

City of
St. Johns,
Michigan



Year Ended
June 30, 2019

Comprehensive
Annual Financial
Report

Prepared by: Treasurer's Office

CITY OF ST. JOHNS, MICHIGAN

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
List of Officials	A-1
Letter of Transmittal	B-1
Organizational Chart	C-1
GFOA Certificate of Achievement	D-1
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of Fund Balances for Governmental Funds to Net Position of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund	20
Major Street Fund	22
Local Street Fund	23
Statement of Net Position - Proprietary Funds	24
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	25
Statement of Cash Flows - Proprietary Funds	26
Statement of Fiduciary Assets and Liabilities	28
Statement of Net Position - Discretely Presented Component Units	29
Statement of Activities - Discretely Presented Component Units	30
Notes to Financial Statements	33
Required Supplementary Information	
Municipal Employees' Retirement System of Michigan	
Schedule of Changes in the City's Net Pension Liability and Related Ratios	60
Schedule of the City's Net Pension Liability	61
Schedule of the City's Contributions	62

CITY OF ST. JOHNS, MICHIGAN

Table of Contents

	<u>Page</u>
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	67
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Nonmajor Special Revenue Funds	69
Agency Funds:	
Combining Statement of Assets and Liabilities - Agency Funds	72
Combining Statement of Changes in Assets and Liabilities - Agency Funds	73

STATISTICAL SECTION (UNAUDITED)

TABLE

1	Net Position by Component	76
2	Changes in Net Position	78
3	Fund Balances of Governmental Funds	82
4	Changes in Fund Balances of Governmental Funds	84
5	Estimated Actual Value of Taxable Property	86
5.1	Assessed Taxable Value of Taxable Property	88
6	Property Tax Rates - Direct and Overlapping Governments	90
7	Principal Property Taxpayers	92
8	Property Tax Levies and Collections	94
9	Ratios of Outstanding Debt by Type	96
10	Ratios of Net General Bonded Debt Outstanding	98
11	Direct and Overlapping Governmental Activities Debt	100
12	Legal Debt Margin	101
13	Demographic and Economic Statistics	103
14	Principal Employers	104
15	Full-Time Equivalent City Employees by Function	105
16	Operating Indicators by Function	107
17	Capital Asset Statistics by Function	109

INTERNAL CONTROL AND COMPLIANCE

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 <i>Government Auditing Standards</i>	111
Schedule of Findings and Responses	113
Summary Schedule of Prior Audit Findings	114

INTRODUCTORY SECTION

CITY OF ST. JOHNS, MICHIGAN

LIST OF OFFICIALS

For the Year Ended June 30, 2019

Eric Hufnagel
Mayor

Bob Craig
Vice Mayor

CITY COMMISSIONERS

Tamara Kirschenbauer

Heather Hanover

Jean Ruestman

ADMINISTRATIVE OFFICIALS

Jon Stoppels
City Manager

Kristina Kinde
City Treasurer

Eric Hufnagel
Mayor

Bob Craig
Vice Mayor

Heather R. Hanover
Commissioner

Jean Ruestman
Commissioner

Tamara Kirschenbauer
Commissioner



Jon Stoppels
City Manager

Dave J. Kudwa
Community Development

Mindy J. Seavey
City Clerk

Kristina Kinde
City Treasurer

John B. Salemi
City Attorney

Steven M. Martin
Director of Public Services

December 5, 2019

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of St. Johns (the City), Michigan for the fiscal year ended June 30, 2019 with the Independent Auditor's Report, submitted in compliance with Michigan State Law. State law requires that within six months of the close of each fiscal year local governments publish a complete set of financial statements presented in conformance with generally accepted accounting principles in the USA (GAAP) and audited in conformity with generally accepted auditing standards by a firm of licensed certified public accountants. This CAFR meets state law requirements.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement.

Rehmann Robson, independent auditors, has issued an unmodified, "clean" opinion on the City's financial statements for the year ended June 30, 2019. The independent auditor's report is located at the front of the financial section of this report. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile

St. Johns 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 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 programs and facilities, and general administrative services. Internal services of the City include mobile equipment operations and maintenance.

*100 East State Street, P.O. Box 477, St. Johns, Michigan 48879-0477
(989) 224-8944 Fax (989) 224-2204
E-mail: csj@ci.saint-johns.mi.us*

St. Johns is located 18 miles north of downtown Lansing and is the county seat for Clinton County, Michigan. The City is located right off an interstate highway which provides quick access to other major Michigan cities. The City encompasses an area of approximately 4.02 square miles, has a population of approximately 7,900, and 43.74 miles of streets.

Discretely presented component units are segregated from the primary government in the government-wide financial statements. This emphasizes that they are legally separate from the primary government. These discretely presented component units include the Downtown Development Authority (DDA), the Local Development Finance Authority (LDFA), and the Principal Shopping District (PSD). The DDA and PSD promote business development in the downtown area. The LDFA promotes business development in the industrial park located north of the city.

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 of the City of St. Johns' financial planning and control. The Commission adopts the budgets at the required legal level of budgetary control in conformance with Public Act 621 of the State of Michigan.

Financial Condition

The General Fund is the government's primary operating fund. Over the past several years, the City has seen a steady increase in the total fund balance for the General Fund (see Table A-3 in the Statistical Section of the financial statements).

Local Economy

The City has many diverse businesses including retail, commercial, and manufacturing. St. Johns is near the Lansing-East Lansing Metropolitan Statistical Area (MSA). This area includes Clinton, Ingham and Eaton counties. The current unemployment rate for this MSA is 3.3%. The city continues to see growth in our residential and manufacturing sectors. However, there has been significant growth in multi-family residential developments located in the central business district. Also, the announcement of the development of two major dairy processing plants and non-downtown growth are very promising for the City's financial future.

Long-term Financial Planning

Like many Michigan cities, St. Johns is facing a challenge with respect to the funding of our deferred benefit pension plan. The plan is only about 53% funded and the required annual minimum payments will escalate over the next twelve years. There will be difficult decisions ahead with respect to city service reductions in order to meet our continuing obligation to fund the retirement plan.

The city's charter provides for a 10-mill cap. Given the modest property tax increases and the rising costs of infrastructure replacement, pension liability, and building improvements the city residents recently approved to restore the full amount (10 mills) of the original authorized charter millage rate. This is estimate to bring in approximately \$110,000.

Financial Policies

In August 2016, the City Commission approved a Fund Balance Policy. The Policy is modeled after a recommendation from the Government Financial Officers Association. The Policy sets a goal to maintain an unassigned fund balance of 15% to 20% of expenditures. This Policy ensures the City maintains reserves to handle unplanned expenditures. Currently, the City's General Fund Balance is \$2,236,030 which is approximately 51% of expenditures.

Major Initiatives

The City completed another year of street improvements funded by the dedicated street millage. Voters approved 4 mills for 4 years program in 2014. This has been a very successful program for the City, with 10 miles of streets completed. In November 2017, the residents approved a 3 mills for 5 years millage to continue needed street improvements. This project will improve an additional 10 miles of local streets. The City is also considering geographic information system-based asset management and mapping project to evaluate our existing water, sewer, and storm water infrastructure.

The City of St. Johns has also supported significant improvements to our park and recreational facilities. These improvements include a new spray park, updated softball field bleachers and dugouts, Frisbee golf, and a restroom facility near the Clinton-Ionia-Shiawassee trail. The projects have been funded through Michigan Department of Natural Resources grants, community donations, and matching local funds from the City. The City also recently worked with St. Johns Schools to rent a portion of the Wilson Center to provide recreational programming.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of St. Johns for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018; an award the City has received annually since 2000. In order to be awarded a Certificate of Achievement, a governmental unit must publish a user-friendly and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for one year only. We believe our current report conforms to the Certificate of Achievement program requirements and we are submitting it to the GFOA for consideration.

Acknowledgements

The timely, orderly preparation and completion of this report is made possible by the hard work and dedication of the staff in the Finance Department. We appreciate the time and talent of everyone who contributed to this document. The people who live or work in, or receive services from the City of St. Johns should also appreciate the behind-the-scenes work and responsibility that has gone into this description of the City's stewardship of the resources entrusted to it.

We would also like to thank the members of the City Commission for their interest and efforts in planning and conducting the financial operations of the City in a responsible and balanced manner.

Respectfully submitted,

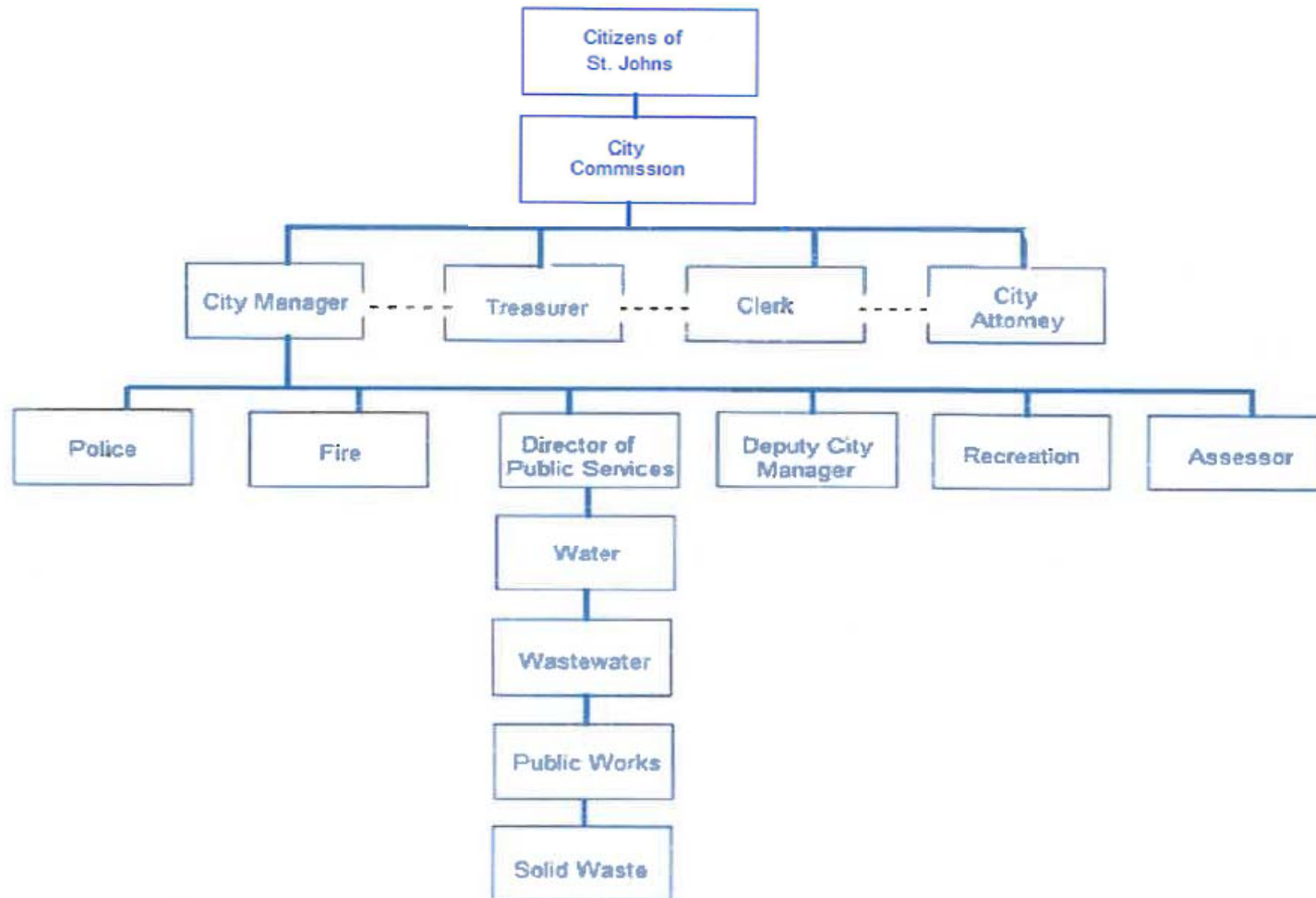


Jon Stoppels
City Manager



Kristina Kinde
City Treasurer

City of St. Johns
Organizational Chart
June 30, 2019



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, 2018

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

December 5, 2019

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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and major special revenue funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 December 5, 2019, 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.

Rehmann Lohman LLC

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, 2019. 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

- Governmental activities net position at the end of the current year was \$7,947,704. This is an increase of \$1,176,452 or 17.4%.
- Business-type activities net position at the end of the current year was \$5,345,853. This is a decrease of \$237,909 or 4.3%.
- At the close of the fiscal year, the City of St. Johns' governmental funds reported a combined ending fund balance of \$2,913,886, an increase of \$159,970 or 5.8% more than 2018.
- During the year, the General Fund's fund balance increased \$223,206, from \$2,012,789 at June 30, 2018 to \$2,235,995 at June 30, 2019.
- The primary government issued no new debt during the fiscal year.
- The total long-term debt for the governmental activities was \$1,428,047, a net decrease of \$368,180 from the prior year.
- The total long-term debt for the business-type activities was \$8,839,260, a net decrease of \$529,985 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Governmental funds focus on the financing of these areas in the short-term and what remains for future spending. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Street Fund, and Local Street Fund and Street Millage II 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 City 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 Trust and Agency and Current Tax Collection Agency Funds.

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 \$13,293,557 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 3,638,144	\$ 3,200,295	\$ 3,375,334	\$ 3,553,690	\$ 7,013,478	\$ 6,753,985
Capital assets, net	11,358,161	10,958,806	13,421,814	14,045,687	24,779,975	25,004,493
	<u>14,996,305</u>	<u>14,159,101</u>	<u>16,797,148</u>	<u>17,599,377</u>	<u>31,793,453</u>	<u>31,758,478</u>
Total deferred outflows of resources	<u>749,899</u>	<u>318,187</u>	<u>630,646</u>	<u>314,248</u>	<u>1,380,545</u>	<u>632,435</u>
Liabilities						
Other liabilities	740,960	816,596	211,416	777,114	952,376	1,593,710
Long-term liabilities	1,428,047	1,307,084	8,839,260	8,803,230	10,267,307	10,110,314
Net pension liability	5,629,493	5,490,482	3,031,265	2,704,268	8,660,758	8,194,750
	<u>7,798,500</u>	<u>7,614,162</u>	<u>12,081,941</u>	<u>12,284,612</u>	<u>19,880,441</u>	<u>19,898,774</u>
Total deferred inflows of resources	<u>-</u>	<u>91,874</u>	<u>-</u>	<u>45,251</u>	<u>-</u>	<u>137,125</u>
Net position						
Net investment in capital assets	10,113,212	9,347,297	4,874,133	4,909,221	14,987,345	14,256,518
Restricted	1,040,645	866,424	1,099,042	1,297,632	2,139,687	2,164,056
Unrestricted (deficit)	<u>(3,206,153)</u>	<u>(3,442,469)</u>	<u>(627,322)</u>	<u>(623,091)</u>	<u>(3,833,475)</u>	<u>(4,065,560)</u>
Total net position	<u>\$ 7,947,704</u>	<u>\$ 6,771,252</u>	<u>\$ 5,345,853</u>	<u>\$ 5,583,762</u>	<u>\$13,293,557</u>	<u>\$12,355,014</u>

CITY OF ST. JOHNS, MICHIGAN

Management's Discussion and Analysis

	Change in Net position					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program revenues						
Charges for services	\$ 1,718,183	\$ 1,420,870	\$ 3,987,169	\$ 3,825,370	\$ 5,705,352	\$ 5,246,240
Operating grants	1,609,373	1,284,404	-	-	1,609,373	1,284,404
Capital grants	-	62,392	-	-	-	62,392
General revenues						
Property taxes	2,720,724	2,882,943	-	-	2,720,724	2,882,943
State revenue sharing	781,138	751,862	-	-	781,138	751,862
Other	155,442	175,726	169,515	64,870	324,957	240,596
Total revenues	<u>6,984,860</u>	<u>6,578,197</u>	<u>4,156,684</u>	<u>3,890,240</u>	<u>11,141,544</u>	<u>10,468,437</u>
Expenses						
General government	1,904,280	1,404,660	-	-	1,904,280	1,404,660
Public safety	1,324,342	1,367,562	-	-	1,324,342	1,367,562
Public works	2,142,768	1,972,143	-	-	2,142,768	1,972,143
Recreation and culture	458,453	319,239	-	-	458,453	319,239
Interest on long-term debt	5,728	54,259	-	-	5,728	54,259
Other	-	24,344	-	-	-	24,344
Water and sewer	-	-	4,367,430	3,680,513	4,367,430	3,680,513
Total expenses	<u>5,835,571</u>	<u>5,142,207</u>	<u>4,367,430</u>	<u>3,680,513</u>	<u>10,203,001</u>	<u>8,822,720</u>
Change in net position, before transfers	1,149,289	1,435,990	(210,746)	209,727	938,543	1,645,717
Transfers	<u>27,163</u>	<u>22,442</u>	<u>(27,163)</u>	<u>(22,442)</u>	<u>-</u>	<u>-</u>
Change in net position	1,176,452	1,458,432	(237,909)	187,285	938,543	1,645,717
Net position						
Beginning of year	<u>6,771,252</u>	<u>5,312,820</u>	<u>5,583,762</u>	<u>5,396,477</u>	<u>12,355,014</u>	<u>10,709,297</u>
End of year	<u>\$ 7,947,704</u>	<u>\$ 6,771,252</u>	<u>\$ 5,345,853</u>	<u>\$ 5,583,762</u>	<u>\$13,293,557</u>	<u>\$12,355,014</u>

Governmental Activities. Governmental activities increased the City's net position by \$1,176,452 for fiscal year 2019. Compared to the fiscal year 2018 increase of \$1,458,432, the change in net position deteriorated by \$281,980. Key elements of this deterioration are as follows:

- Charges for services increased approximately \$297,000, due primarily to a change in classification from the prior year.
- Operating grants increased approximately \$325,000, due primarily to the City reducing office space and returning a portion of the space to Clinton County for a reimbursement.
- General government expenses increased approximately \$500,000, due to a change in classification from the prior year.

CITY OF ST. JOHNS, MICHIGAN

Management's Discussion and Analysis

Business-type Activities. Business-type activities decreased the City's net position by \$237,909 for fiscal year 2019. Compared to the fiscal year 2018 increase of \$187,285, the change in net position deteriorated by \$425,194. Key elements of this deterioration are as follows:

- Charges for services increased approximately \$162,000, due mainly to water and sewer changes.
- Other revenue increased approximately \$105,000, due primarily to water and sewer charges.
- Water and sewer operating costs increased by approximately \$687,000, due to deferred charge on bond refinancing.

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 \$2,913,886, an increase of \$159,970 in comparison with the prior year. The General Fund fund balance increased \$223,206 from the prior year mainly due primarily to the reduction in expenditures in comparison to the budget, primarily administrative charges. The Major Street Fund fund balance increased \$135,068 from the prior year which can be attributable to an increase in Act 51 funding while budgeted expenditures remain consistent with prior years. The Local Street Fund fund balance increased slightly from the prior year by \$43,128 which is due to additional Act 51 funding. The Street Millage II capital projects fund had a decrease to its net position of \$238,125 from the prior year due to the timing of street project. The Street Millage II fund completed projects in the spring and summer prior to the collection of taxes related to those projects.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$2,235,995. Of this amount \$60,962 was classified as nonspendable and \$2,175,033 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 50% of total general fund expenditures. This is up slightly from 44% noted for fiscal year 2018.

The fund balance of the City's General Fund increased by \$223,206 after transfers during the current fiscal year compared to a decrease in fund balance of \$189,571 after transfers in the prior year. Much of the increase over the past year 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 an increase in fund balance of \$60,167 and then the budget was amended which resulted in a decrease of \$245,454. The actual results increased fund balance by \$223,206. Significant changes in budgetary variances are as follows:

- Property tax revenue was under budget by approximately \$149,000. This is due to property tax abatements granted during the fiscal year.
- Intergovernmental revenue was over budget by approximately \$97,000. This is due primarily to local community stabilization funding for personal property.
- Other revenues were over budget by approximately \$98,000. This is due to an increase in reimbursements.
- Administration underspent their budget by over \$125,000. Decreases were seen in contractual services, industrial park consulting costs and computer equipment.

CITY OF ST. JOHNS, MICHIGAN

Management's Discussion and Analysis

- Public safety underspent their budget by over \$51,000. Decreases were seen in hydrant rental, radio equipment and uniforms.
- Capital outlay was under budget by approximately \$44,000 due to being under budget in the police department improvements.

Significant changes in original and final budget are as follows:

- An increase in the original budget to final budget for other revenues in the amount of approximately \$217,000 is due to an increase in miscellaneous reimbursements related to the reduction in office space and increase in Wilson Center program revenue.
- An increase in the original budget to final budget for general government expenditures in the amount of approximately \$197,000 is due primarily to the increase in capital outlay for the police department improvements and increase in anticipated industrial park consulting costs.
- An increase in the original budget to final budget for public safety expenditures in the amount of approximately \$135,000 is due to an increase in pension payments due to the corrective action plan with the State of Michigan.
- An increase in the original budget to final budget for recreation and culture expenditures in the amount of approximately \$124,000 is due to an increase in pension payments due to the corrective action plan with the State of Michigan.

The Water and Sewer fund had a decrease to its net position of \$237,909 compared to an increase in net position in the prior year of \$187,285. Operating expenses and revenues increased by approximately \$687,000 and \$266,000, respectively. This is mainly due to an increase in pension payments due to corrective action plan with the State of Michigan.

Capital Asset and Debt Administration

Capital Assets - At the end of fiscal year 2019, the City of St. Johns had invested \$11,358,161 and \$13,421,814 (net of accumulated depreciation) for governmental and business-type activities capital assets, respectively (see table below). Additional information regarding the City's capital assets can be found in Note 9 to the financial statements.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,229,963	\$ 1,244,816	\$ 169,161	\$ 169,161	\$ 1,399,124	\$ 1,413,977
Construction in progress	27,643	-	-	-	27,643	-
Land improvements	801,328	793,164	-	-	801,328	793,164
Buildings and improvements	1,878,237	1,849,708	-	-	1,878,237	1,849,708
Vehicles	833,318	923,546	-	-	833,318	923,546
Furnitures and other assets	64,539	75,224	-	-	64,539	75,224
Drain flowage rights	407,241	418,439	-	-	407,241	418,439
Infrastructure	6,115,892	5,653,909	-	-	6,115,892	5,653,909
Water system	-	-	1,799,779	1,904,297	1,799,779	1,904,297
Sewer system	-	-	11,142,412	11,646,376	11,142,412	11,646,376
Water and sewer equipment	-	-	310,462	325,853	310,462	325,853
Total capital assets, net	\$11,358,161	\$10,958,806	\$13,421,814	\$14,045,687	\$24,779,975	\$25,004,493

CITY OF ST. JOHNS, MICHIGAN

Management's Discussion and Analysis

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

- Purchase of new police station and improvements to the building.
- 2019 Street Projects completed as part of the Street Millage.
- Sewer improvements within the industrial park.

Debt Administration - At the end of the current fiscal year, the City had total long-term debt outstanding of \$1,428,047 for governmental activities and \$8,839,260 for business-type activities consisting of general obligation bonds, direct placements, and compensated absences.

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ -	\$ 180,000	\$ 8,765,000	\$ 9,265,000	\$ 8,765,000	\$ 9,445,000
Direct placements	1,244,949	1,431,509	9,537	17,168	1,254,486	1,448,677
Net bond premium/discount	-	-	-	11,827	-	11,827
Compensated absences	183,098	184,718	64,723	75,250	247,821	259,968
Total long-term debt	\$ 1,428,047	\$ 1,796,227	\$ 8,839,260	\$ 9,369,245	\$10,267,307	\$11,165,472

The City's total governmental activities and business-type activities debt decreased by \$368,180 and \$529,985, respectively, during the current fiscal year largely due to the normal pay-off of the general obligation bonds and direct placements.

State statute limits the City of St. Johns debt obligations to 10 percent of the current state equalized value (SEV). The City's SEV as of June 30, 2019, was \$257 million; therefore, the City's debt limitation was \$25.7 million. The City remains below its legal debt limit by approximately \$19 million.

Additional information on the City's 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 cost of employee fringe benefits.
- The underfunded defined benefit pension plan.

The City considered these factors in preparing the City's budget for the 2020 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, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 2,510,007	\$ 819,324	\$ 3,329,331	\$ 333,638
Investments	520,000	415,051	935,051	-
Receivables	458,505	998,448	1,456,953	-
Internal balances	79,511	(79,511)	-	-
Inventories	9,159	61,805	70,964	-
Prepays	60,962	-	60,962	-
Cash and cash equivalents, restricted	-	1,160,217	1,160,217	-
Capital assets not being depreciated	1,257,606	169,161	1,426,767	-
Capital assets being depreciated, net	10,100,555	13,252,653	23,353,208	-
Total assets	14,996,305	16,797,148	31,793,453	333,638
Deferred outflows of resources				
Deferred charge on refunding	-	226,856	226,856	-
Deferred pension amounts	749,899	403,790	1,153,689	-
Total deferred outflows of resources	749,899	630,646	1,380,545	-
Liabilities				
Accounts payable and accrued liabilities	740,960	211,416	952,376	631
Long-term liabilities:				
Due within one year	357,076	573,597	930,673	-
Due in more than one year	1,070,971	8,265,663	9,336,634	-
Net pension liability (due in more than one year)	5,629,493	3,031,265	8,660,758	-
Total liabilities	7,798,500	12,081,941	19,880,441	631
Net position				
Net investment in capital assets	10,113,212	4,874,133	14,987,345	-
Restricted for:				
Debt service	-	1,099,042	1,099,042	-
Capital projects	17,801	-	17,801	-
Garbage	136,727	-	136,727	-
Drug law enforcement	4,196	-	4,196	-
Streets	881,921	-	881,921	-
Unrestricted (deficit)	(3,206,153)	(627,322)	(3,833,475)	333,007
Total net position	\$ 7,947,704	\$ 5,345,853	\$ 13,293,557	\$ 333,007

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, 2019

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary government				
Governmental activities:				
General government	\$ 1,904,280	\$ 261,934	\$ 471,178	\$ (1,171,168)
Public safety	1,324,342	120,259	9,770	(1,194,313)
Public works	2,142,768	1,310,660	1,072,310	240,202
Recreation and culture	458,453	25,330	56,115	(377,008)
Interest on long-term debt	5,728	-	-	(5,728)
Total governmental activities	5,835,571	1,718,183	1,609,373	(2,508,015)
Business-type activities:				
Water and sewer	4,367,430	3,987,169	-	(380,261)
Total primary government	<u>\$ 10,203,001</u>	<u>\$ 5,705,352</u>	<u>\$ 1,609,373</u>	<u>\$ (2,888,276)</u>
Component units				
Principal Shopping District	\$ 74,993	\$ -	\$ 80,151	\$ 5,158
Local Development Finance Authority	88,899	-	31,162	(57,737)
Downtown Development Authority	2,895	-	-	(2,895)
Total component units	<u>\$ 166,787</u>	<u>\$ -</u>	<u>\$ 111,313</u>	<u>\$ (55,474)</u>

continued...

CITY OF ST. JOHNS, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net expense	\$ (2,508,015)	\$ (380,261)	\$ (2,888,276)	\$ (55,474)
General revenues:				
Property taxes	2,720,724	-	2,720,724	150,603
State shared revenues - unrestricted	781,138	-	781,138	-
Investment earnings	11,640	20,754	32,394	-
Gain on sale of capital assets	122,471	3,000	125,471	-
Miscellaneous	21,331	145,761	167,092	-
Transfers - internal activities	27,163	(27,163)	-	-
Total general revenues and transfers	3,684,467	142,352	3,826,819	150,603
Change in net position	1,176,452	(237,909)	938,543	95,129
Net position, beginning of year	6,771,252	5,583,762	12,355,014	237,878
Net position, end of year	\$ 7,947,704	\$ 5,345,853	\$ 13,293,557	\$ 333,007

concluded

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

CITY OF ST. JOHNS, MICHIGAN

Balance Sheet Governmental Funds June 30, 2019

		Special Revenue Funds		Capital Project Fund		
	General Fund	Major Street	Local Street	Street Millage II	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 968,385	\$ 674,925	\$ 624,679	\$ 57,806	\$ 179,920	\$ 2,505,715
Investments	520,000	-	-	-	-	520,000
Receivables:						
Accounts	128,920	-	-	-	21,030	149,950
Special assessments	-	-	-	-	13,825	13,825
Due from other funds	575,990	-	-	50,541	2,802	629,333
Due from other governmental units	148,182	105,583	40,965	-	-	294,730
Prepaid items	60,962	-	-	-	-	60,962
Total assets	\$ 2,402,439	\$ 780,508	\$ 665,644	\$ 108,347	\$ 217,577	\$ 4,174,515
Liabilities						
Accounts payable	\$ 42,516	\$ 97,364	\$ 462,591	\$ -	\$ 42,418	\$ 644,889
Accrued liabilities	69,704	1,651	2,625	-	1,942	75,922
Due to other governments	881	-	-	-	-	881
Due to other funds	53,343	-	-	471,769	-	525,112
Total liabilities	166,444	99,015	465,216	471,769	44,360	1,246,804
Deferred inflows of resources						
Unavailable revenue - special assessments	-	-	-	-	13,825	13,825
Fund balances						
Nonspendable	60,962	-	-	-	-	60,962
Restricted	-	681,493	200,428	-	159,392	1,041,313
Unassigned (deficit)	2,175,033	-	-	(363,422)	-	1,811,611
Total fund balances	2,235,995	681,493	200,428	(363,422)	159,392	2,913,886
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,402,439	\$ 780,508	\$ 665,644	\$ 108,347	\$ 217,577	\$ 4,174,515

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, 2019

Fund balances - total governmental funds	\$ 2,913,886
--	--------------

Amounts reported for *governmental activities* 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	1,257,606
Capital assets being depreciated, net	10,100,555
Less internal service fund capital assets being depreciated, net	(811,572)

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	13,825
---	--------

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	(5,629,493)
Pension related deferred outflow of resources	749,899

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	469,159
---	---------

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Long-term debt	(930,813)
Accrued interest on long-term debt	(2,250)
Compensated absences	(183,098)

Net position of governmental activities	<u>\$ 7,947,704</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, 2019

		Special Revenue Funds		Capital Project Fund		
	General Fund	Major Street	Local Street	Street Millage II	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 2,021,052	\$ -	\$ -	\$ 618,817	\$ 105,170	\$ 2,745,039
Licenses and permits	141,560	-	-	-	-	141,560
Intergovernmental	945,693	606,631	333,491	78,668	6,318	1,970,801
Charges for services	973,944	-	-	-	545,955	1,519,899
Fines and forfeitures	25,629	-	-	-	-	25,629
Interest and rentals	34,141	-	-	-	123	34,264
Contributions	36,655	-	-	-	-	36,655
Other revenues	393,962	2,032	3,736	-	4,656	404,386
Total revenues	4,572,636	608,663	337,227	697,485	662,222	6,878,233
Expenditures						
Current:						
General government	1,648,019	-	-	-	-	1,648,019
Public safety	1,684,724	-	-	-	-	1,684,724
Public works	381,505	687,547	854,805	-	663,344	2,587,201
Recreation and culture	401,712	-	-	-	-	401,712
Debt service:						
Principal	53,270	-	-	-	292,000	345,270
Interest and fiscal charges	837	-	-	-	25,037	25,874
Capital outlay	158,788	-	-	-	-	158,788
Total expenditures	4,328,855	687,547	854,805	-	980,381	6,851,588
Revenues over (under) expenditures	243,781	(78,884)	(517,578)	697,485	(318,159)	26,645
Other financing sources (uses)						
Transfers in	-	377,089	560,706	-	317,037	1,254,832
Transfers out	(126,737)	(163,137)	-	(935,610)	(2,185)	(1,227,669)
Proceeds from sale of capital assets	106,162	-	-	-	-	106,162
Total other financing sources (uses)	(20,575)	213,952	560,706	(935,610)	314,852	133,325
Net change in fund balances	223,206	135,068	43,128	(238,125)	(3,307)	159,970
Fund balances (deficit), beginning of year	2,012,789	546,425	157,300	(125,297)	162,699	2,753,916
Fund balances (deficit), end of year	\$ 2,235,995	\$ 681,493	\$ 200,428	\$ (363,422)	\$ 159,392	\$ 2,913,886

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, 2019

Net change in fund balances - total governmental funds \$ 159,970

Amounts reported for *governmental activities* 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	1,167,530
Depreciation expense	(672,291)
Loss on sale of capital assets	(14,853)

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	(24,315)
---	----------

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	345,270
---	---------

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	389,742
Change in accrued interest payable on long-term debt	20,146
Change in the accrual for compensated absences	1,620

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	(196,367)
---	-----------

Change in net position of governmental activities	<u>\$ 1,176,452</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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 2,169,781	\$ 2,169,781	\$ 2,021,052	\$ (148,729)
Licenses and permits	119,000	119,000	141,560	22,560
Intergovernmental	836,500	848,725	945,693	96,968
Charges for services	1,010,177	1,006,177	973,944	(32,233)
Fines and forfeitures	29,000	29,000	25,629	(3,371)
Interest and rentals	20,580	23,512	34,141	10,629
Contributions	-	-	36,655	36,655
Other revenues	79,000	295,843	393,962	98,119
Total revenues	4,264,038	4,492,038	4,572,636	80,598
Expenditures				
Current:				
General government:				
Legislative	420,617	518,990	476,068	(42,922)
Administration	1,051,271	1,144,827	1,018,926	(125,901)
Municipal building	107,377	112,313	98,267	(14,046)
Other	23,595	23,595	54,758	31,163
Total general government	1,602,860	1,799,725	1,648,019	(151,706)
Public safety:				
Police department	1,441,982	1,549,347	1,527,818	(21,529)
Fire department	159,102	186,638	156,906	(29,732)
Total public safety	1,601,084	1,735,984	1,684,724	(51,260)
Public works -				
Department of public works	402,942	393,402	381,505	(11,897)
Recreation and culture:				
Recreation department	160,899	290,824	277,609	(13,215)
City parks	132,810	126,781	124,103	(2,678)
Total recreation and culture	293,709	417,605	401,712	(15,893)
Debt service:				
Principal	60,902	60,902	53,270	(7,632)
Interest	837	837	837	-
Total debt service	61,739	61,739	54,107	(7,632)
Capital outlay	114,800	202,300	158,788	(43,512)
Total expenditures	4,077,134	4,610,755	4,328,855	(281,900)
Revenues over (under) expenditures	186,904	(118,717)	243,781	362,498

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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Other financing sources (uses)				
Transfers out	\$ (126,737)	\$ (126,737)	\$ (126,737)	\$ -
Proceeds from sale of capital assets	-	-	106,162	106,162
Total other financing sources (uses)	(126,737)	(126,737)	(20,575)	106,162
Net change in fund balance	60,167	(245,454)	223,206	468,660
Fund balance, beginning of year	2,012,789	2,012,789	2,012,789	-
Fund balance, end of year	\$ 2,072,956	\$ 1,767,335	\$ 2,235,995	\$ 468,660

concluded

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

CITY OF ST. JOHNS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Major Street Special Revenue Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 593,800	\$ 593,800	\$ 606,631	\$ 12,831
Other revenues	-	-	2,032	2,032
Total revenues	593,800	593,800	608,663	14,863
Expenditures				
Current -				
Public works -				
Highway and streets:				
Administrative	135,283	109,935	74,064	(35,871)
Street maintenance	185,911	265,628	531,124	265,496
Traffic service maintenance	24,111	24,000	30,237	6,237
Winter maintenance	46,205	44,869	52,122	7,253
Total expenditures	391,510	444,432	687,547	243,115
Revenues over (under) expenditures	202,290	149,368	(78,884)	(228,252)
Other financing sources (uses)				
Transfers in	-	66,000	377,089	311,089
Transfers out	(163,137)	(163,137)	(163,137)	-
Total other financing sources (uses)	(163,137)	(97,137)	213,952	311,089
Net change in fund balance	39,153	52,231	135,068	82,837
Fund balance, beginning of year	546,425	546,425	546,425	-
Fund balance, end of year	\$ 585,578	\$ 598,656	\$ 681,493	\$ 82,837

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

CITY OF ST. JOHNS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Local Street Special Revenue Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 229,778	\$ 328,575	\$ 333,491	\$ 4,916
Other revenues	-	-	3,736	3,736
Total revenues	229,778	328,575	337,227	8,652
Expenditures				
Current -				
Public works -				
Highway and streets:				
Administrative	54,479	54,479	35,460	(19,019)
Street maintenance	183,345	657,418	746,028	88,610
Traffic service maintenance	16,000	16,000	24,107	8,107
Winter maintenance	58,687	57,165	49,210	(7,955)
Total expenditures	312,511	785,062	854,805	69,743
Revenues under expenditures	(82,733)	(456,487)	(517,578)	(61,091)
Other financing sources				
Transfers in	-	484,000	560,706	76,706
Net change in fund balance	(82,733)	27,513	43,128	15,615
Fund balance, beginning of year	157,300	157,300	157,300	-
Fund balance, end of year	\$ 74,567	\$ 184,813	\$ 200,428	\$ 15,615

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, 2019

	Business-type Activities - Enterprise Fund	Governmental Activities Internal Service Fund
	Water and Sewer Fund	Mobile Equipment Fund
Assets		
Current assets:		
Cash and cash equivalents	\$ 819,324	\$ 4,292
Investments	415,051	-
Accounts receivable	998,448	-
Inventories	61,805	9,159
Total current assets	2,294,628	13,451
Noncurrent assets:		
Cash and cash equivalents, restricted	1,160,217	-
Capital assets not being depreciated	169,161	-
Capital assets being depreciated, net	13,252,653	811,572
Total noncurrent assets	14,582,031	811,572
Total assets	16,876,659	825,023
Deferred outflows of resources		
Deferred charge on refunding	226,856	-
Deferred pension amounts	403,790	-
Total deferred outflows of resources	630,646	-
Liabilities		
Current liabilities:		
Accounts payable	118,271	8,454
Accrued liabilities	31,970	1,982
Accrued interest payable	61,175	6,582
Due to other funds	79,511	24,710
Bonds and notes payable - current	522,631	21,960
Compensated absences payable - current	50,966	-
Total current liabilities	864,524	63,688
Noncurrent liabilities, net of current portion:		
Bonds and notes payable	8,251,906	292,176
Compensated absences payable	13,757	-
Net pension liability	3,031,265	-
Total noncurrent liabilities	11,296,928	292,176
Total liabilities	12,161,452	355,864
Net position		
Net investment in capital assets	4,874,133	497,436
Restricted for -		
Debt service	1,099,042	-
Unrestricted (deficit)	(627,322)	(28,277)
Total net position	\$ 5,345,853	\$ 469,159

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, 2019

	Business-type Activities - Enterprise Fund	Governmental Activities Internal Service Fund
	Water and Sewer Fund	Mobile Equipment Fund
Operating revenues		
Charges for services	\$ 3,987,169	\$ 318,076
Operating expenses		
Water plant operation	695,103	-
Water distribution	714,838	-
Wastewater plant operation	1,137,785	-
Administrative expenses	626,306	-
Mobile equipment	-	380,401
Depreciation	938,189	142,513
Total operating expenses	4,112,221	522,914
Operating loss	(125,052)	(204,838)
Nonoperating revenues (expenses)		
Interest income	20,754	-
Other revenue	145,761	8,471
Interest expense	(255,209)	-
Gain on sale of capital assets	3,000	-
Total nonoperating revenues (expenses)	(85,694)	8,471
Loss before transfers	(210,746)	(196,367)
Transfers out	(27,163)	-
Change in net position	(237,909)	(196,367)
Net position, beginning of year	5,583,762	665,526
Net position, end of year	\$ 5,345,853	\$ 469,159

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, 2019

	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	\$ 3,913,800	\$ -
Receipts from interfund services provided	-	318,076
Payments to employees	(1,620,479)	(67,665)
Payments to suppliers	(1,450,576)	(290,729)
Net cash provided by (used in) operating activities	842,745	(40,318)
Cash flows from noncapital financing activities		
Miscellaneous receipts	145,761	8,471
Transfers out	(27,163)	-
Net cash provided by noncapital financing activities	118,598	8,471
Cash flows from capital and related financing activities		
Purchase of capital asset	(320,873)	(61,482)
Proceeds from the sale of capital assets	9,557	-
Interest paid on long-term debt	(340,050)	(446)
Principal paid on long-term debt	(507,631)	(21,290)
Net cash used in capital and related financing activities	(1,158,997)	(83,218)
Cash flows from investing activities		
Purchase of investments	(6,294)	-
Interest received on investments	20,754	-
Net cash provided by capital and related financing activities	14,460	-
Net decrease in cash and cash equivalents	(183,194)	(115,065)
Cash and cash equivalents, beginning of year	2,162,735	119,357
Cash and cash equivalents, end of year	\$ 1,979,541	\$ 4,292
Classified on the statement of net position as:		
Cash and cash equivalents	\$ 819,324	\$ 4,292
Cash and cash equivalents, restricted	1,160,217	-
	\$ 1,979,541	\$ 4,292

continued...

CITY OF ST. JOHNS, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Fund	Governmental Activities Internal Service Fund
	Water and Sewer Fund	Mobile Equipment Fund
Cash flows from operating activities		
Operating loss	\$ (125,052)	\$ (204,838)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation expense	938,189	142,513
Change in operating assets and liabilities that provided (used) cash:		
Accounts receivable	(73,369)	-
Inventories	(4,686)	3,153
Accounts payable	20,192	(5,277)
Accrued liabilities	(14,848)	(579)
Due to other funds	78,171	24,710
Compensated absences payable	(10,527)	-
Deferred outflows of resources related to pension amounts	(247,071)	-
Net pension liability	326,997	-
Deferred inflows of resources related to pension amounts	(45,251)	-
Net cash provided by (used in) operating activities	<u>\$ 842,745</u>	<u>\$ (40,318)</u>

concluded

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

CITY OF ST. JOHNS, MICHIGAN

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2019

Assets

Cash and cash equivalents	\$ 4,855
---------------------------	----------

Liabilities

Due to other governments	\$ 4,855
--------------------------	----------

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, 2019

	Principal Shopping District	Local Development Finance Authority	Downtown Development Authority	Total Component Units
Assets				
Cash and cash equivalents	\$ 27,935	\$ 237,268	\$ 68,435	\$ 333,638
Liabilities				
Accounts payable	631	-	-	631
Net position				
Unrestricted	<u>\$ 27,304</u>	<u>\$ 237,268</u>	<u>\$ 68,435</u>	<u>\$ 333,007</u>

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, 2019

Functions / Programs	Expenses	Program Revenues	Net (Expense) Revenue
		Operating Grants and Contributions	
Component units:			
Community and economic development			
Principal shopping district	\$ 74,993	\$ 80,151	\$ 5,158
Local development finance authority	88,899	31,162	(57,737)
Downtown development authority	2,895	-	(2,895)
Total component units	<u>\$ 166,787</u>	<u>\$ 111,313</u>	<u>\$ (55,474)</u>

continued...

CITY OF ST. JOHNS, MICHIGAN

Statement of Activities

Discretely Presented Component Units

For the Year Ended June 30, 2019

	Component Units			Total Component Units
	Principal Shopping District	Local Development Finance Authority	Downtown Development Authority	
Changes in net position				
Net (expense) revenue	\$ 5,158	\$ (57,737)	\$ (2,895)	\$ (55,474)
General revenues - Property taxes	-	136,485	14,118	150,603
Change in net position	5,158	78,748	11,223	95,129
Net position, beginning of year	22,146	158,520	57,212	237,878
Net position, end of year	<u>\$ 27,304</u>	<u>\$ 237,268</u>	<u>\$ 68,435</u>	<u>\$ 333,007</u>

concluded

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

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, and stadiums for the benefit of the City. There was no activity in this component unit during fiscal year 2019.

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 Venture

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, 2019, are available at CAASA's administrative offices. As of March 31, 2019, CAASA had a net position of \$1,114,521.

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 *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.

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.

The *Street Millage II Fund* accounts for the proceeds of the street property taxes that are restricted to repairs and maintenance of the City's assets.

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, Deferred Outflows of Resources, 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. Investments are reported at fair value.

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."

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 garbage and street and sidewalks. For the year ended June 30, 2019, the City levied 9.4360 mills for general governmental services, 0.5000 mills for garbage services, and 3.0000 for streets and sidewalks. The total taxable value for the 2018 levy for property within the city was \$204,481,772.

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 acquisition cost 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 related to 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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

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).
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 \$3,206,153. Business-type activities and the Water and Sewer enterprise fund reported a deficit in unrestricted net position of \$627,322.

The Street Millage II capital projects fund reported a deficit fund balance of \$363,422 at year-end. This deficit is due to fiscal year 2019 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 2020.

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 fund level for special revenue funds, which is the legal level of control. During the year ended June 30, 2019 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:			
General government:			
Other	\$ 23,595	\$ 54,758	\$ 31,163
Major Street	444,432	687,547	243,115
Local Street	785,062	854,805	69,743
Garbage	647,441	663,344	15,903

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, 2019:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and cash equivalents	\$ 3,329,331	\$ 333,638	\$ 3,662,969
Restricted cash and cash equivalents	1,160,217	-	1,160,217
Investments	935,051	-	935,051
Statement of Fiduciary Assets and Liabilities			
Cash and cash equivalents	4,855	-	4,855
Total	<u>\$ 5,429,454</u>	<u>\$ 333,638</u>	<u>\$ 5,763,092</u>
Deposits and investments			
Bank deposits:			
Checking and savings accounts			\$ 4,305,485
Pooled certificates of deposit:			
Due within one year			522,196
Investments			935,051
Cash on hand			360
Total			<u>\$ 5,763,092</u>

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, \$4,154,798 of the City's bank balance of \$5,654,798 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. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk.

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. Maturity dates for commercial paper of \$255,166 at year-end are less than one year.

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. In order to minimize this risk, City policy limits the types of investments and pre-qualifies financial institutions. As of June 30, 2019, none of the City's investments were exposed to custodial credit risk.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical securities.

Level 2 - Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3 - Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

As of June 30, 2019, the City's investment of commercial paper are all level 1.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

6. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts	\$ 149,950	\$ 998,448
Special assessments	13,825	-
Intergovernmental	294,730	-
	<u>\$ 458,505</u>	<u>\$ 998,448</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 \$13,825 reported in the governmental funds consisted entirely of special assessments, which are expected to be received during the next fiscal year.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 653,343	\$ 118,271	\$ 631
Accrued liabilities	77,904	31,970	-
Due to other governments	881	-	-
Accrued interest on long-term debt	8,832	61,175	-
	<u>\$ 740,960</u>	<u>\$ 211,416</u>	<u>\$ 631</u>

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

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	\$ 575,990	\$ 53,343
Street Millage II capital projects fund	50,541	471,769
Nonmajor governmental funds	2,802	-
Water and Sewer fund	-	79,511
Internal service fund	-	24,710
	<u>\$ 629,333</u>	<u>\$ 629,333</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, 2019, interfund transfers consisted of the following:

	Transfers In	Transfer Out
General fund	\$ -	\$ 126,737
Major Street special revenue funds	377,089	163,137
Local Street special revenue funds	560,706	-
Street Millage II capital projects fund	-	935,610
Nonmajor governmental funds	317,037	2,185
Water and Sewer fund	-	27,163
	<u>\$ 1,254,832</u>	<u>\$ 1,254,832</u>

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. The Street Millage Fund transferred taxes collected to the Major and Local Streets for road projects.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

9. CAPITAL ASSETS

Primary government

Capital asset activity for the primary government for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Disposals	Adjustments	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 1,244,816	\$ -	\$ (14,853)	\$ -	\$ 1,229,963
Construction in progress	-	27,643	-	-	27,643
	<u>1,244,816</u>	<u>27,643</u>	<u>(14,853)</u>	<u>-</u>	<u>1,257,606</u>
Capital assets, being depreciated:					
Land improvements	1,734,228	79,477	-	-	1,813,705
Buildings and improvements	3,005,487	120,673	-	-	3,126,160
Vehicles	2,749,320	61,481	(1,016)	-	2,809,785
Furniture and other assets	288,753	5,220	-	-	293,973
Drain flowage rights	529,268	-	-	-	529,268
Infrastructure	9,783,355	934,518	-	-	10,717,873
	<u>18,090,411</u>	<u>1,201,369</u>	<u>(1,016)</u>	<u>-</u>	<u>19,290,764</u>
Less accumulated depreciation for:					
Land improvements	(941,064)	(71,313)	-	-	(1,012,377)
Buildings and improvements	(1,155,779)	(92,144)	-	-	(1,247,923)
Vehicles	(1,825,774)	(151,709)	1,016	-	(1,976,467)
Furniture and other assets	(213,529)	(15,905)	-	-	(229,434)
Drain flowage rights	(110,829)	(11,198)	-	-	(122,027)
Infrastructure	(4,129,446)	(472,535)	-	-	(4,601,981)
	<u>(8,376,421)</u>	<u>(814,804)</u>	<u>1,016</u>	<u>-</u>	<u>(9,190,209)</u>
Total capital assets being depreciated, net	<u>9,713,990</u>	<u>386,565</u>	<u>-</u>	<u>-</u>	<u>10,100,555</u>
Governmental activities capital assets, net	<u>\$ 10,958,806</u>	<u>\$ 414,208</u>	<u>\$ (14,853)</u>	<u>\$ -</u>	<u>\$ 11,358,161</u>

At June 30, 2019, the City's governmental activities had estimated commitments for police department parking lot of \$200,000 and railroad street improvements of \$108,000.

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	\$ 169,161	\$ -	\$ -	\$ -	\$ 169,161
Capital assets, being depreciated:					
Water system	5,863,728	31,227	(72,627)	-	5,822,328
Sewer system	26,458,624	281,631	(221,702)	-	26,518,553
Water and sewer equipment	1,010,005	8,015	(48,351)	-	969,669
	<u>33,332,357</u>	<u>320,873</u>	<u>(342,680)</u>	<u>-</u>	<u>33,310,550</u>
Less accumulated depreciation for:					
Water system	(3,959,431)	(129,188)	66,070	-	(4,022,549)
Sewer system	(14,812,248)	(785,595)	221,702	-	(15,376,141)
Water and sewer equipment	(684,152)	(23,406)	48,351	-	(659,207)
	<u>(19,455,831)</u>	<u>(938,189)</u>	<u>336,123</u>	<u>-</u>	<u>(20,057,897)</u>
Total capital assets being depreciated, net	<u>13,876,526</u>	<u>(617,316)</u>	<u>(6,557)</u>	<u>-</u>	<u>13,252,653</u>
Business-type activities capital assets, net	<u>\$ 14,045,687</u>	<u>\$ (617,316)</u>	<u>\$ (6,557)</u>	<u>\$ -</u>	<u>\$ 13,421,814</u>

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

Depreciation of governmental activities by function

General government	\$ 55,860
Public safety	14,880
Public works	532,601
Recreation and culture	68,950
Internal service fund	142,513
	<u>\$ 814,804</u>

Depreciation of business-type activities by function

Water and Sewer	<u>\$ 938,189</u>
-----------------	-------------------

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

10. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Direct Placements					
2017 Refunding Bonds, \$1,119,000, with future semi-annual installments ranging from \$56,000 to \$100,000 through April 1, 2024, interest at 1.980%	\$ 1,021,000	\$ -	\$ (112,000)	\$ 909,000	\$ 185,000
Installment Note Payable, to purchase a pumper tanker fire truck of \$376,615 due in annual installments of \$31,833 through November 1, 2030, including interest at 3.000%	335,426	-	(21,290)	314,136	21,960
CDBG loan of \$1,100,000 for expansion of the City's industrial park, governmental portion, due in quarterly installments of \$6,271 through August 1, 2020 at 0.000% interest	39,266	-	(17,453)	21,813	17,453
Installment Note Payable, to purchase land of \$536,000, Repaid in 2019	35,817	-	(35,817)	-	-
	1,431,509	-	(186,560)	1,244,949	224,413
1998 Building Authority Bonds, Repaid in 2019	110,000	-	(110,000)	-	-
2003 Michigan Transportation Fund Bonds, \$480,000, Repaid in 2019	70,000	-	(70,000)	-	-
	180,000	-	(180,000)	-	-
Total governmental activities bonds and notes	1,611,509	-	(366,560)	1,244,949	224,413
Compensated absences	184,718	170,086	(171,706)	183,098	132,663
Total governmental activities	\$ 1,796,227	\$ 170,086	\$ (538,266)	\$ 1,428,047	\$ 357,076

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 July 16, 2013, \$2,845,000, with annual installments ranging from \$15,000 to \$300,000 through October 1, 2027, with interest at 3.150% payable semi-annually	\$ 2,785,000	\$ -	\$ (300,000)	\$ 2,485,000	\$ 300,000
Water Supply and Sewage Disposal System Revenue Refunding Bonds dated October 20, 2016, \$6,535,000, with future annual installments ranging from \$55,000 to \$755,000 through October 1, 2032, with interest at 2.650% payable semi-annually	6,480,000	-	(200,000)	6,280,000	215,000
	9,265,000	-	(500,000)	8,765,000	515,000
Direct Placement					
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	17,168	-	(7,631)	9,537	7,631
Total business type activities bonds and notes	9,282,168	-	(507,631)	8,774,537	522,631
Net bond premium/discount	11,827	-	(11,827)	-	-
Compensated absences	75,250	60,123	(70,650)	64,723	50,966
Total business-type activities	\$ 9,369,245	\$ 60,123	\$ (590,108)	\$ 8,839,260	\$ 573,597

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

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

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ -	\$ -	\$ 515,000	\$ 204,521
2021	-	-	524,997	191,530
2022	-	-	540,000	177,748
2023	-	-	555,000	163,465
2024	-	-	575,000	150,044
2025-2029	-	-	3,150,003	529,386
2030-2033	-	-	2,905,000	164,080
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,765,000</u>	<u>\$ 1,580,774</u>

Annual debt service requirements to maturity for long-term debt direct placements are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 224,413	\$ 46,886	\$ 7,631	\$ -
2021	46,982	42,221	1,906	-
2022	128,361	37,285	-	-
2023	134,095	32,350	-	-
2024	139,853	27,193	-	-
2025-2029	510,456	54,060	-	-
2030-2033	60,789	2,881	-	-
	<u>\$ 1,244,949</u>	<u>\$ 242,876</u>	<u>\$ 9,537</u>	<u>\$ -</u>

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

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.

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 these contributions. 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, 2019, 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 \$15,454 and \$121,275 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 (9) 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.

Benefits Provided. Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a three year period) and multipliers ranging from 2.25% to 2.50%. Participants are considered to be fully vested in the plan after ten 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.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

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 December 31, 2018, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>13</u>
Total membership	<u><u>72</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 \$865 to \$65,639 per month.

Net Pension Liability. The City's net pension liability was measured as of December 31, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense and including inflation

Although no explicit price inflation assumption is used in the valuation, the long-term annual rate of price inflation implicit in the 3.75% base wage inflation is 2.50%.

The mortality table used to project the mortality experience of non-disabled plan members is a 50% male, 50% female blend of the following tables:

- The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%
- The RP-2014 Employee Mortality Tables
- The RP-2014 Juvenile Mortality Tables

The mortality table used to project the mortality experience of disabled plan members is 50% Male, 50% Female blend of RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the most recent actuarial experience study of 2009-2013.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

Long-term Expected Rate of Return. 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	55.50%	6.15%	3.41%
Global fixed income	18.50%	1.26%	0.23%
Real assets	13.50%	7.22%	0.98%
Diversifying strategies	12.50%	5.00%	0.63%
	<u>100.00%</u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u>8.00%</u>

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2018 was 8.0%. 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, 2017	\$ 16,996,465	\$ 8,801,715	\$ 8,194,750
Changes for the year:			
Service cost	88,334	-	88,334
Interest	1,309,890	-	1,309,890
Differences between expected and actual experience	101,999	-	101,999
Employer contributions	-	1,407,512	(1,407,512)
Net investment loss	-	(356,262)	356,262
Benefit payments, including refunds of employee contributions	(1,333,955)	(1,333,955)	-
Administrative expense	-	(17,035)	17,035
Net changes	166,268	(299,740)	466,008
Balances at December 31, 2018	\$ 17,162,733	\$ 8,501,975	\$ 8,660,758

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 (7.0%) or 1% higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
City's net pension liability	\$ 10,349,206	\$ 8,660,758	\$ 7,218,702

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, 2019, the City recognized pension expense of \$1,079,807. The City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 656,589
Contributions subsequent to the measurement date	<u>497,100</u>
Total	<u><u>\$ 1,153,689</u></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, 2020. Amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year Ended	Amount
2020	\$ 237,755
2021	77,808
2022	128,494
2023	<u>212,532</u>
Total	<u><u>\$ 656,589</u></u>

Payable to the Pension Plan. At June 30, 2019, the City did not have any outstanding contribution amounts payable to the pension plan.

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 99 years, at a rate of \$1 per year.

CITY OF ST. JOHNS, MICHIGAN

Notes to Financial Statements

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 years following occupancy (“termination date”). For ten years following the termination date, the County or City may terminate the lease subject to varying percentage payments reimbursing the City for its 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.

15. FUND BALANCE - GOVERNMENTAL FUNDS

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	Major Street	Local Street	Street Millage II	Nonmajor Governmental Funds	Total
Nonspendable:						
Prepaid items	\$ 60,962	\$ -	\$ -	\$ -	\$ -	\$ 60,962
Restricted for:						
Drug law enforcement	-	-	-	-	4,196	4,196
Streets	-	681,493	200,428	-	-	881,921
Garbage	-	-	-	-	136,727	136,727
Debt service	-	-	-	-	668	668
Capital projects	-	-	-	-	17,801	17,801
	-	681,493	200,428	-	159,392	1,041,313
Unassigned (deficit)	2,175,033	-	-	(363,422)	-	1,811,611
Totals fund balances - governmental funds	\$ 2,235,995	\$ 681,493	\$ 200,428	\$ (363,422)	\$ 159,392	\$ 2,913,886

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, 2019, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 1,257,606	\$ 169,161
Capital assets being depreciated, net	10,100,555	13,252,653
	<u>11,358,161</u>	<u>13,421,814</u>
Related debt and deferred charges:		
Total bonds, notes and loans	(1,244,949)	(8,774,537)
Deferred charge on refunding	-	226,856
	<u>(1,244,949)</u>	<u>(8,547,681)</u>
Net investment in capital assets	<u>\$ 10,113,212</u>	<u>\$ 4,874,133</u>

17. TAX ABATEMENTS

Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improved facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under accounting standards. For the year ended June 30, 2019, the City's property taxes were reduced by \$20,802 under this program.

18. SUBSEQUENT EVENTS

On August 27, 2019 the City issued \$3,130,000 Water Supply and Sewage Disposal System Revenue Bonds, Series 2019. Interest to be paid semi-annually on April 1 and October 1 of each year beginning April 1, 2020. The proceeds of the bonds in, the amount of \$3,038,604 was deposited in a project fund and the amount of \$91,396 was deposited in the Bond Reserve Account.

On September 1, 2019 the City entered in to a lease purchase agreement for equipment totaling \$630,683 with principal and interest payments to be made annually.

■ ■ ■ ■ ■

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

	Fiscal Year Ending June 30,				
	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 88,334	\$ 94,111	\$ 102,314	\$ 104,868	\$ 102,554
Interest	1,309,890	1,356,935	1,349,463	1,322,685	1,315,290
Differences between expected and actual experience	101,999	(699,069)	(5,998)	73,277	-
Changes of assumptions	-	-	-	685,498	-
Benefit payments, including refunds of employee contributions	(1,333,955)	(1,340,279)	(1,356,279)	(1,342,352)	(1,316,382)
Net change in total pension liability	166,268	(588,302)	89,500	843,976	101,462
Total pension liability, beginning of year	16,996,465	17,584,767	17,495,267	16,651,291	16,549,829
Total pension liability, end of year	17,162,733	16,996,465	17,584,767	17,495,267	16,651,291
Plan fiduciary net position					
Employer contributions	1,407,512	1,077,978	762,754	702,800	663,817
Employee contributions	-	-	3,938	4,095	4,054
Net investment income (loss)	(356,262)	1,051,371	851,897	(120,666)	533,601
Benefit payments, including refunds of employee contributions	(1,333,955)	(1,340,279)	(1,356,279)	(1,342,352)	(1,316,382)
Administrative expense	(17,035)	(16,672)	(16,847)	(18,062)	(19,451)
Net change in plan fiduciary net position	(299,740)	772,398	245,463	(774,185)	(134,361)
Plan fiduciary net position, beginning of year	8,801,715	8,029,317	7,783,854	8,558,039	8,692,400
Plan fiduciary net position, end of year	8,501,975	8,801,715	8,029,317	7,783,854	8,558,039
City's net pension liability	\$ 8,660,758	\$ 8,194,750	\$ 9,555,450	\$ 9,711,413	\$ 8,093,252
Plan fiduciary net position as a percentage of total pension liability	49.5%	51.8%	45.7%	44.5%	51.4%
Covered payroll	\$ 751,578	\$ 801,333	\$ 865,538	\$ 889,705	\$ 870,041
City's net pension liability as a percentage of covered payroll	1152.34%	1022.64%	1103.99%	1091.53%	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 Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as Percentage of Covered Payroll
2015	\$ 16,651,291	\$ 8,558,039	\$ 8,093,252	51.4%	\$ 870,041	930.22%
2016	17,495,267	7,783,854	9,711,413	44.5%	889,705	1091.53%
2017	17,584,767	8,029,317	9,555,450	45.7%	865,538	1103.99%
2018	16,996,465	8,801,715	8,194,750	51.8%	801,333	1022.64%
2019	17,162,733	8,501,975	8,660,758	49.5%	751,578	1152.34%

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 Payroll	Contributions as Percentage of Covered Payroll
2015	\$ 663,817	\$ 663,817	\$ -	\$ 879,873	75.44%
2016	702,800	702,800	-	877,622	80.08%
2017	762,754	762,754	-	870,370	87.64%
2018	844,980	1,077,978	(232,998)	803,255	134.20%
2019	987,300	1,407,512	(420,212)	765,340	183.91%

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 Actuarially determined contribution rates are calculated as of December 31, which is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates (2019, based on the 12/31/16 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll
Remaining amortization period	22 years
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation
Retirement age	Age 60
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables

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

CITY OF ST. JOHNS, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds

Garbage - This fund accounts for the proceeds of garbage collection that are legally restricted to expenditures for the purpose of garbage collection.

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

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.

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.

Street Millage - This fund accounts for the proceeds of the street property taxes that are restricted to repairs and maintenance of the City's streets.

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, 2019

	Special Revenue Funds		Debt Service Funds		
	Garbage	Drug Law Enforcement	1998 Courthouse Building Authority Fund Bonds	2003 Michigan Transportation Fund Bonds	2007 Building Authority Capital Improvement Bonds
Assets					
Cash and cash equivalents	\$ 157,255	\$ 4,196	\$ -	\$ -	\$ 668
Accounts receivable	21,030	-	-	-	-
Special assessments receivable	-	-	-	-	-
Due from other funds	2,802	-	-	-	-
Total assets	\$ 181,087	\$ 4,196	\$ -	\$ -	\$ 668
Liabilities					
Accounts payable	\$ 42,418	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	1,942	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	44,360	-	-	-	-
Deferred inflows of resources					
Unavailable revenue - special assessments	-	-	-	-	-
Fund balances					
Restricted	136,727	4,196	-	-	668
Total liabilities, deferred inflows of resources, and fund balances	\$ 181,087	\$ 4,196	\$ -	\$ -	\$ 668

--

Capital Projects Funds				
Fantasy Forest	Splash Park	Street Millage	Revolving Special Assessment	Total
\$ 5,809	\$ 5,565	\$ -	\$ 6,427	\$ 179,920
-	-	-	-	21,030
-	-	-	13,825	13,825
-	-	-	-	2,802
<u>\$ 5,809</u>	<u>\$ 5,565</u>	<u>\$ -</u>	<u>\$ 20,252</u>	<u>\$ 217,577</u>
\$ -	\$ -	\$ -	\$ -	\$ 42,418
-	-	-	-	1,942
-	-	-	-	-
-	-	-	-	44,360
-	-	-	13,825	13,825
<u>5,809</u>	<u>5,565</u>	<u>-</u>	<u>6,427</u>	<u>159,392</u>
<u>\$ 5,809</u>	<u>\$ 5,565</u>	<u>\$ -</u>	<u>\$ 20,252</u>	<u>\$ 217,577</u>

CITY OF ST. JOHNS, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds		Debt Service Funds		
	Garbage	Drug Law Enforcement	1998 Courthouse Building Authority Fund Bonds	2003 Michigan Transportation Fund Bonds	2007 Building Authority Capital Improvement Bonds
Revenues					
Taxes	\$ 104,566	\$ -	\$ -	\$ -	\$ -
Intergovernmental	6,318	-	-	-	-
Charges for services	545,955	-	-	-	-
Interest and rentals	120	-	-	-	-
Other revenue	1,945	-	-	-	-
Total revenues	658,904	-	-	-	-
Expenditures					
Current:					
Public works	663,344	-	-	-	-
Debt service:					
Principal	-	-	110,000	70,000	112,000
Interest and fiscal charges	-	-	3,156	2,220	19,661
Total expenditures	663,344	-	113,156	72,220	131,661
Revenues over (under) expenditures	(4,440)	-	(113,156)	(72,220)	(131,661)
Other financing sources (uses)					
Transfers in	-	-	113,156	72,220	131,661
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	113,156	72,220	131,661
Net change in fund balances	(4,440)	-	-	-	-
Fund balances, beginning of year	141,167	4,196	-	-	668
Fund balances, end of year	\$ 136,727	\$ 4,196	\$ -	\$ -	\$ 668

Fantasy Forest	Splash Park	Street Millage	Revolving Special Assessment	Total
\$ -	\$ -	\$ 604	\$ -	\$ 105,170
-	-	-	-	6,318
-	-	-	-	545,955
-	-	-	3	123
-	-	-	2,711	4,656
-	-	604	2,714	662,222
-	-	-	-	663,344
-	-	-	-	292,000
-	-	-	-	25,037
-	-	-	-	980,381
-	-	604	2,714	(318,159)
-	-	-	-	317,037
-	-	(2,185)	-	(2,185)
-	-	(2,185)	-	314,852
-	-	(1,581)	2,714	(3,307)
5,809	5,565	1,581	3,713	162,699
\$ 5,809	\$ 5,565	\$ -	\$ 6,427	\$ 159,392

CITY OF ST. JOHNS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Garbage Special Revenue Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 103,600	\$ 103,600	\$ 104,566	\$ 966
Intergovernmental	-	-	6,318	6,318
Charges for services	538,000	538,000	545,955	7,955
Interest and rentals	-	-	120	120
Other revenues	-	-	1,945	1,945
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	641,600	641,600	658,904	17,304
Expenditures				
Current -				
Public works	620,446	647,441	663,344	15,903
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	21,154	(5,841)	(4,440)	1,401
Fund balance, beginning of year	141,167	141,167	141,167	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, end of year	<u>\$ 162,321</u>	<u>\$ 135,326</u>	<u>\$ 136,727</u>	<u>\$ 1,401</u>

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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeits	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning of year	4,196	4,196	4,196	-
Fund balance, end of year	<u>\$ 4,196</u>	<u>\$ 4,196</u>	<u>\$ 4,196</u>	<u>\$ -</u>

CITY OF ST. JOHNS, MICHIGAN

Agency Funds

Trust and Agency Fund - This fund is used to account for receipt and disbursement of payroll withholdings.

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 funds and governmental units.

CITY OF ST. JOHNS, MICHIGAN

Combining Statement of Assets and Liabilities

Agency Funds

June 30, 2019

	Trust and Agency	Current Tax Collection	Total
Assets			
Cash and cash equivalents	<u>\$ 3,855</u>	<u>\$ 1,000</u>	<u>\$ 4,855</u>
Liabilities			
Due to other governments	<u>\$ 3,855</u>	<u>\$ 1,000</u>	<u>\$ 4,855</u>

CITY OF ST. JOHNS, MICHIGAN

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<i>Trust and Agency</i>				
Assets				
Cash and cash equivalents	\$ 6,065	\$ 915,530	\$ (917,740)	\$ 3,855
Liabilities				
Due to other governments	\$ 6,065	\$ 915,530	\$ (917,740)	\$ 3,855
<i>Current Tax Collection</i>				
Assets				
Cash and cash equivalents	\$ 1,000	\$ 9,316,035	\$ (9,316,035)	\$ 1,000
Liabilities				
Due to other governments	\$ 1,000	\$ 9,316,035	\$ (9,316,035)	\$ 1,000
<i>Total</i>				
Assets				
Cash and cash equivalents	\$ 7,065	\$ 10,231,565	\$ (10,233,775)	\$ 4,855
Liabilities				
Due to other governments	\$ 7,065	\$ 10,231,565	\$ (10,233,775)	\$ 4,855

STATISTICAL SECTION

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.	76-85
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.	86-95
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.	96-102
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.	103-104
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.	105-110

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)

	2010	2011	2012	2013
Governmental activities				
Net investment in capital assets	\$ 5,217,094	\$ 5,117,902	\$ 5,764,422	\$ 5,545,869
Restricted	1,212,853	998,387	1,266,665	1,444,773
Unrestricted (deficit)	<u>2,710,396</u>	<u>2,620,011</u>	<u>2,068,629</u>	<u>1,921,027</u>
Total governmental activities net position	<u>9,140,343</u>	<u>8,736,300</u>	<u>9,099,716</u>	<u>8,911,669</u>
Business-type activities				
Net investment in capital assets	5,741,929	5,392,596	4,993,664	4,878,351
Restricted	1,314,969	1,301,369	1,316,369	1,323,869
Unrestricted (deficit)	<u>3,236,659</u>	<u>3,482,511</u>	<u>3,489,385</u>	<u>3,059,535</u>
Total business-type activities net position	<u>10,293,557</u>	<u>10,176,476</u>	<u>9,799,418</u>	<u>9,261,755</u>
Primary government				
Net investment in capital assets	10,959,023	10,510,498	10,758,086	10,424,220
Restricted	2,527,822	2,299,756	2,583,034	2,768,642
Unrestricted (deficit)	<u>5,947,055</u>	<u>6,102,522</u>	<u>5,558,014</u>	<u>4,980,562</u>
Total primary government net position	<u>\$ 19,433,900</u>	<u>\$ 18,912,776</u>	<u>\$ 18,899,134</u>	<u>\$ 18,173,424</u>

Source: City of St. Johns Basic Financial Statements

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

Table 1
Unaudited

2014	2015	2016	2017	2018	2019
\$ 5,528,294	\$ 6,713,405	\$ 8,036,749	\$ 8,517,535	\$ 9,347,297	\$ 10,113,212
1,448,811	1,243,761	731,998	689,664	866,424	1,040,645
1,858,441	(3,222,810)	(3,533,847)	(3,894,379)	(3,442,469)	(3,206,153)
<u>8,835,546</u>	<u>4,734,356</u>	<u>5,234,900</u>	<u>5,312,820</u>	<u>6,771,252</u>	<u>7,947,704</u>
5,100,038	5,443,887	5,383,065	5,167,990	4,909,221	4,874,133
1,241,700	1,267,273	1,273,055	1,495,705	1,297,632	1,099,042
2,909,945	(316,146)	(853,900)	(1,267,218)	(623,091)	(627,322)
<u>9,251,683</u>	<u>6,395,014</u>	<u>5,802,220</u>	<u>5,396,477</u>	<u>5,583,762</u>	<u>5,345,853</u>
10,628,332	12,157,292	13,419,814	13,685,525	14,256,518	14,987,345
2,690,511	2,511,034	2,005,053	2,185,369	2,164,056	2,139,687
4,768,386	(3,538,956)	(4,387,747)	(5,161,597)	(4,065,560)	(3,833,475)
<u>\$ 18,087,229</u>	<u>\$ 11,129,370</u>	<u>\$ 11,037,120</u>	<u>\$ 10,709,297</u>	<u>\$ 12,355,014</u>	<u>\$ 13,293,557</u>

CITY OF ST. JOHNS, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2010	2011	2012	2013
Expenses				
Governmental activities:				
General government	\$ 1,222,008	\$ 1,555,276	\$ 1,625,884	\$ 1,569,775
Public safety	1,424,852	1,778,851	1,232,431	1,309,145
Public works	2,157,548	2,509,856	2,075,051	2,173,149
Community and economic development	190,517	129,014	-	604
Recreation and culture	881,209	644,178	658,138	763,370
Interest on long-term debt	187,456	168,274	185,327	128,460
Total governmental activities expenses	6,063,590	6,785,449	5,776,831	5,944,503
Business-type activities:				
Water and sewer	3,384,561	3,517,857	3,971,813	3,784,453
Total primary government expenses	9,448,151	10,303,306	9,748,644	9,728,956
Program revenues				
Governmental activities:				
Charges for services:				
Refuse collection	654,216	589,790	579,000	599,455
Other public works	473,743	638,751	627,066	649,219
Other activities	422,242	407,651	400,194	414,332
Operating grants and contributions	854,769	764,496	1,402,983	978,150
Capital grants and contributions	381,699	499,447	67,851	63,224
Total governmental activities program revenues	2,786,669	2,900,135	3,077,094	2,704,380
Business-type activities:				
Charges for services:				
Water and sewer	3,107,225	3,352,400	3,356,057	3,426,030
Other activities	5,000	5,000	5,000	5,000
Capital grants and contributions	19,791	950	152,417	101,918
Total business-type activities program revenues	3,132,016	3,358,350	3,513,474	3,532,948
Total primary government program revenues	5,918,685	6,258,485	6,590,568	6,237,328

Table 2
Unaudited

2014	2015	2016	2017	2018	2019
\$ 1,533,050	\$ 1,239,099	\$ 1,679,719	\$ 1,681,359	\$ 1,404,660	\$ 1,904,280
1,405,036	1,465,663	1,734,544	1,777,613	1,367,562	1,324,342
2,067,006	1,987,632	2,137,325	2,103,309	1,972,143	2,142,768
-	-	-	-	-	-
633,608	909,829	772,324	748,442	319,239	458,453
126,170	101,805	82,107	67,377	78,603	5,728
5,764,870	5,704,028	6,406,019	6,378,100	5,142,207	5,835,571
3,775,216	3,784,439	4,059,601	4,219,907	3,680,513	4,367,430
9,540,086	9,488,467	10,465,620	10,598,007	8,822,720	10,203,001
606,533	623,608	593,255	641,906	537,662	619,344
656,884	675,377	761,392	730,367	883,208	670,760
419,224	431,026	370,199	325,005	-	428,079
941,965	1,035,542	981,267	892,971	1,284,404	1,609,373
-	-	432,819	40,946	62,392	-
2,624,606	2,765,553	3,138,932	2,631,195	2,767,666	3,327,556
3,395,952	3,362,116	3,496,444	3,725,054	3,825,370	3,987,169
5,000	5,000	-	-	-	-
44,918	-	-	-	-	-
3,445,870	3,367,116	3,496,444	3,725,054	3,825,370	3,987,169
6,070,476	6,132,669	6,635,376	6,356,249	6,593,036	7,314,725

continued...

CITY OF ST. JOHNS, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2010	2011	2012	2013
Net (expense)/revenue				
Governmental activities	\$ (3,276,921)	\$ (3,885,314)	\$ (2,699,737)	\$ (3,240,124)
Business-type activities	(252,545)	(159,507)	(458,339)	(251,505)
Total primary government net expense	(3,529,466)	(4,044,821)	(3,158,076)	(3,491,629)
General revenues				
Governmental activities:				
Taxes	2,299,060	2,221,376	2,227,200	2,203,982
State shared revenue	728,532	618,149	647,375	665,287
Investment earnings	13,007	5,684	2,946	1,839
Gain on sale of capital assets	-	53,556	9,327	-
Miscellaneous	142,960	555,118	130,326	147,536
Special item - disposal of operations	-	-	-	-
Transfers	26,972	27,388	45,979	33,433
Total governmental activities	3,210,531	3,481,271	3,063,153	3,052,077
Business-type activities:				
Investment earnings	10,919	2,830	2,730	1,816
Gain on sale of capital assets	-	-	-	-
Miscellaneous	71,099	66,984	124,530	107,053
Transfers	(27,388)	(45,979)	(33,433)	(28,259)
Total business-type activities	54,630	23,835	93,827	80,610
Total primary government	3,265,161	3,505,106	3,156,980	3,132,687
Change in net position				
Governmental activities	(66,390)	(404,043)	363,416	(188,047)
Business-type activities	(197,915)	(135,672)	(364,512)	(170,895)
Total primary government	\$ (264,305)	\$ (539,715)	\$ (1,096)	\$ (358,942)

Source: City of St. Johns Basic Financial Statements

Table 2
Unaudited

2014	2015	2016	2017	2018	2019
\$ (3,140,264) (329,346)	\$ (2,938,475) (417,323)	\$ (3,267,087) (563,157)	\$ (3,746,905) 494,853	\$ (2,374,541) 144,857	\$ (2,508,015) (380,261)
(3,469,610)	(3,355,798)	(3,830,244)	(3,252,052)	(2,229,684)	(2,888,276)
2,185,855	2,962,510	2,979,385	2,800,215	2,882,943	2,720,724
683,247	695,460	694,890	725,154	751,862	781,138
2,563	2,117	2,929	5,320	8,867	11,640
-	-	-	-	-	122,471
164,217	197,891	193,325	265,877	166,859	21,331
-	-	(402,417)	-	-	-
28,259	28,259	28,259	28,259	22,442	27,163
3,064,141	3,886,237	3,496,371	3,824,825	3,832,973	3,684,467
1,850	1,552	3,885	9,101	11,515	20,754
-	-	-	-	-	3,000
56,849	74,158	83,716	108,268	53,355	145,761
(28,259)	(22,442)	(28,259)	(28,259)	(22,442)	(27,163)
30,440	53,268	59,342	89,110	42,428	142,352
3,094,581	3,939,505	3,555,713	3,913,935	3,875,401	3,826,819
(76,123)	947,762	229,284	77,920	1,458,432	1,176,452
(298,906)	(364,055)	(503,815)	(405,743)	187,285	(237,909)
\$ (375,029)	\$ 583,707	\$ (274,531)	\$ (327,823)	\$ 1,645,717	\$ 938,543

concluded

CITY OF ST. JOHNS, MICHIGAN

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2010	2011	2012	2013
General fund				
Reserved	\$ 39,749	\$ -	\$ -	\$ -
Unreserved	1,436,947	-	-	-
Nonspendable	-	48,002	41,359	42,736
Assigned	-	408,000	958,329	1,000,000
Unassigned	-	1,283,782	870,000	926,946
Total general fund	<u>\$ 1,476,696</u>	<u>\$ 1,739,784</u>	<u>\$ 1,869,688</u>	<u>\$ 1,969,682</u>
All other governmental funds				
Reserved	\$ 132,196	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	1,342,663	-	-	-
Capital projects funds	639,422	-	-	-
Nonspendable	-	2,263	3,454	3,711
Restricted	-	1,043,108	1,266,693	1,488,290
Assigned	-	692,980	292,881	43,000
Unassigned (deficit)	-	-	-	-
Total all other governmental funds	<u>\$ 2,114,281</u>	<u>\$ 1,738,351</u>	<u>\$ 1,563,028</u>	<u>\$ 1,535,001</u>

Source: City of St. Johns basic financial statements

Notes:

(1) Fund balance classification was changed in 2011 to comply with the requirements of GASB Statement Number 54.

Table 3
Unaudited

2014	2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
32,741	75,240	36,101	87,790	32,020	60,962
1,000,000	1,000,000	1,000,000	866,000	-	-
1,042,160	1,110,725	1,214,733	1,248,570	1,980,769	2,175,033
<u>\$ 2,074,901</u>	<u>\$ 2,185,965</u>	<u>\$ 2,250,834</u>	<u>\$ 2,202,360</u>	<u>\$ 2,012,789</u>	<u>\$ 2,235,995</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
4,388	3,637	-	-	-	-
1,492,147	1,274,773	731,998	689,664	866,424	1,041,313
42,500	53,529	-	-	-	-
(181,764)	(220,947)	(275,718)	(412,408)	(125,297)	(363,422)
<u>\$ 1,357,271</u>	<u>\$ 1,110,992</u>	<u>\$ 456,280</u>	<u>\$ 277,256</u>	<u>\$ 741,127</u>	<u>\$ 677,891</u>

CITY OF ST. JOHNS, MICHIGAN

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2010	2011	2012	2013
Revenues				
Taxes	\$ 2,393,070	\$ 2,329,348	\$ 2,277,465	\$ 2,251,154
Licenses and permits	141,335	102,946	81,033	113,824
Intergovernmental	1,840,210	1,913,806	2,007,475	1,509,187
Charges for services	1,268,904	1,376,929	1,466,169	1,483,161
Fines and forfeitures	28,582	33,329	36,882	40,735
Interest and rentals	33,182	26,023	25,103	26,843
Contributions	-	-	-	-
Other revenue	316,187	623,945	241,060	345,010
Total revenues	6,021,470	6,406,326	6,135,187	5,769,914
Expenditures				
Current:				
General government	1,387,352	1,378,628	1,408,439	1,375,062
Public safety	1,329,991	1,704,683	1,258,157	1,277,285
Public works	1,426,538	1,352,048	2,237,409	1,710,335
Community and economic development	190,517	129,014	-	604
Recreation and cultural	728,791	576,568	565,342	675,316
Debt service				
Principal	452,839	438,697	399,218	425,955
Interest	197,374	174,416	164,439	139,505
Capital outlay	526,571	843,617	193,581	127,318
Total expenditures	6,239,973	6,597,671	6,226,585	5,731,380
Revenues over (under) expenditures	(218,503)	(191,345)	(91,398)	38,534
Other financing sources (uses)				
Proceeds from issuance of long-term debt	-	51,115	-	-
Transfers in	710,631	991,601	748,045	645,616
Transfers (out)	(683,659)	(964,213)	(702,066)	(612,183)
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	26,972	78,503	45,979	33,433
Special item - disposal of operations	-	-	-	-
Net change in fund balances	\$ (191,531)	\$ (112,842)	\$ (45,419)	\$ 71,967
Debt service as a percentage of noncapital expenditures	11.38%	10.66%	9.34%	10.09%

Source: City of St. Johns Basic Financial Statements

Table 4
Unaudited

2014	2015	2016	2017	2018	2019
\$ 2,225,155	\$ 3,001,810	\$ 2,979,385	\$ 2,800,215	\$ 2,882,943	\$ 2,745,039
117,345	117,171	16,481	18,362	22,770	141,560
1,526,236	1,634,860	1,733,976	1,659,071	2,086,068	1,970,801
1,508,850	1,534,362	1,545,567	1,585,772	1,495,230	1,519,899
35,059	33,629	40,955	34,392	25,939	25,629
22,863	23,912	25,627	28,872	33,977	34,264
-	-	-	-	-	36,655
263,193	294,033	256,078	302,710	215,644	404,386
5,698,701	6,639,777	6,598,069	6,429,394	6,762,571	6,878,233
1,450,796	1,330,285	1,393,180	1,464,770	1,552,741	1,648,019
1,379,660	1,433,635	1,518,968	1,656,139	1,595,507	1,684,724
1,516,231	1,522,377	1,572,503	1,519,479	1,468,507	2,587,201
-	-	-	-	-	-
577,225	833,274	655,916	281,026	293,499	401,712
399,363	425,109	340,872	361,653	1,415,453	345,270
123,086	107,777	89,847	74,412	68,910	25,874
353,110	1,150,794	1,321,621	1,327,672	1,232,138	158,788
5,799,471	6,803,251	6,892,907	6,685,151	7,626,755	6,851,588
(100,770)	(163,474)	(294,838)	(255,757)	(864,184)	26,645
-	-	-	-	1,116,042	-
455,013	426,921	546,216	328,624	326,633	1,254,832
(426,754)	(398,662)	(517,957)	(300,365)	(304,191)	(1,227,669)
-	-	-	-	-	106,162
28,259	28,259	28,259	28,259	1,138,484	133,325
-	-	(323,264)	-	-	-
\$ (72,511)	\$ (135,215)	\$ (589,843)	\$ (227,498)	\$ 274,300	\$ 159,970
9.59%	9.43%	7.73%	8.14%	23.21%	6.53%

CITY OF ST. JOHNS, MICHIGAN

Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Residential	%	Commercial	%	Industrial	%
2010	\$ 138,780,365	65%	\$ 36,131,503	17%	\$ 13,935,325	7%
2011	136,072,875	66%	42,579,284	21%	5,059,314	2%
2012	131,689,328	65%	42,845,583	21%	4,766,258	2%
2013	130,806,543	65%	44,727,741	22%	4,561,030	2%
2014	131,636,561	66%	43,814,183	22%	4,254,867	2%
2015	138,828,200	65%	48,744,800	23%	4,864,600	2%
2016	147,428,225	67%	50,019,000	23%	4,213,600	2%
2017	153,526,500	66%	59,082,300	25%	4,723,100	2%
2018	155,810,300	63%	69,559,400	28%	4,885,300	2%
2019	165,694,600	63%	70,707,400	27%	5,931,800	2%

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. A voter approved 3.0000 mills dedicated to local streets for the 2018 through 2023 tax levy years.

Table 5
Unaudited

Developmental			Personal			Special Act Parcels			Total		Total Direct Tax Rate (1)
		%			%			%			
\$	328,301	0%	\$	18,623,300	9%	\$	4,586,224	2%	\$	212,385,018	11.1583
	316,909	0%		17,807,200	9%		3,750,100	2%		205,585,682	11.1682
	323,855	0%		17,823,100	9%		3,913,300	2%		201,361,424	11.1737
	340,132	0%		17,360,000	9%		4,017,600	2%		201,813,046	11.1732
	325,085	0%		14,454,400	7%		4,742,800	2%		199,227,896	15.1775
	799,100	0%		15,299,600	7%		4,107,079	2%		212,643,379	15.1763
	-	0%		14,746,700	7%		3,271,398	1%		219,678,923	15.1735
	-	0%		13,540,615	6%		2,973,906	1%		233,846,421	14.1848
	-	0%		13,023,600	5%		2,906,451	1%		246,185,051	13.1776
	-	0%		15,549,400	6%		3,657,700	1%		261,540,900	13.1776

CITY OF ST. JOHNS, MICHIGAN

Assessed Taxable Value of Taxable Property

Current and prior five fiscal years

Fiscal Year	Residential	%	Commercial	%	Industrial	%
2014	\$ 131,636,561	66%	\$ 43,814,183	22%	\$ 4,254,867	2%
2015	130,490,412	66%	42,824,938	22%	4,248,343	2%
2016	133,344,131	67%	44,042,207	22%	3,623,843	2%
2017	136,584,114	68%	45,544,434	23%	3,629,201	2%
2018	141,317,631	68%	47,058,207	23%	3,615,563	2%
2019	165,694,600	63%	70,707,400	27%	5,931,800	2%

Source: Clinton County Equalization Department Report and Assessor's Warrants.

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 for the 2014 through 2017 tax levy years. A voter approved 3.0000 mills dedicated to local streets for the 2018 through 2023 tax levy years.

Table 5.1
Unaudited

Developmental		%	Personal		%	Special Act Parcels		%	Total	Total Direct Tax Rate (1)
\$	325,085	0%	\$	14,454,400	7%	\$	4,087,100	2%	\$ 198,572,196	11.1583
	296,801	0%		15,299,600	8%		4,107,079	2%	197,267,173	11.1682
	-	0%		14,746,700	7%		3,271,398	2%	199,028,279	11.1737
	-	0%		13,540,615	7%		3,023,906	1%	202,322,270	11.1732
	-	0%		13,023,600	6%		2,852,651	1%	207,867,652	15.1775
	-	0%		15,549,400	6%		3,657,700	1%	261,540,900	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
2010	9.4360	0.2378	0.5000	0.9845	0.0000	11.1583
2011	9.4360	0.2477	0.5000	0.9845	0.0000	11.1682
2012	9.4360	0.2532	0.5000	0.9845	0.0000	11.1737
2013	9.4360	0.2527	0.5000	0.9845	0.0000	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
2016	9.4360	0.2530	0.5000	0.4922	4.0000	14.6812
2017	9.4360	0.2488	0.5000	0.0000	4.0000	14.1848
2018	9.4360	0.2416	0.5000	0.0000	3.0000	13.1776
2019	9.9430	0.2310	0.5000	0.0000	2.9829	13.6569

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. City of St. Johns voters approved a renewed millage dedicated to streets at 3.0000 mills from 2018 through 2022 tax years.

(4) In addition to the 0.5000 Mills, each residential dwelling unit is charged \$140 for annual trash service.

(5) By Charter, the City of St. Johns can levy up to 10 mills. Tax rates above represent a Headlee Rollback.

(6) Michigan ACT 359 limits the amount for economic development to \$50,000. The millage rate is adjusted to come as close to this amount as possible.

Table 6
Unaudited

St. Johns Public Schools (2)	Clinton County	Clinton County Regional Educational Service Agency	Clinton Transit	State Education Tax	District Library	Total
7.0000	5.8000	3.7615	0.2000	6.0000	0.0000	33.9198
7.0000	5.8000	3.7615	0.2000	6.0000	0.0000	33.9297
7.0000	5.8000	3.7615	0.2000	6.0000	0.0000	33.9352
7.0000	5.8000	3.7615	0.2000	6.0000	0.0000	33.9347
7.0000	5.8000	3.7615	0.2000	6.0000	0.0000	37.9390
7.0000	5.8000	3.7615	0.2000	6.0000	0.0000	37.9378
7.0000	5.7953	3.7615	1.9980	6.0000	0.7500	39.9860
7.0000	5.7877	3.7520	0.1998	6.0000	0.7500	37.6743
7.0000	5.7877	3.7482	0.1998	6.0000	0.7500	36.6633
7.0000	5.7976	3.8154	0.1996	6.0000	0.7494	37.2189

CITY OF ST. JOHNS, MICHIGAN

Principal Property Taxpayers

June 30, 2019 and Nine Years Ago

Taxpayer	2019		
	Taxable Value	Rank	Total Taxable Value
Save-A-Lot	\$ 6,056,185	1	2.77%
Consumers Energy	5,996,593	2	2.74%
1035 US 27 LLC	3,411,300	3	1.56%
Mahle Engine Components	3,362,264	4	1.54%
Lone Oak - St Johns LLC	2,947,906	5	1.35%
Glick Suntree LLC	2,019,418	6	0.92%
martin-Brower Co LLC	1,881,500	7	0.86%
Clinton Commons	1,583,133	8	0.72%
CCS/Lansing Inc	1,247,645	9	0.57%
The Kroger Company	1,177,508	10	0.54%
Allied Ring Co	-	-	0.00%
Barnard Manufacturing	-	-	0.00%
Harry's St. Johns LLC	-	-	0.00%
M & M Restaurant Supply	-	-	0.00%
Federal Mogul	-	-	0.00%
Totals	<u>\$ 29,683,452</u>		<u>13.57%</u>

Source: City assessors office & 2010 financial statements

Table 7
Unaudited

2010		
Taxable Value	Rank	Total Taxable Value
\$ 8,002,800	1	3.85%
4,434,552	3	2.13%
-	-	0.00%
6,877,527	2	3.31%
-	-	0.00%
-	-	0.00%
-	-	0.00%
2,436,600	7	1.17%
1,421,111	9	0.68%
-	-	0.00%
4,426,100	4	2.13%
2,658,250	5	1.28%
2,473,300	6	1.19%
1,735,019	8	0.83%
782,050	10	0.38%
<hr/>		
<u>\$ 35,247,309</u>		<u>16.96%</u>

CITY OF ST. JOHNS, MICHIGAN

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended June 30,	General	Street Millage	Economic Development	Library	Garbage	Total Tax Levy
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
2016	1,822,644	772,634	49,395	190,151	96,573	2,931,397
2017	1,834,749	777,762	49,179	95,689	97,209	2,854,588
2018	1,880,565	797,183	49,570	-	99,637	2,826,955
2019	1,929,475	613,434	49,388	-	102,241	2,694,538

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 Mar March of each year.

(2) The table includes Ad Valorem taxes only. It excludes commercial and industrial facilities taxes as provided under Pub 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			
\$ 2,269,700	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%
2,858,694	97.52%	70,139	2,928,833	99.91%
2,783,754	97.52%	70,835	2,854,589	100.00%
2,778,227	98.28%	45,994	2,824,221	99.90%
2,642,437	98.07%	51,909	2,694,346	99.99%

CITY OF ST. JOHNS, MICHIGAN

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Population	Assessed Value of Property	Governmental Activities		
			General Obligation Bonds	Special Assessment Bonds	Notes and Loans
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
2016	7,865	219,678,923	1,755,000	-	571,067
2017	7,865	233,846,421	1,445,000	-	483,601
2018	7,865	243,278,600	1,201,000	-	410,509
2019	7,865	257,883,200	909,000	-	335,949

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
\$ 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
10,241,697	32,430	12,600,194	5.74%	1,602
9,910,000	24,797	11,863,398	5.07%	1,508
9,265,000	17,168	10,893,677	4.48%	1,385
8,765,000	9,537	10,019,486	3.89%	1,274

CITY OF ST. JOHNS, MICHIGAN

Ratios of Net General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	Population (4 & 5)	Assessed Value of Property (6)	General Obligation Bonds (1) (2)	Bonded Debt Service Funds Available (1) (3)	Net General Bonded Debt
2010	7,485	\$ 232,451,224	\$ 3,775,000	\$ 80,400	\$ 3,694,600
2011	7,865	220,224,200	3,430,000	325,410	3,104,590
2012	7,865	211,771,200	3,110,000	308,214	2,801,786
2013	7,865	210,411,200	2,770,000	200,975	2,569,025
2014	7,865	207,215,800	2,420,000	140,106	2,279,894
2015	7,865	212,643,379	2,045,000	85,205	1,959,795
2016	7,865	219,678,923	1,755,000	84,546	1,670,454
2017	7,865	233,846,421	1,445,000	-	1,445,000
2018	7,865	243,278,600	1,201,000	-	1,201,000
2019	7,865	257,883,200	909,000	-	909,000

(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 (includes amounts for Commercial Rehab & Industrial Facilities properties).

Table 10
Unaudited

Net Debt to Assessed Value	Net Debt Per Capita
1.59%	\$ 493.60
1.41%	395
1.32%	356
1.22%	327
1.10%	290
0.92%	249
0.76%	212
0.62%	184
0.49%	153
0.35%	116

Direct and Overlapping Governmental Activities Debt

June 30, 2019

Governmental Unit	Debt Outstanding (1)	Estimated Percent Applicable (1)	Direct and Estimated Overlapping Debt
St. Johns Public Schools	\$ 76,858,071	31.07%	\$ 23,879,803
Clinton County	<u>437,140</u>	7.51%	<u>32,829</u>
Total overlapping debt	77,295,211		23,912,632
City of St. Johns	<u>1,611,509</u>	100.00%	<u>1,611,509</u>
Total direct and overlapping debt	<u><u>\$ 78,906,720</u></u>		<u><u>\$ 25,524,141</u></u>

(1) Source: Municipal Advisory Council of Michigan. Overlapping Debt report.

CITY OF ST. JOHNS, MICHIGAN

Legal Debt Margin

Last Ten Fiscal Years

	2010	2011	2012	2013	2014
Legal debt limit	\$ 23,245,122	\$ 22,022,420	\$ 21,177,120	\$ 21,041,120	\$ 20,721,580
Total net debt applicable to limit	<u>4,792,945</u>	<u>4,370,145</u>	<u>3,641,732</u>	<u>3,191,245</u>	<u>2,766,278</u>
Legal debt margin	<u>\$ 18,452,177</u>	<u>\$ 17,652,275</u>	<u>\$ 17,535,388</u>	<u>\$ 17,849,875</u>	<u>\$ 17,955,302</u>
Total net debt applicable to the limit as a percentage of debt limit	20.62%	19.84%	17.20%	15.17%	13.35%

Legal Debt Margin Calculation for Fiscal Year 2019

State equalized value	\$ 257,883,200
Debt limit (10% of total state equalized value)	25,788,320
Debt applicable to limit	<u>909,000</u>
Legal debt margin	<u>\$ 24,879,320</u>

Source: City of St. Johns Treasurer's Office

(1) Source: Clinton County equalization report.

Table 12
Unaudited

2015	2016	2017	2018	2019
\$ 21,264,338	\$ 21,967,892	\$ 23,384,642	\$ 24,327,860	\$ 25,788,320
2,314,466	1,755,000	1,445,000	1,201,000	909,000
<u>\$ 18,949,872</u>	<u>\$ 20,212,892</u>	<u>\$ 21,939,642</u>	<u>\$ 23,126,860</u>	<u>\$ 24,879,320</u>
10.88%	7.99%	6.18%	4.94%	3.52%

CITY OF ST. JOHNS, MICHIGAN

Table 13
Unaudited**Demographic and Economic Statistics**

Last Ten Fiscal Years

Fiscal Year	Population (1 & 2)	Personal Income	Per Capita Personal Income (3)(6)	Per Capita Unemployment Rate (5)
2010	7,485	\$ 253,599,285	\$ 33,881	9.80%
2011	7,865	273,009,880	34,712	8.40%
2012	7,865	278,885,035	35,459	7.40%
2013	7,865	285,633,205	36,317	7.20%
2014	7,865	288,323,035	36,659	5.90%
2015	7,865	297,792,495	37,863	4.30%
2016	7,865	299,955,370	38,138	4.50%
2017	7,865	315,764,020	40,148	4.00%
2018	7,865	-	(4)	3.20%
2019	7,865	-	(4)	3.30%

Data Sources:

(1) Source: 2000 Census report

(2) Source: 2010 Census report

(3) Source: Bureau of Economic Analysis: Regional Economic Accounts

(4) Data for 2018 and 2019 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.

CITY OF ST. JOHNS, MICHIGAN

Table 14
Unaudited**Principal Employers**
June 30, 2019 and 2010

	2019		2010	
	Number of Jobs (1)(2)	Percentage of Workforce	Number of Jobs (1)(2)	Percentage of Workforce
Construction & Mining	8,900	3.80%	6,000	2.82%
Manufacturing	20,100	8.59%	17,800	8.37%
Trade, Transportation & Utilities	36,800	15.72%	31,600	14.86%
Information	2,700	1.15%	2,300	1.08%
Financial Activities	17,000	7.26%	13,200	6.21%
Professional & Business Services	23,800	10.17%	20,200	9.50%
Educational & Health Services	32,200	13.75%	31,200	14.67%
Leisure & Hospitality	20,100	8.59%	18,900	8.89%
Other Services	10,700	4.57%	11,400	5.36%
Government	61,800	26.40%	60,100	28.26%
Totals	234,100		212,700	

(1) Source: Michigan Bureau of Labor Market Information and Strategic Initiatives

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

CITY OF ST. JOHNS, MICHIGAN

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

Function	Full-time Equivalent Employees as of June 30,					
	2010	2011	2012	2013	2014	2015
General government	8	8	8	8	8	8
Public safety (1)	10	10	10	10	11	11
Public works	18	18	18	18	22	22
Community and economic development	1	1	1	1	1	1
Recreation and culture	5	5	5	5	7	8
Total	42	42	42	42	49	50

Source: City of St. Johns Clerk's Office

(1) The City currently has two (2) Police Union contracts: Command Officers Association of Michigan (COAM) and Police Officers Association of Michigan (POAM).

COAM covers two (2) sergeants and the term is from 7/1/2018 to 6/30/2022. POAM covers six (6) police officers and the term is from 7/1/2018 to 6/30/2022.

Table 15
Unaudited

--

2016	2017	2018	2019
8	8	7	7
12	12	11	11
21	19	18	18
1	1	1	1
8	3	3	3
<u>50</u>	<u>43</u>	<u>40</u>	<u>40</u>

CITY OF ST. JOHNS, MICHIGAN

Operating Indicators by Function Last Ten Calendar Years

Function	2010	2011	2012	2013
Public safety (1)				
Physical arrests	201	230	338	404
Parking violations	997	1,046	886	1,071
Traffic violations	949	712	1,048	1,041
Emergency fire responses	37	35	59	83
Public works (2)				
Street resurfacing (miles)	0.27	0.27	1.21	0.99
Number of water meters	3,280	3,280	3,282	3,321
Average daily water consumption (gallons)	609,000	608,000	622,000	671,000
Peak daily water consumption	1,657,000	1,650,000	1,300,000	1,410,000
Average daily sewage treatment	1,084,000	1,084,000	1,200,000	1,090,000
Recreation and culture (3)				
Volumes of library collection	39,642	42,423	44,772	45,380
Volumes borrowed from library	129,986	126,059	108,602	93,611

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

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

(3) The Briggs District Library became a separate entity from the City of St. Johns in August, 2016. Going forward, these statistics will no longer be reported in our financial statements.

Table 16
Unaudited

2014	2015	2016	2017	2018	2019
329	272	316	296	242	203
1,086	962	893	951	822	717
893	862	901	908	840	608
114	93	109	126	167	166
0.53	3.80	3.34	3.30	3.19	2.00
3,321	3,252	3,262	3,317	3,334	3,342
657,000	658,000	588,000	713,000	725,000	725,000
1,393,000	1,120,000	1,015,000	1,410,000	1,611,800	1,600,000
1,200,000	1,250,000	1,148,166	1,454,000	1,365,000	1,400,000
44,657	47,071	48,637	(3)	(3)	(3)
89,559	82,670	86,482	(3)	(3)	(3)

CITY OF ST. JOHNS, MICHIGAN

Capital Asset Statistics by Function Last Ten Fiscal Years

Function	2010	2011	2012	2013	2014
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	87	87
Traffic signals	4	4	4	4	4
Water					
Mains (miles)	50	50	50	52	52
Fire hydrants	437	437	437	431	432
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	94	94	94	97
Playgrounds	6	6	6	6	6
Municipal swimming pools	-	-	-	-	-
Tennis courts	11	4	4	4	4
Softball diamonds	3	1	1	1	1

(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

(4) In August, 2015 the City opened a municipal spray park located in the main city park.

(5) Traffic signals are owned by MDOT

Table 17
Unaudited

2015	2016	2017	2018	2019
1	1	1	1	1
1	1	1	1	1
87	87	87	89	89
4	4	4	4	4
52	52	52	54	56
432	432	432	436	467
900,000	900,000	900,000	900,000	900,000
43	43	43	43	43
32	32	32	32	32
2.9	2.9	2.6	2.6	2.6
97	97	97	97	97
6	6	6	6	6
-	1	1	1	1
4	4	4	4	4
1	1	1	1	1

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*

December 5, 2019

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 5, 2019.

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. We did identify a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a material weakness.

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 "Lehmann Loborn LLC". The script is cursive and fluid, with the letters "L" and "L" in "Lehmann" and "Loborn" being particularly prominent.

CITY OF ST. JOHNS, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2019

2019-001 - Material Audit Adjustments

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition: During our audit, we identified and proposed material adjustments (which were approved and recorded by management) to adjust the City's due from other governments and accounts payable as well as related revenue and expenditure accounts, in the general fund to the appropriate balances.

Cause. Internal controls did not detect all adjustments necessary to properly record year-end balances.

Effect. Initially the City's balances in the trial balance provided for the audit were materially misstated. However, appropriate adjustments were subsequently approved by management and the correct balances are reflected in the audit report.

Recommendation. The necessary adjustments have been made in the accounting records and appropriately presented in the financial statements. However, we recommend the City closely review transactions to ensure they are recorded in the correct period and perform year end reconciliations to identify any necessary adjustments prior to the audit.

View of Responsible Officials. The City has posted all entries and has put controls in place to ensure these entries are posted prior to the audit.

CITY OF ST. JOHNS, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2019

None noted.

■ ■ ■ ■ ■