenues over (under) expenditures	182,106	(34,094)	8,092	604
Other financing sources (uses)				
Transfers in	-	44,264	-	-
Transfers out	(176,108)	-	-	-
Total other financing sources (uses)	(176,108)	44,264	-	-
Net change in fund balances	5,998	10,170	8,092	604
Fund balances, beginning of year	358,458	269,415	356,781	3,592
Fund balances, end of year	\$ 364,456	\$ 279,585	\$ 364,873	\$ 4,196

Debt Service Funds				
1997 Library Building Authority Fund Bonds	1998 Courthouse Building Authority Fund Bonds	2003 Michigan Transportation Fund Bonds	2004 Capital Improvement Bonds	2007 Building Authority Capital Improvement Bonds
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	39,296	-
-	-	-	39,296	-
-	-	-	-	-
-	-	-	-	-
55,000	90,000	60,000	90,000	80,000
8,588	20,219	12,400	3,931	55,403
-	-	-	-	-
63,588	110,219	72,400	93,931	135,403
(63,588)	(110,219)	(72,400)	(54,635)	(135,403)
-	110,219	72,400	54,635	135,403
-	-	-	-	-
-	110,219	72,400	54,635	135,403
(63,588)	-	-	-	-
183,414	-	28	-	-
\$ 119,826	\$ -	\$ 28	\$ -	\$ -

CITY OF ST. JOHNS, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2015

	Capital Projects Funds			Total
	Fantasy Forest	Splash Park	Revolving Special Assessment	
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ 184,685
Intergovernmental:				
Federal/State	-	-	-	601,946
Local	-	-	-	176,791
Charges for services	-	-	-	9,882
Fines and forfeitures	-	-	-	604
Interest	6	-	210	361
Other revenue	-	97,982	1,750	166,949
Total revenues	6	97,982	1,960	1,141,218
Expenditures				
Current:				
Public works	-	-	-	430,984
Recreation and culture	-	203,768	-	558,383
Debt service:				
Principal	-	-	-	375,000
Interest and fiscal charges	-	-	-	100,541
Capital outlay	-	-	-	59,667
Total expenditures	-	203,768	-	1,524,575
Revenues over (under) expenditures	6	(105,786)	1,960	(383,357)
Other financing sources (uses)				
Transfers in	-	-	-	416,921
Transfers out	-	-	-	(176,108)
Total other financing sources (uses)	-	-	-	240,813
Net change in fund balances	6	(105,786)	1,960	(142,544)
Fund balances, beginning of year	7,403	159,315	19,053	1,357,459
Fund balances, end of year	\$ 7,409	\$ 53,529	\$ 21,013	\$ 1,214,915

concluded

CITY OF ST. JOHNS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Major Street Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
State gas and weight tax	\$ 436,640	\$ 436,640	\$ 427,454	\$ (9,186)
Other	-	-	5,505	5,505
Interest	-	-	39	39
Total revenues	<u>436,640</u>	<u>436,640</u>	<u>432,998</u>	<u>(3,642)</u>
Expenditures				
Current:				
Public works:				
Highway and streets:				
Administrative	56,136	91,636	42,014	(49,622)
Street maintenance	150,301	142,801	126,584	(16,217)
Traffic service maintenance	22,058	22,058	18,782	(3,276)
Winter maintenance	39,562	39,562	54,952	15,390
	<u>268,057</u>	<u>296,057</u>	<u>242,332</u>	<u>(53,725)</u>
Capital outlay	-	-	8,560	8,560
Total expenditures	<u>268,057</u>	<u>296,057</u>	<u>250,892</u>	<u>(45,165)</u>
Revenues over (under) expenditures	168,583	140,583	182,106	41,523
Other financing uses				
Transfers out	<u>(168,583)</u>	<u>(168,583)</u>	<u>(176,108)</u>	<u>(7,525)</u>
Net change in fund balance	-	(28,000)	5,998	33,998
Fund balance, beginning of year	<u>358,458</u>	<u>358,458</u>	<u>358,458</u>	-
Fund balance, end of year	<u>\$ 358,458</u>	<u>\$ 330,458</u>	<u>\$ 364,456</u>	<u>\$ 33,998</u>

CITY OF ST. JOHNS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Local Street Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
State gas and weight tax	\$ 148,571	\$ 158,571	\$ 163,299	\$ 4,728
Other	-	-	3,167	3,167
Total revenues	148,571	158,571	166,466	7,895
Expenditures				
Current:				
Public works:				
Highway and streets:				
Administrative	27,073	18,073	23,175	5,102
Street maintenance	122,311	140,811	110,985	(29,826)
Traffic service maintenance	7,087	7,087	6,345	(742)
Winter maintenance	32,864	36,864	48,147	11,283
Capital outlay	189,335	202,835	188,652	(14,183)
Capital outlay	-	-	11,908	11,908
Total expenditures	189,335	202,835	200,560	(2,275)
Revenues over (under) expenditures	(40,764)	(44,264)	(34,094)	10,170
Other financing sources				
Transfers in	40,764	36,764	44,264	7,500
Net change in fund balance	-	(7,500)	10,170	17,670
Fund balance, beginning of year	269,415	269,415	269,415	-
Fund balance, end of year	\$ 269,415	\$ 261,915	\$ 279,585	\$ 17,670

CITY OF ST. JOHNS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Library Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property tax levy	\$ 183,790	\$ 183,790	\$ 184,685	\$ 895
Intergovernmental:				
State aid to libraries	9,485	9,485	11,193	1,708
Township contributions	57,003	68,103	61,565	(6,538)
Penal fines	100,665	100,665	115,226	14,561
Charge for services:				
Photostat services	2,100	2,100	2,298	198
Rentals and fees	8,000	8,000	7,584	(416)
Interest	-	-	106	106
Other revenue:				
Donations	10,930	10,930	16,540	5,610
Miscellaneous	2,611	2,611	2,709	98
Total revenues	374,584	385,684	401,906	16,222
Expenditures				
Current:				
Recreation and culture:				
Library operations	356,427	367,727	354,615	(13,112)
Capital outlay	40,901	40,701	39,199	(1,502)
Total expenditures	397,328	408,428	393,814	(14,614)
Net change in fund balance	(22,744)	(22,744)	8,092	30,836
Fund balance, beginning of year	356,781	356,781	356,781	-
Fund balance, end of year	\$ 334,037	\$ 334,037	\$ 364,873	\$ 30,836

CITY OF ST. JOHNS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Drug Law Enforcement Fund
 For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeits	\$ -	\$ -	\$ 604	\$ 604
Net change in fund balance	-	-	604	604
Fund balance, beginning of year	3,592	3,592	3,592	-
Fund balance, end of year	\$ 3,592	\$ 3,592	\$ 4,196	\$ 604

CITY OF ST. JOHNS, MICHIGAN

Agency Fund

Current Tax Collection Fund - This fund accounts for current tax collections. All current tax monies collected by the City are receipted into this fund and later distributed to other fund governmental units.

CITY OF ST. JOHNS, MICHIGAN

Statement of Changes in Fiduciary Assets and Liabilities

Current Tax Collection Agency Fund

For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Assets				
Cash and cash equivalents	\$ 115	\$ 9,204,245	\$ (9,204,283)	\$ 77
Liabilities				
Due to other funds:				
General fund	\$ -	\$ 2,174,032	\$ (2,174,032)	\$ -
Garbage fund	-	503,664	(503,664)	-
Library fund	-	187,581	(187,581)	-
Principal shopping district	-	24,427	(24,427)	-
Street millage	-	762,192	(762,192)	-
Due to other governments:				
Downtown development authority	-	-	-	-
St. Johns Public Schools	-	2,514,546	(2,514,546)	-
Clinton County Regional Educational Service Agency	-	700,992	(700,992)	-
Clinton Area Transit System	-	37,282	(37,282)	-
Clinton County	-	1,156,600	(1,156,600)	-
State of Michigan	-	1,112,960	(1,112,960)	-
Due to individuals and agencies	115	65,432	(65,470)	77
Total liabilities	\$ 115	\$ 9,239,708	\$ (9,239,746)	\$ 77

STATISTICAL SECTION

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CITY OF ST. JOHNS, MICHIGAN

Statistical Section Table of Contents

This part of the City's Comprehensive Annual Financial Report presents detailed information to assist the user in understanding what the financial statements, note disclosures and required supplementary information say about the overall economic condition of the City of St. Johns.

		<u>Page</u>
Financial Trends Tables 1 - 4	These schedules contain trend information to help the reader understand and evaluate how the City's financial condition, performance and well-being have changed over time.	79-88
Revenue Capacity Tables 5 - 8	These schedules contain information to help the reader assess the City's ability to generate its most significant local revenue source, the property tax.	89-96
Debt Capacity Tables 9 - 12	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.	97-103
Demographic and Economic Information Tables 13 - 14	These schedules present various demographic and economic indicators to help the reader understand the environment within which the City operates and how they affect the City's financial activities.	104-105
Operating Information Tables 15 - 17	These schedules contain information about the City's operations and resources 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.	106-111

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

CITY OF ST. JOHNS, MICHIGAN

Net Position By Component

Last Ten Fiscal Years

(accrual basis of accounting)

	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	\$ 4,637,235	\$ 3,634,022	\$ 4,097,761	\$ 5,141,798
Restricted	1,311,895	2,428,436	2,074,395	1,339,049
Unrestricted (deficit)	<u>2,474,257</u>	<u>2,729,324</u>	<u>2,866,252</u>	<u>2,725,886</u>
Total governmental activities net position	<u>8,423,387</u>	<u>8,791,782</u>	<u>9,038,408</u>	<u>9,206,733</u>
Business-type activities				
Net investment in capital assets	5,918,021	6,069,901	5,705,983	4,861,354
Restricted	962,533	963,716	1,275,119	1,282,619
Unrestricted (deficit)	<u>3,014,149</u>	<u>3,025,743</u>	<u>3,272,226</u>	<u>4,347,173</u>
Total business-type activities net position	<u>9,894,703</u>	<u>10,059,360</u>	<u>10,253,328</u>	<u>10,491,146</u>
Primary government				
Net investment in capital assets	10,555,256	9,703,923	9,803,744	10,003,152
Restricted	2,274,428	3,392,152	3,349,514	2,621,668
Unrestricted (deficit)	<u>5,488,406</u>	<u>5,755,067</u>	<u>6,138,478</u>	<u>7,073,059</u>
Total primary government net position	<u>\$ 18,318,090</u>	<u>\$ 18,851,142</u>	<u>\$ 19,291,736</u>	<u>\$ 19,697,879</u>

Source: City of St. Johns Basic Financial Statements

Note: The City implemented GASB Statement No. 68 during fiscal year 2015.

Table 1
Unaudited

2010	2011	2012	2013	2014	2015
\$ 5,217,094	\$ 5,117,902	\$ 5,764,422	\$ 5,545,869	\$ 5,528,294	\$ 6,713,405
1,212,853	998,387	1,266,665	1,444,773	1,448,811	1,243,761
<u>2,710,396</u>	<u>2,620,011</u>	<u>2,068,629</u>	<u>1,921,027</u>	<u>1,858,441</u>	<u>(3,222,810)</u>
<u>9,140,343</u>	<u>8,736,300</u>	<u>9,099,716</u>	<u>8,911,669</u>	<u>8,835,546</u>	<u>4,734,356</u>
5,741,929	5,392,596	4,993,664	4,878,351	5,100,038	5,443,887
1,314,969	1,301,369	1,316,369	1,323,869	1,241,700	1,267,273
<u>3,236,659</u>	<u>3,482,511</u>	<u>3,489,385</u>	<u>3,059,535</u>	<u>2,909,945</u>	<u>(316,146)</u>
<u>10,293,557</u>	<u>10,176,476</u>	<u>9,799,418</u>	<u>9,261,755</u>	<u>9,251,683</u>	<u>6,395,014</u>
10,959,023	10,510,498	10,758,086	10,424,220	10,628,332	12,157,292
2,527,822	2,299,756	2,583,034	2,768,642	2,690,511	2,511,034
<u>5,947,055</u>	<u>6,102,522</u>	<u>5,558,014</u>	<u>4,980,562</u>	<u>4,768,386</u>	<u>(3,538,956)</u>
<u>\$ 19,433,900</u>	<u>\$ 18,912,776</u>	<u>\$ 18,899,134</u>	<u>\$ 18,173,424</u>	<u>\$ 18,087,229</u>	<u>\$ 11,129,370</u>

CITY OF ST. JOHNS, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2006	2007	2008	2009
Expenses				
Governmental activities:				
General government	\$ 1,352,404	\$ 1,727,638	\$ 1,266,220	\$ 1,887,997
Public safety	1,354,706	1,347,380	1,393,472	1,333,478
Public works	1,469,984	1,521,204	2,044,475	1,773,554
Community and economic development	169,519	338,282	199,831	329,315
Recreation and culture	700,872	694,729	664,897	711,623
Interest on long-term debt	185,898	166,245	224,081	182,142
Total governmental activities expenses	<u>5,233,383</u>	<u>5,795,478</u>	<u>5,792,976</u>	<u>6,218,109</u>
Business-type activities:				
Water and sewer	<u>2,674,412</u>	<u>2,740,741</u>	<u>2,895,051</u>	<u>3,077,226</u>
Total primary government expenses	<u>7,907,795</u>	<u>8,536,219</u>	<u>8,688,027</u>	<u>9,295,335</u>
Program revenues				
Governmental activities:				
Charges for services:				
Refuse collection	483,052	496,902	608,934	594,884
Other public works	408,645	422,395	439,296	497,750
Other activities	389,237	427,662	421,460	659,893
Operating grants and contributions	917,352	1,138,860	967,710	862,298
Capital grants and contributions	<u>1,213,548</u>	<u>171,594</u>	<u>143,766</u>	<u>591,546</u>
Total governmental activities program revenues	<u>3,411,834</u>	<u>2,657,413</u>	<u>2,581,166</u>	<u>3,206,371</u>
Business-type activities:				
Charges for services:				
Water and sewer	2,790,029	2,702,695	2,853,672	3,344,723
Other activities	5,000	5,000	5,000	5,000
Capital grants and contributions	<u>14,898</u>	<u>14,898</u>	<u>14,898</u>	<u>14,898</u>
Total business-type activities program revenues	<u>2,809,927</u>	<u>2,722,593</u>	<u>2,873,570</u>	<u>3,364,621</u>
Total primary government program revenues	<u>6,221,761</u>	<u>5,380,006</u>	<u>5,454,736</u>	<u>6,570,992</u>

Table 2
Unaudited

	2010	2011	2012	2013	2014	2015
\$	1,222,008	\$ 1,555,276	\$ 1,625,884	\$ 1,569,775	\$ 1,533,050	\$ 1,239,099
	1,424,852	1,778,851	1,232,431	1,309,145	1,405,036	1,465,663
	2,157,548	2,509,856	2,075,051	2,173,149	2,067,006	1,987,632
	190,517	129,014	-	604	-	-
	881,209	644,178	658,138	763,370	633,608	909,829
	187,456	168,274	185,327	128,460	126,170	101,805
	<u>6,063,590</u>	<u>6,785,449</u>	<u>5,776,831</u>	<u>5,944,503</u>	<u>5,764,870</u>	<u>5,704,028</u>
	<u>3,384,561</u>	<u>3,517,857</u>	<u>3,971,813</u>	<u>3,784,453</u>	<u>3,775,216</u>	<u>3,784,439</u>
	<u>9,448,151</u>	<u>10,303,306</u>	<u>9,748,644</u>	<u>9,728,956</u>	<u>9,540,086</u>	<u>9,488,467</u>
	654,216	589,790	579,000	599,455	606,533	623,608
	473,743	638,751	627,066	649,219	656,884	675,377
	422,242	407,651	400,194	414,332	419,224	431,026
	854,769	764,496	1,402,983	978,150	941,965	1,035,542
	381,699	499,447	67,851	63,224	-	-
	<u>2,786,669</u>	<u>2,900,135</u>	<u>3,077,094</u>	<u>2,704,380</u>	<u>2,624,606</u>	<u>2,765,554</u>
	3,107,225	3,352,400	3,356,057	3,426,030	3,395,952	3,362,116
	5,000	5,000	5,000	5,000	5,000	5,000
	19,791	950	152,417	101,918	44,918	-
	<u>3,132,016</u>	<u>3,358,350</u>	<u>3,513,474</u>	<u>3,532,948</u>	<u>3,445,870</u>	<u>3,367,116</u>
	<u>5,918,685</u>	<u>6,258,485</u>	<u>6,590,568</u>	<u>6,237,328</u>	<u>6,070,476</u>	<u>6,132,670</u>

continued...

CITY OF ST. JOHNS, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2006	2007	2008	2009
Net (expense)/revenue				
Governmental activities	\$ (1,821,549)	\$ (3,138,065)	\$ (3,211,810)	\$ (3,011,738)
Business-type activities	135,515	(18,148)	(21,481)	287,395
Total primary government net expense	(1,686,034)	(3,156,213)	(3,233,291)	(2,724,343)
General revenues				
Governmental activities:				
Taxes	2,124,466	2,216,216	2,355,955	2,279,200
State shared revenue	747,033	738,444	721,434	718,626
Investment earnings	128,036	204,641	214,681	48,085
Gain on sale of capital assets	(99,061)	181,236	-	-
Miscellaneous	201,417	165,923	138,509	120,908
Transfers	-	-	27,857	13,929
Total governmental activities	3,101,891	3,506,460	3,458,436	3,180,748
Business-type activities:				
Investment earnings	118,623	134,692	200,965	84,789
Miscellaneous	31,453	48,113	42,341	(39,038)
Transfers	-	-	(27,857)	(13,929)
Total business-type activities	150,076	182,805	215,449	31,822
Total primary government	3,251,967	3,689,265	3,673,885	3,212,570
Change in net position				
Governmental activities	1,280,342	368,395	246,626	169,010
Business-type activities	285,591	164,657	193,968	319,217
Total primary government	\$ 1,565,933	\$ 533,052	\$ 440,594	\$ 488,227

Source: City of St. Johns Basic Financial Statements

Table 2
Unaudited

2010	2011	2012	2013	2014	2015
\$ (3,276,921)	\$ (3,885,314)	\$ (2,699,737)	\$ (3,240,124)	\$ (3,140,264)	\$ (2,938,474)
(252,545)	(159,507)	(458,339)	(251,505)	(329,346)	(417,323)
<u>(3,529,466)</u>	<u>(4,044,821)</u>	<u>(3,158,076)</u>	<u>(3,491,629)</u>	<u>(3,469,610)</u>	<u>(3,355,797)</u>
2,299,060	2,221,376	2,227,200	2,203,982	2,185,855	2,962,510
728,532	618,149	647,375	665,287	683,247	695,460
13,007	5,684	2,946	1,839	2,563	2,117
-	53,556	9,327	-	-	-
142,960	555,118	130,326	147,536	164,217	197,891
26,972	27,388	45,979	33,433	28,259	28,259
<u>3,210,531</u>	<u>3,481,271</u>	<u>3,063,153</u>	<u>3,052,077</u>	<u>3,064,141</u>	<u>3,886,237</u>
10,919	2,830	2,730	1,816	1,850	1,552
71,099	66,984	124,530	107,053	56,849	74,158
(26,972)	(27,388)	(45,979)	(33,433)	(28,259)	(28,259)
<u>55,046</u>	<u>42,426</u>	<u>81,281</u>	<u>75,436</u>	<u>30,440</u>	<u>47,451</u>
<u>3,265,577</u>	<u>3,523,697</u>	<u>3,144,434</u>	<u>3,127,513</u>	<u>3,094,581</u>	<u>3,933,688</u>
(66,390)	(404,043)	363,416	(188,047)	(76,123)	947,763
(197,499)	(117,081)	(377,058)	(176,069)	(298,906)	(369,872)
<u>\$ (263,889)</u>	<u>\$ (521,124)</u>	<u>\$ (13,642)</u>	<u>\$ (364,116)</u>	<u>\$ (375,029)</u>	<u>\$ 577,891</u>

concluded

CITY OF ST. JOHNS, MICHIGAN

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2006	2007	2008	2009
General fund				
Reserved	\$ 63,146	\$ 2,930	\$ 6,425	\$ 41,576
Unreserved	1,057,585	1,348,602	1,431,308	1,390,252
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	\$ 1,120,731	\$ 1,351,532	\$ 1,437,733	\$ 1,431,828
All other governmental funds				
Reserved	\$ 187,500	\$ 161,530	\$ 141,352	\$ 137,435
Unreserved, reported in:				
Special revenue funds	1,568,856	1,359,041	1,510,002	1,329,722
Capital projects funds	562,371	1,853,534	1,465,298	883,523
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total all other governmental funds	\$ 2,318,727	\$ 3,374,105	\$ 3,116,652	\$ 2,350,680

Source: City of St. Johns Basic Financial Statements

The City implemented GASB 54 in 2011.

Table 3
Unaudited

2010	2011	2012	2013	2014	2015
\$ 39,749	\$ -	\$ -	\$ -	\$ -	\$ -
1,436,947	-	-	-	-	-
-	48,002	41,359	42,736	32,741	75,240
-	408,000	958,329	1,000,000	1,000,000	1,000,000
-	1,283,782	870,000	926,946	1,042,160	1,110,725
<u>\$ 1,476,696</u>	<u>\$ 1,739,784</u>	<u>\$ 1,869,688</u>	<u>\$ 1,969,682</u>	<u>\$ 2,074,901</u>	<u>\$ 2,185,965</u>
\$ 132,196	\$ -	\$ -	\$ -	\$ -	\$ -
1,342,663	-	-	-	-	-
639,422	-	-	-	-	-
-	2,263	3,454	3,711	4,388	3,637
-	1,043,108	1,266,693	1,488,290	1,492,147	1,274,773
-	692,980	292,881	43,000	42,500	53,529
-	-	-	-	(181,764)	(220,947)
<u>\$ 2,114,281</u>	<u>\$ 1,738,351</u>	<u>\$ 1,563,028</u>	<u>\$ 1,535,001</u>	<u>\$ 1,357,271</u>	<u>\$ 1,110,992</u>

CITY OF ST. JOHNS, MICHIGAN

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2006	2007	2008	2009
Revenues				
Taxes	\$ 2,210,813	\$ 2,306,035	\$ 2,451,617	\$ 2,370,985
Licenses and permits	104,906	145,110	136,133	100,287
Intergovernmental	2,357,397	1,883,561	1,689,436	2,301,788
Charges for services	1,021,591	1,041,886	1,175,602	1,228,852
Fines and forfeits	170,812	171,257	160,515	163,669
Interest and rents	147,472	223,598	232,447	73,525
Other revenue	939,221	431,560	224,771	187,683
Total revenues	<u>6,952,212</u>	<u>6,203,007</u>	<u>6,070,521</u>	<u>6,426,789</u>
Expenditures				
Current:				
General government	1,377,835	1,421,149	1,417,004	1,779,050
Public safety	1,346,664	1,337,463	1,335,660	1,333,478
Public works	1,296,306	1,848,956	1,528,531	1,769,115
Community and economic development	169,519	338,282	199,831	329,315
Recreation and cultural	649,392	642,287	622,571	711,623
Debt service				
Principal	356,128	380,378	439,639	443,280
Interest	180,019	164,719	219,717	202,561
Capital outlay	1,826,897	609,209	506,677	644,173
Total expenditures	<u>7,202,760</u>	<u>6,742,443</u>	<u>6,269,630</u>	<u>7,212,595</u>
Revenues over (under) expenditures	<u>(250,548)</u>	<u>(539,436)</u>	<u>(199,109)</u>	<u>(785,806)</u>
Other financing sources (uses)				
Proceeds from borrowing	-	1,850,000	-	-
Bond discount and issuance costs	-	(24,385)	-	-
Transfers in	314,907	658,193	780,863	797,473
Transfers (out)	(314,907)	(658,193)	(753,006)	(783,544)
Total other financing sources (uses)	<u>-</u>	<u>1,825,615</u>	<u>27,857</u>	<u>13,929</u>
Net change in fund balances	<u>\$ (250,548)</u>	<u>\$ 1,286,179</u>	<u>\$ (171,252)</u>	<u>\$ (771,877)</u>
Debt service as a percentage of noncapital expenditures	<u>7.44%</u>	<u>8.08%</u>	<u>10.52%</u>	<u>8.95%</u>

Source: City of St. Johns Basic Financial Statements

Table 4
Unaudited

2010	2011	2012	2013	2014	2015
\$ 2,393,070	\$ 2,329,348	\$ 2,277,465	\$ 2,251,154	\$ 2,225,155	\$ 3,001,810
141,335	102,946	81,033	113,824	117,345	117,171
1,840,210	1,913,806	2,007,475	1,509,187	1,526,236	1,634,860
1,268,904	1,376,929	1,466,169	1,483,161	1,508,850	1,534,362
28,582	33,329	36,882	40,735	35,059	33,629
33,182	26,023	25,103	26,843	22,863	23,912
316,187	623,945	241,060	345,010	263,193	294,033
<u>6,021,470</u>	<u>6,406,326</u>	<u>6,135,187</u>	<u>5,769,914</u>	<u>5,698,701</u>	<u>6,639,777</u>
1,387,352	1,378,628	1,408,439	1,375,062	1,450,796	1,330,285
1,329,991	1,704,683	1,258,157	1,277,285	1,379,660	1,433,635
1,426,538	1,352,048	2,237,409	1,710,335	1,516,231	1,522,377
190,517	129,014	-	604	-	-
728,791	576,568	565,342	675,316	577,225	833,274
452,839	438,697	399,218	425,955	399,363	425,109
197,374	174,416	164,439	139,505	123,086	107,777
526,571	843,617	193,581	127,318	353,110	1,150,794
<u>6,239,973</u>	<u>6,597,671</u>	<u>6,226,585</u>	<u>5,731,380</u>	<u>5,799,471</u>	<u>6,803,251</u>
<u>(218,503)</u>	<u>(191,345)</u>	<u>(91,398)</u>	<u>38,534</u>	<u>(100,770)</u>	<u>(163,474)</u>
-	51,115	-	-	-	-
-	-	-	-	-	-
710,631	991,601	748,045	645,616	455,013	426,921
<u>(683,659)</u>	<u>(964,213)</u>	<u>(702,066)</u>	<u>(612,183)</u>	<u>(426,754)</u>	<u>(398,662)</u>
<u>26,972</u>	<u>78,503</u>	<u>45,979</u>	<u>33,433</u>	<u>28,259</u>	<u>28,259</u>
<u>\$ (191,531)</u>	<u>\$ (112,842)</u>	<u>\$ (45,419)</u>	<u>\$ 71,967</u>	<u>\$ (72,511)</u>	<u>\$ (135,215)</u>
<u>10.42%</u>	<u>9.29%</u>	<u>10.39%</u>	<u>10.08%</u>	<u>9.57%</u>	<u>9.78%</u>

CITY OF ST. JOHNS, MICHIGAN

Estimated Actual Value of Taxable Property Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Industrial	Developmental
2006	\$ 133,221,374	\$ 33,666,599	\$ 13,096,913	\$ 297,347
2007	140,364,846	34,834,416	13,458,454	308,341
2008	143,552,992	35,693,249	14,202,976	315,425
2009	141,124,206	37,933,386	14,297,721	329,296
2010	138,780,365	36,131,503	13,935,325	328,301
2011	136,072,875	42,579,284	5,059,314	316,909
2012	131,689,328	42,845,583	4,766,258	323,855
2013	130,806,543	44,727,741	4,561,030	340,132
2014	131,636,561	43,814,183	4,254,867	325,085
2015	138,828,200	48,744,800	4,864,600	799,100

Source: Clinton County Equalization Department Report

Note: Tax rates are per \$1,000 of taxable value

(1) Total direct tax rate includes voter approved 4.0000 mills dedicated to local streets scheduled from the 2014 through 2017 tax levy years.

Table 5
Unaudited

Personal	Special Act Parcels	Total	Total Direct Tax Rate (1)
\$ 22,985,600	\$ 4,164,000	\$ 207,431,833	11.3176
23,872,300	2,752,300	215,590,657	11.3066
18,731,600	2,262,900	214,759,142	11.1554
19,117,700	5,229,000	218,031,309	11.1554
18,623,300	4,586,224	212,385,018	11.1583
17,807,200	3,750,100	205,585,682	11.1682
17,823,100	3,913,300	201,361,424	11.1737
17,360,000	4,017,600	201,813,046	11.1732
14,454,400	4,742,800	199,227,896	15.1775
15,299,600	4,107,079	212,643,379	15.1763

CITY OF ST. JOHNS, MICHIGAN

Property Tax Rates

Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of St. Johns					
	General	Econ. Dev.	Garbage (4)	Library	Streets (3)	Total
2006	9.5729	0.2459	0.5000	0.9988	N/A	11.3176
2007	9.5729	0.2349	0.5000	0.9988	N/A	11.3066
2008	9.4360	0.2349	0.5000	0.9845	N/A	11.1554
2009	9.4360	0.2349	0.5000	0.9845	N/A	11.1554
2010	9.4360	0.2378	0.5000	0.9845	N/A	11.1583
2011	9.4360	0.2477	0.5000	0.9845	N/A	11.1682
2012	9.4360	0.2532	0.5000	0.9845	N/A	11.1737
2013	9.4360	0.2527	0.5000	0.9845	N/A	11.1732
2014	9.4360	0.2570	0.5000	0.9845	4.0000	15.1775
2015	9.4360	0.2558	0.5000	0.9845	4.0000	15.1763

Source: Tax warrants issued by City Assessor

(1) Rate per \$1,000 of taxable value

(2) St. Johns Public Schools' rate indicated homestead millage. For non-homestead, add 18.0000 mills.

(3) City of St. Johns voters approved 4.0000 mills dedicated to streets from the 2014 through 2017 tax years.

(4) In addition to the 0.5000 Mills, each residential dwelling unit is charged \$160 for annual trash service.

Table 6
Unaudited

St. Johns Public Schools (2)	Clinton County	Clinton County Regional Educational Service Agency	Clinton Transit	State Education Tax	Total
7.0000	7.6313	3.7877	0.1400	6.0000	35.8766
7.0000	7.6095	3.7603	0.1986	6.0000	35.8750
7.0000	5.7068	3.7579	0.1986	6.0000	33.8187
7.0000	5.8000	3.7579	0.1986	6.0000	33.9119
7.0000	5.8000	3.7615	0.2000	6.0000	33.9198
7.0000	5.8000	3.7615	0.2000	6.0000	33.9297
7.0000	5.8000	3.7615	0.2000	6.0000	33.9352
7.0000	5.8000	3.7615	0.2000	6.0000	33.9347
7.0000	5.8000	3.7615	0.2000	6.0000	37.9390
7.0000	5.8000	3.7615	0.2000	6.0000	37.9378

CITY OF ST. JOHNS, MICHIGAN

Principal Property Taxpayers June 30, 2015 and Nine Years Ago

Taxpayer	2015		
	Taxable Value	Rank	Total Taxable Value
Save-A-Lot	\$ 6,733,600	1	3.17%
Mahle Engine Components	5,368,910	2	2.52%
Consumers Energy	3,764,504	3	1.77%
Lone Oak - St Johns LLC	2,786,098	4	1.31%
Allied Ring Co	2,599,800	5	1.22%
Glick Suntree LLC	1,965,500	6	0.92%
Harry's St Johns LLC	1,902,560	7	0.89%
Clinton Commons	1,449,381	8	0.68%
CCS/Lansing Inc	1,188,700	9	0.56%
The Kroger Company of MI	1,078,000	10	0.51%
Federal Mogul	-	-	0.00%
Dana Corporation	-	-	0.00%
Barnard Manufacturing	-	-	0.00%
M & M Restaurant Supply	-	-	0.00%
Totals	\$ 28,837,053		13.56%

Source: City Assessor

Table 7
Unaudited

2006		
Taxable Value	Rank	Total Taxable Value
\$ 8,633,800	1	3.48%
-	-	0.00%
2,032,300	6	0.82%
-	-	0.00%
2,982,900	7	1.20%
-	-	0.00%
2,660,500	8	1.07%
2,486,800	4	1.00%
1,287,000	10	0.52%
-	-	0.00%
8,276,800	2	3.34%
3,158,900	3	1.27%
2,264,900	5	0.91%
1,326,800	9	0.54%
<u>\$ 35,110,700</u>		<u>14.15%</u>

CITY OF ST. JOHNS, MICHIGAN

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended June 30,	General	Street Millage	Recreation	Library	Garbage	Total Tax Levy
2006	\$ 1,852,840	\$ -	\$ 49,879	\$ 193,305	\$ 96,646	\$ 2,192,670
2007	1,946,188	-	49,976	203,043	101,641	2,300,848
2008	2,035,547	-	49,932	212,366	106,309	2,404,154
2009	2,016,581	-	50,184	210,384	106,846	2,383,995
2010	2,007,987	-	49,971	209,488	106,394	2,373,840
2011	1,962,400	-	49,455	204,746	103,985	2,320,586
2012	1,904,505	-	49,978	198,691	100,913	2,254,087
2013	1,864,987	-	50,044	194,582	98,823	2,208,436
2014	1,866,384	-	49,967	194,714	98,894	2,209,959
2015	1,835,148	777,936	49,968	191,456	97,238	2,951,746

Source: City of St. Johns and Assessor's Warrant

- (1) Clinton County pays the City of St. Johns the full amount of the delinquent real property taxes upon settlement in March of each year.
- (2) The table includes Ad Valorem taxes only. It excludes commercial and industrial facilities taxes as provided under Public Acts 198 and 255.

Table 8
Unaudited

Amount collected in fiscal year of levy		Amount Collected in Subsequent Years/ Received from County	Total Tax Collections	Percent Collected
Amount	Percentage			
\$ 2,150,376	98.07%	\$ 38,418	\$ 2,188,794	99.82%
2,296,850	99.83%	-	2,296,850	99.83%
2,385,061	99.21%	-	2,385,061	99.21%
2,260,165	94.81%	-	2,260,165	94.81%
2,269,700	95.61%	-	2,269,700	95.61%
2,199,901	94.80%	-	2,199,901	94.80%
2,150,767	95.42%	-	2,150,767	95.42%
2,188,777	99.11%	-	2,188,777	99.11%
2,203,855	99.72%	-	2,203,855	99.72%
2,844,685	96.37%	107,051	2,951,736	100.00%

CITY OF ST. JOHNS, MICHIGAN

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Ended	Population	Assessed Value of Property	Governmental Activities		
			General Obligation Bonds	Special Assessment Bonds	Notes and Loans
2006	7,485	\$ 251,924,500	\$ 3,095,000	\$ 85,000	\$ 1,134,549
2007	7,485	261,243,000	4,720,000	70,000	969,970
2008	7,485	252,668,500	4,415,000	50,000	946,052
2009	7,485	241,152,600	4,100,000	35,000	820,870
2010	7,485	232,451,224	3,775,000	15,000	684,696
2011	7,865	220,224,200	3,430,000	-	634,474
2012	7,865	211,771,200	3,110,000	-	575,178
2013	7,865	210,411,200	2,770,000	-	421,245
2014	7,865	207,215,800	2,420,000	-	346,278
2015	7,865	212,643,379	2,045,000	-	269,466

Sources: City of St. Johns Basic Financial Statements, 2000 Census report, 2010 Census report and Assessor's equalization reports

(1) Debt as a percentage of personal income is not reflected in this schedule because personal income data specifically for the City of St. Johns is not readily available. Personal income data for the Lansing-East Lansing metropolitan area is presented in Table 13.

Table 9
Unaudited

Business-type Activities				
Revenue Bonds	Notes and Loans	Total Primary Government	Net Debt to Assessed Value	Net Debt Per Capita
\$ 8,210,000	\$ 137,807	\$ 12,662,356	5.03%	\$ 1,692
7,850,000	122,909	13,732,879	5.26%	1,835
13,765,000	108,011	19,284,063	7.63%	2,576
13,375,000	93,113	18,423,983	7.64%	2,461
12,975,000	78,215	17,527,911	7.54%	2,342
12,560,000	70,585	16,695,059	7.58%	2,123
12,360,000	62,954	16,108,132	7.61%	2,048
11,711,774	55,323	14,958,342	7.11%	1,902
11,321,566	47,692	14,135,536	6.82%	1,797
10,794,132	40,061	13,148,659	6.18%	1,672

CITY OF ST. JOHNS, MICHIGAN

Ratios of Net General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	Population		Assessed Value of Property (6)	General Obligation Bonds (1) (2)	Bonded Debt Service Funds Available (1) (3)	Net General Bonded Debt
2006	7,485	(4)	\$ 251,924,500	\$ 3,095,000	\$ 129,303	\$ 2,965,697
2007	7,485	(4)	261,243,000	4,720,000	101,987	4,618,013
2008	7,485	(4)	252,668,500	4,415,000	77,445	4,337,555
2009	7,485	(4)	241,152,600	4,100,000	80,109	4,019,891
2010	7,485	(4)	232,451,224	3,775,000	80,400	3,694,600
2011	7,865	(5)	220,224,200	3,430,000	325,410	3,104,590
2012	7,865	(5)	211,771,200	3,110,000	308,214	2,801,786
2013	7,865	(5)	210,411,200	2,770,000	200,975	2,569,025
2014	7,865	(5)	207,215,800	2,420,000	140,106	2,279,894
2015	7,865	(5)	212,643,379	2,045,000	85,205	1,959,795

(1) Source: City of St. Johns Basic financial Statements

(2) Amount does not include special assessment debt

(3) Amount does not include funds available for retirement of special assessment debt.

(4) Source: 2000 Census report.

(5) Source: 2010 Census report.

(6) Source: Clinton County equalization reports.

Table 10
Unaudited



Net Debt to Assessed Value	Net Debt Per Capita
1.18%	\$ 396
1.77%	617
1.72%	579
1.67%	537
1.59%	494
1.41%	395
1.32%	356
1.22%	327
1.10%	290
0.92%	249

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Direct and Overlapping Governmental Activities Debt
June 30, 2015

Governmental Unit	Debt Outstanding	Estimated Percent Applicable (1)	Direct and Estimated Overlapping Debt
St. Johns Public Schools	\$ 76,290,000	32.59%	\$ 24,862,911
Clinton County	<u>8,290,150</u>	8.29%	<u>687,253</u>
Total overlapping debt	84,580,150		25,550,164
City of St. Johns	<u>2,314,466</u>	100.00%	<u>2,314,466</u>
Total direct and overlapping debt	<u><u>\$ 86,894,616</u></u>		<u><u>\$ 27,864,630</u></u>

(1) The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value percentages that is within the City's boundaries and dividing it by each unit's total taxable value.

CITY OF ST. JOHNS, MICHIGAN

Legal Debt Margin

Last Ten Fiscal Years

	2006	2007	2008	2009	2010
Legal debt limit	\$ 25,192,450	\$ 26,124,300	\$ 25,266,850	\$ 24,115,260	\$ 23,245,122
Total net debt applicable to limit	<u>4,624,976</u>	<u>6,067,947</u>	<u>5,713,038</u>	<u>5,263,121</u>	<u>4,792,945</u>
Legal debt margin	<u>\$ 20,567,474</u>	<u>\$ 20,056,353</u>	<u>\$ 19,553,812</u>	<u>\$ 18,852,139</u>	<u>\$ 18,452,177</u>
Total net debt applicable to the limit as a percentage of debt limit	18.36%	23.23%	22.61%	21.82%	20.62%

Legal Debt Margin Calculation for Fiscal Year 2014

State equalized value	\$ 212,643,379
Debt limit (10% of total state equalized value)	21,264,338
Debt applicable to limit	<u>2,314,466</u>
Legal debt margin	<u>\$ 18,949,872</u>

Source: City of St. Johns Treasurer's Office

Table 12
Unaudited

2011	2012	2013	2014	2015
\$ 22,022,420	\$ 21,177,120	\$ 21,041,120	\$ 20,721,580	\$ 21,264,338
<u>4,370,145</u>	<u>3,641,732</u>	<u>3,191,245</u>	<u>2,766,278</u>	<u>2,314,466</u>
<u>\$ 17,652,275</u>	<u>\$ 17,535,388</u>	<u>\$ 17,849,875</u>	<u>\$ 17,955,302</u>	<u>\$ 18,949,872</u>
19.84%	17.20%	15.17%	13.35%	10.88%

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population		Personal Income	Per Capita Personal Income (3)(6)	Per Capita Unemployment Rate (5)
2006	7,485	(1)	\$ 234,168,225	\$ 31,285	6.10%
2007	7,485	(1)	241,698,135	32,291	5.90%
2008	7,485	(1)	251,061,870	33,542	6.60%
2009	7,485	(1)	244,961,595	32,727	10.90%
2010	7,485	(1)	253,599,285	33,881	9.80%
2011	7,865	(2)	273,009,880	34,712	8.40%
2012	7,865	(2)	278,885,035	35,459	7.40%
2013	7,865	(2)	285,633,205	36,317	7.20%
2014	7,865	(2)	- (4)	-	0.00%
2015	7,865	(2)	- (4)	-	0.00%

Data Sources:

- (1) Source: 2000 Census report
- (2) Source: 2010 Census report
- (3) Source: Bureau of Economic Analysis: Regional Economic Accounts
- (4) Data for 2014 and 2015 is not readily available
- (5) Source: Bureau of Labor Statistics
- (6) Personal income per capita and unemployment rates are presented for the Lansing-East Lansing metropolitan area which includes the counties of Ingham, Eaton, and Clinton.

Principal Employers
June 30, 2015 and 2006

	2015		2006	
	Number of Jobs (1)(2)	Percentage of Workforce	Number of Jobs (1)(2)	Percentage of Workforce
Construction and mining	7,600	3.41%	9,000	3.98%
Manufacturing	20,600	9.25%	22,200	9.81%
Trade, Transportation and Utilities	35,100	15.76%	36,500	16.14%
Information	2,800	1.26%	2,600	1.15%
Financial Activities	15,600	7.00%	15,000	6.63%
Professional and Business Services	21,400	9.61%	20,800	9.20%
Educational and Health Services	30,900	13.88%	28,900	12.78%
Leisure and Hospitality	20,300	9.12%	19,700	8.71%
Other Services	10,700	4.80%	11,500	5.08%
Government	57,700	25.91%	60,000	26.53%
Totals	<u>222,700</u>		<u>226,200</u>	

(1) Source: State of Michigan Labor Market Information

(2) Number of jobs is presented for the Lansing-East Lansing metropolitan area which includes the counties of Ingham, Eaton and Clinton.

CITY OF ST. JOHNS, MICHIGAN

Full-time Equivalent City Government Employees by Function Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30,					
	2006	2007	2008	2009	2010	2011
General government	9	9	9	9	8	8
Public safety	13	13	13	13	10	10
Public works	22	22	22	22	18	18
Community and economic development	1	1	1	1	1	1
Recreation and culture	5	5	5	5	5	5
Total	50	50	50	50	42	42

Source: City of St. Johns Treasurer's Office

Table 15
Unaudited



2012	2013	2014	2015
8	8	8	8
10	10	11	11
18	18	22	22
1	1	1	1
5	5	7	8
<hr/>			
42	42	49	50
<hr/> <hr/>			

CITY OF ST. JOHNS, MICHIGAN

Operating Indicators by Function Last Ten Calendar Years

Function	2005	2006	2007	2008
Public safety (2)				
Physical arrests	433	434	277	201
Parking violations	943	1,092	987	997
Traffic violations	1,170	1,126	1,279	949
Emergency fire responses	47	34	44	35
Public works (3)				
Street resurfacing (miles)	-	2.52	-	0.22
Number of water meters	3,139	3,163	3,189	3,188
Average daily water consumption (gallons)	803,000	764,000	633,000	719,600
Peak daily water consumption	1,450,000	1,414,000	1,711,000	1,287,000
Average daily sewage treatment	1,420,000	1,324,562	1,063,737	1,187,000
Recreation and culture (4)				
Volumes of library collection	41,977	40,423	41,902	38,843
Volumes borrowed from library	123,026	125,271	124,465	126,336

(1) Water, sewage, public safety and library data are reported on a calendar year basis. Therefore, the 2015 information is not yet available.

(2) Source: City of St. Johns Police and Fire Department annual reports

(3) Source: City of St. Johns Public Works Director and Community Development Director

(4) Source: Briggs Public Library Director

Table 16
Unaudited

2009	2010	2011	2012	2013	2014
230	338	404	404	329	272
1,046	886	886	1,071	1,086	962
712	1,048	1,048	1,041	893	862
35	61	74	45	47	38
0.27	0.27	1.21	0.99	0.53	3.80
3,280	3,280	3,282	3,321	3,321	3,252
609,000	608,000	622,000	671,000	657,000	658,000
1,657,000	1,650,000	1,300,000	1,410,000	1,393,000	1,120,000
1,084,000	1,084,000	1,200,000	1,090,000	1,200,000	1,250,000
39,642	42,423	44,772	45,380	44,657	47,071
129,986	126,059	108,602	93,611	89,559	82,670

CITY OF ST. JOHNS, MICHIGAN

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010
Public safety (1)					
Police protection					
Number of stations	1	1	1	1	1
Fire protection					
Number of stations	1	1	1	1	1
Public works (2)					
Streets					
Streets (per lane mile)	80	80	80	80	80
Traffic signals	4	4	4	4	4
Water					
Mains (miles)	50	50	50	50	50
Fire hydrants	307	437	437	437	437
Storage capacity (gallons)	900,000	900,000	900,000	900,000	900,000
Waste water					
Sanitary sewers (miles)	43	43	43	43	43
Storm sewers (miles)	32	32	32	32	32
Treatment capacity (million gallons per day)	2.5	2.5	2.5	2.5	2.5
Recreation and culture (3)					
Parks (acres)	116	116	116	116	116
Playgrounds	6	6	6	6	6
Municipal swimming pools	1	1	1	1	-
Tennis courts	11	11	11	11	11
Softball diamonds	3	3	3	3	3

(1) Source: City of St. Johns Police and Fire annual reports

(2) Source: City of St. Johns Public Works Director

(3) Source: City of St. Johns Recreation Director

(a) The City is in the process of building a municipal spray park. Project completed August 2015.

Table 17
Unaudited



2011	2012	2013	2014	2015
1	1	1	1	1
1	1	1	1	1
80	80	87	87	87
4	4	4	4	4
50	50	52	52	52
437	437	431	432	432
900,000	900,000	900,000	900,000	900,000
43	43	43	43	43
32	32	32	32	32
2.5	2.5	2.5	2.5	2.9
94	94	94	97	97
6	6	6	6	6
-	-	-	(a)	(a)
4	4	4	4	4
1	1	1	1	1

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Independent Auditors' 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*

November 12, 2015

Honorable Mayor and
Members of the City Commission
City of St. Johns
St. Johns, Michigan

We have audited, in accordance with the 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, 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. Johns, Michigan* (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identify a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2015-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applies in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

CITY OF ST. JOHNS, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2015

2015-001 - Segregation of Incompatible Duties

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. Management is responsible for establishing effective internal controls, including segregating incompatible duties, to safeguard the City's assets, and to prevent or detect misstatements to the financial statements. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the City's unique circumstances. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it and/or inadvertently misstate the financial statements.

Condition. As is the case with many entities of similar size, the City lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, controls for every major transaction class would include an independent review and approval by a qualified member of management. When reviewing the internal controls over the City's major transaction classes, it was identified that the payroll register, journal entries, bank deposits and bank reconciliations are not being reviewed and approved by a qualified member of management on a consistent basis.

Cause. This condition is a result of the City's limited resources, and the small size of its accounting staff.

Effect. As a result of this condition, the City is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely manner.

Recommendation. While there are no easy answers to the challenge of balancing the costs and benefits of internal control and segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials. The Treasurer has been assigned the responsibility of reviewing the various payroll reports after being generated by the City Clerk. With the recent change in banking partners, the City now has the following controls in place: ACH payment files for payroll and accounts payable are uploaded by one individual and are reviewed and released by a different individual; all bank account transfers are submitted by the Treasurer and must be reviewed and released by the City Clerk. After completion of the monthly bank reconciliation, the file is emailed to the City Manager for his review; all reconciling items are explained in the file.