

**CITY OF ST. JOHNS
CLINTON COUNTY, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016**



Prepared by: Treasurer's Office

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INTRODUCTORY SECTION

CITY OF ST. JOHNS, MICHIGAN

LIST OF OFFICIALS

FOR THE YEAR ENDED JUNE 30, 2016

Elected Officials

Dana C. Beaman	Mayor
Heather R. Hanover	Vice Mayor
Robert Bellgowan Jr.	Commissioner
Eric Hufnagel	Commissioner
Bob Craig	Commissioner

Administrative Officials

Dennis LaForest	City Manager
Patrick Clifford	City Treasurer

Dana C. Beaman
Mayor

Heather R. Hanover
Vice Mayor

Eric Hufnagel
Commissioner

Bob Craig
Commissioner

Robert B. Bellgowan, Jr.
Commissioner



Dennis D. LaForest
City Manager

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

Mindy J. Seavey
City Clerk

Patrick Clifford
City Treasurer

Jacob Thurston
City Assessor

John B. Salemi
City Attorney

Steven M. Martin
Director of Public Services

October 31, 2016

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

The City Manager's and Treasurer's Offices are pleased to submit the Comprehensive Annual Financial Report for the City of St. Johns, Michigan for the fiscal year ended June 30, 2016.

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

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

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of St. Johns' MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of St. Johns is located 18 miles north of downtown Lansing. St. Johns is the county seat for Clinton County, Michigan, and provides ready access to the interstate systems that make

travel to Detroit, Chicago, Cleveland, and Indianapolis, and other major metropolitan markets simple and easy. In addition, M-21 and BR US-27, which bisect St. Johns, are routes of quick access to Lansing, Grand Rapids, and Flint. The City encompasses an area of approximately 4.02 square miles, has a population of approximately 7,900, and 43.74 miles of streets.

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

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

Services Provided

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

Local Economy

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

Initiatives

The City initiated a "Complete Streets Ordinance". The ordinance mandates a thorough review of street projects, large or small, that feature safe, convenient travel but is not limited to only streets. This ordinance includes a review of sidewalks, shared use paths, bicycle lanes, and all other transportation. The City annually updates a road condition study and has formulated a long range plan to improve and maintain the current road system. The City has prioritized efforts to address the streets that need repair and supplemented State of Michigan funding with general fund revenues in each fiscal year. The City is continuing to explore financing options and alternatives for the citizens of St. Johns to consider. There was a November 2013 ballot proposal for 4 mil street millage for four years. The ballot proposal passed overwhelmingly and will

generate approximately \$800,000 per year to be spent only on street projects. As funds allow, designated streets per the program will be improved through a heavy maintenance program utilizing a mill and fill process. Approximately 3.34 miles of the City's streets were completed this past fiscal year with the remaining funds being utilized in the next fiscal year.

The City Commission continues to appropriate funds for the installation and repairing of sidewalks. Safe pedestrian travel along City streets are a priority each and every year. The sidewalk program, when developed, divided the City into sections and all sidewalks were evaluated and rated. For the 2015/2016 budget year, \$37,000 was spent on sidewalks. Homeowners are encouraged through a generous reimbursement program to replace sidewalks that front their property that may have deteriorated. This program continues to assist the City in its efforts to provide a safe and connecting network of non-motorized travel throughout the community.

Parks and Recreation

The City of St. Johns continues to reinvest in its recreation assets which includes our Main Park, covered pavilions, a performance shell for community concerts and events, playground equipment for children to play on, and a trail system that offers opportunities for walking, hiking, and bicycle riding. The new spray park was officially opened this spring and has seen a lot of visitors this summer. A large outdoor sculpture in front of the spray park was unveiled.

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

In addition to the Main Park there are 3 additional satellite parks throughout the City. These parks allow residents and their children to stay in their neighborhoods so they can enjoy recreation close to home. There are also tennis courts, basketball courts, pickle ball and shuffleboard courts available for all to enjoy.

Central Business District

The Principal Shopping District Board (PSD) was created for the purpose of facilitating programs for an improved growth environment in and near downtown St. Johns. Throughout the fiscal year ended June 2016, the PSD was active in promotional activities for the downtown area. The activities include various festivals, classic car shows, parades, farmers market and many smaller events to promote the downtown area. The beautification of the downtown area is a major focus with flower planters, benches, tree lights, banners and Christmas decorations adding a visible positive accent to the business district.

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

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

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

Economic Development Effort

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

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

As Clinton County's only hospital, Sparrow Clinton Hospital has been continually updating its equipment and staff to ensure the continued provision of convenient, quality, local healthcare services utilizing the latest technologies available to the St. Johns community.

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

Water & Wastewater Improvements

The City completed construction of the Townsend Road Lift Station. This multi-year project will ensure adequate capacity for the sanitary sewer flows from the south side of the city to the wastewater plant on the north side.

At the wastewater plant, we installed a new rotating biological contactor to replace one that had failed. New, more efficient outdoor lighting was installed. And, recently, the secondary clarifiers were replaced.

At the water plant, a new pole barn was constructed and a new plant water meter was installed to more accurately measure the amount of water flowing from the plant into the distribution system.

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

Intergovernmental Agreements

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

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

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of St. Johns for its CAFR for the fiscal year ended June 30, 2015. In order to be awarded the Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements. A Certificate of Achievement is valid for only one year. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we will submit it to the GFOA to determine its eligibility for another certificate.

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

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

Respectfully submitted,

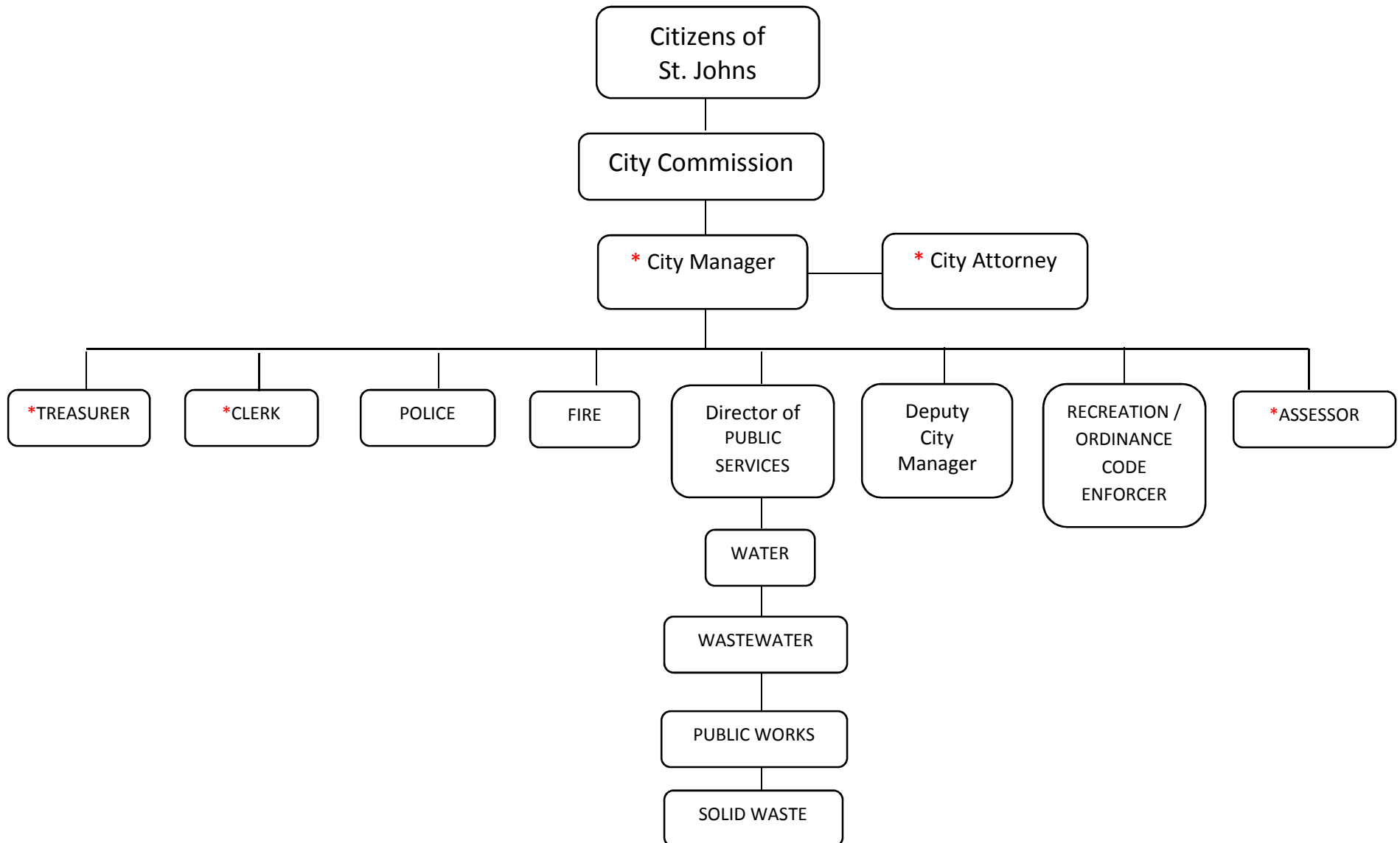
A handwritten signature in cursive script that reads "Dennis D. LaForest".

Dennis D. LaForest
City Manager

A handwritten signature in cursive script that reads "Patrick K. Clifford".

Patrick K. Clifford
City Treasurer

City of St. Johns, MI
Organizational Chart
June 30, 2016



*Appointed by City Commission

September 9, 2016



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, 2015

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

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor & Members of the City Commission
City of 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, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of St. Johns, Michigan'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.

Auditor's 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 from 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 auditor's 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, 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 of St. Johns, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, 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 nonmajor fund financial statements 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 combining and individual nonmajor fund financial statements are 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 October 31, 2016, on our consideration of the City of St. Johns, Michigan'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 of St. Johns, Michigan's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Galbridge & Company". The script is cursive and fluid, with the ampersand clearly visible between the two words.

Grand Rapids, Michigan
October 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of St. Johns (the "City" or "government"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2016 fiscal year as follows:

- The assets and deferred outflows of the City exceeded its liabilities at the close of this fiscal year by \$11,037,120 (shown as *Net Position*), representing a decrease of \$274,531 over the previous fiscal year.
- During the year, the City received \$10,191,089 in revenues and \$10,465,620 in expenses, resulting in a decrease in net position of approximately \$274,531. Of the City's \$10,465,620 expense total, \$4,059,601 related to business-type activities and the balance of \$6,406,019 related to governmental activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,707,114, a decrease of \$589,843 in comparison with the prior year. Approximately 34 percent of this total amount, or \$939,015, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,214,733, or 30 percent of the General Fund's total expenditures and transfers out.

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 financial information on all of the City's assets, deferred outflows, 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 City'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 for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

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.

The government-wide financial statements can be found on pages 27 - 28 of this report.

Component units - The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Downtown Development Authority (DDA), Principal Shopping District, and Local Development Finance Authority for which the City is financially accountable. Information for the component units is reported separately from the financial information presented for the primary government.

The component unit financial statements can be found on pages 38 - 39 of this report.

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 City'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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

The City adopts an annual appropriated budget for its General Fund and all special revenue funds as required by state law. Budgetary comparison schedules have been provided for the General Fund and Garbage Fund (as required supplemental information) and the special revenues funds (in other supplemental information) to demonstrate legal compliance.

The basic governmental fund financial statements can be found on pages 29 - 32 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 33 - 36 of this report.

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 statement 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.

The fiduciary fund financial statements can be found on pages 37 & 85 - 86 of this report.

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.

The Notes to the Financial Statements can be found on pages 41 - 68 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this discussion and analysis, the required pension information, and the General Fund and Garbage Fund budgets and actual presentations. Supplemental information follows the required pension information and includes combining and individual fund statements and schedules.

Required supplementary information can be found on pages 70 - 73 of this report.

The combining statements referred to earlier in connection with nonmajor governmental and fiduciary funds are presented immediately following the required supplementary information on pensions.

Combining and individual fund statements and schedules can be found on pages 76 - 86 of this report.

Government-wide Financial Analysis

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows exceeded liabilities by \$11,037,120 at the close of the most recent fiscal year.

City of St. Johns Statement of Net Position as of June 30, 2016 and June 30, 2015

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
ASSETS						
<i>Current Assets</i>						
Cash & Investments	\$ 1,822,915	\$ 2,016,144	\$ 1,657,000	\$ 2,082,322	\$ 3,479,915	\$ 4,098,466
Receivables	612,406	693,828	957,945	896,103	1,570,351	1,589,931
Due from Agency Funds	82,071	-	-	-	82,071	-
Inventory	11,190	9,976	84,844	65,620	96,034	75,596
Prepays	36,101	78,877	-	-	36,101	78,877
Total Current Assets	2,564,683	2,798,825	2,699,789	3,044,045	5,264,472	5,842,870
<i>Noncurrent Assets</i>						
Restricted Cash	246,883	-	1,373,857	1,373,494	1,620,740	1,373,494
Capital Assets not being Depreciated	1,308,173	1,048,131	176,072	740,519	1,484,245	1,788,650
Capital Assets being Depreciated	8,807,755	7,979,740	15,481,120	15,508,763	24,288,875	23,488,503
Total Assets	12,927,494	11,826,696	19,730,838	20,666,821	32,658,332	32,493,517
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Charge on Refunding	-	-	26,583	28,798	26,583	28,798
Deferred Pension Amounts	993,459	352,071	489,316	173,408	1,482,775	525,479
Total Deferred Outflows of Resources	993,459	352,071	515,899	202,206	1,509,358	554,277
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	210,905	76,155	58,496	82,633	269,401	158,788
Accrued Liabilities	96,675	66,856	51,125	31,978	147,800	98,834
Accrued Interest	34,645	35,308	100,802	106,221	135,447	141,529
Current Portion of Compensated Absences	131,180	180,604	44,634	-	175,814	180,604
Current Portion of Long-term Debt	397,458	365,044	585,066	560,066	982,524	925,110
Internal Balances	(685,973)	(748,215)	685,973	748,215	-	-
Total Current Liabilities	184,890	(24,248)	1,526,096	1,529,113	1,710,986	1,504,865
<i>Noncurrent Liabilities</i>						
Compensated Absences	65,912	96,758	24,594	-	90,506	96,758
Long-term Debt	1,928,604	1,949,422	9,689,061	10,274,127	11,617,665	12,223,549
Net Pension Liability	6,506,647	5,422,479	3,204,766	2,670,773	9,711,413	8,093,252
Total Liabilities	8,686,053	7,444,411	14,444,517	14,474,013	23,130,570	21,918,424
NET POSITION						
Net Investment in Capital Assets	8,036,749	6,713,405	5,383,065	5,443,887	13,419,814	12,157,292
Restricted	731,998	1,243,761	1,273,055	1,267,273	2,005,053	2,511,034
Unrestricted	(3,533,847)	(3,222,810)	(853,900)	(316,146)	(4,387,747)	(3,538,956)
Total Net Position	\$ 5,234,900	\$ 4,734,356	\$ 5,802,220	\$ 6,395,014	\$ 11,037,120	\$ 11,129,370

By far the largest portion of the City's net position \$13,419,814 reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position \$2,005,053 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position in the amount of (\$4,387,747) is unavailable to meet the City's ongoing obligations to citizens and creditors.

The unrestricted net position of the City decreased from a deficit of (\$3,538,946) as of June 30, 2015 to a deficit of (\$4,387,747) as of June 30, 2016. This is largely related to capital asset additions of \$2,223,192 made by the City during the year and the increase in the net pension liability of \$1,618,161.

The City's overall net position decreased \$274,531 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Statement of Activities - The City's total revenue for the fiscal year ended June 30, 2016 was \$10,191,089, while total cost of all programs and services was \$10,465,620. This results in a decrease in net position of \$274,531. The following table presents a summary of the changes in net position for the years ended June 30, 2016 and June 30, 2015:

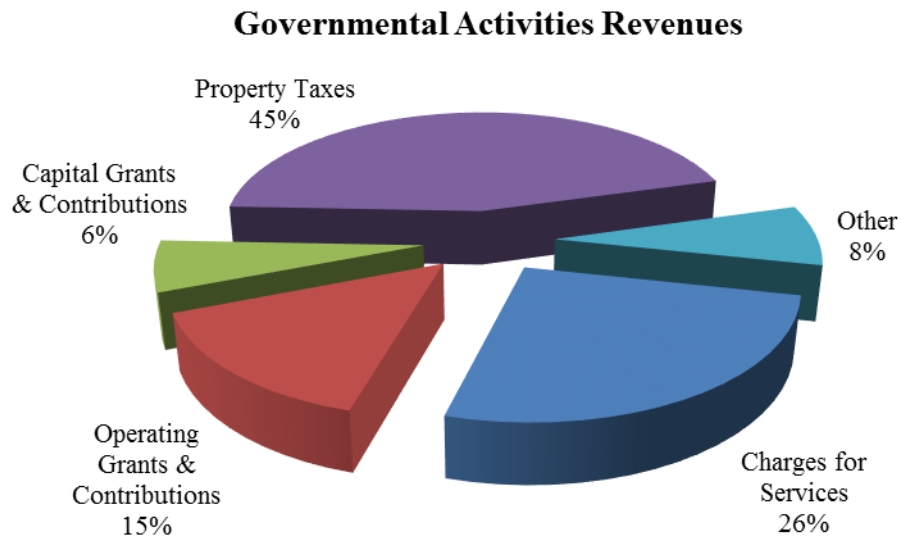
City of St. Johns
Change in Net Position for Fiscal Years Ended June 30, 2016 and June 30, 2015

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Revenue						
Program Revenues						
Charges for Services	\$ 1,724,846	\$ 1,730,012	\$ 3,491,444	\$ 3,367,116	\$ 5,216,290	\$ 5,097,128
Operating Grants and Contributions	981,267	1,035,542	-	-	981,267	1,035,542
Capital Grants and Contributions	432,819	-	-	-	432,819	-
Total Program Revenues	3,138,932	2,765,554	3,491,444	3,367,116	6,630,376	6,132,670
General Revenues						
Property Taxes	2,979,385	2,962,510	-	-	2,979,385	2,962,510
State Revenue Sharing	694,890	695,460	-	-	694,890	695,460
Other Revenue	193,325	197,891	88,716	74,158	282,041	272,049
Interest Income	2,929	2,117	3,885	1,552	6,814	3,669
Special Item - Disposal of Operations	(402,417)	-	-	-	(402,417)	-
Transfers	28,259	28,259	(28,259)	(28,259)	-	-
Total General Revenues	3,496,371	3,886,237	64,342	47,451	3,560,713	3,933,688
Total Revenues	6,635,303	6,651,791	3,555,786	3,414,567	10,191,089	10,066,358
Expenses						
General Government	1,679,719	1,239,099	-	-	1,679,719	1,239,099
Public Safety	1,734,544	1,465,663	-	-	1,734,544	1,465,663
Public Works	2,137,325	1,987,632	-	-	2,137,325	1,987,632
Recreation and Culture	772,324	909,829	-	-	772,324	909,829
Interest on Long-term Debt	82,107	101,805	-	-	82,107	101,805
Water and Sewer	-	-	4,059,601	3,784,439	4,059,601	3,784,439
Total Expenses	6,406,019	5,704,028	4,059,601	3,784,439	10,465,620	9,488,467
Change in Net Position	229,284	947,763	(503,815)	(369,872)	(274,531)	577,891
<i>Net Position at the Beginning of Period - Restated (Note 16)</i>	<i>5,005,616</i>	<i>3,786,593</i>	<i>6,306,035</i>	<i>6,764,886</i>	<i>11,311,651</i>	<i>10,551,479</i>
Net Position at the End of Period	\$ 5,234,900	\$ 4,734,356	\$ 5,802,220	\$ 6,395,014	\$ 11,037,120	\$ 11,129,370

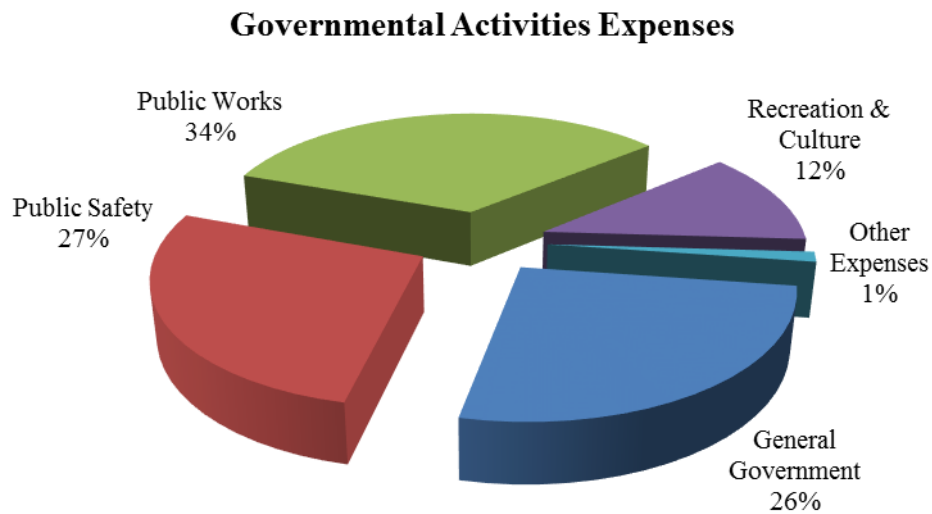
Governmental Activities. Governmental activities increased the City's net position by \$229,284 for the year ended June 30, 2016 compared to an increase of \$947,763 for the year ended June 30, 2015. This is largely related to the special item for the disposal of library operations of \$402,417 and the increase in expenses of \$701,991, which was offset by an increase in one-time capital grants revenues of \$432,819.

Business-type Activities. Business-type activities decreased the City's net position by \$503,815 for the year ended June 30, 2016 compared to a decrease of \$369,872 for the year ended June 30, 2015. The decrease in net position is primarily the result of depreciation expense of \$888,629.

The following chart summarizes the revenue sources for the governmental activities of the City for the most recent fiscal year end:



The following chart summarizes the expenses for the governmental activities of the City for the most recent fiscal year end:



Financial Analysis of the Government'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 discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Commission.

At June 30, 2016, the City's governmental funds reported combined fund balances of \$2,707,114, a decrease of \$589,843 in comparison with the prior year. Approximately 35% of this amount, \$939,015, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *assigned*, or *restricted* to indicate that it is 1) not in spendable form (\$36,101 for prepaids), 2) restricted for particular purposes (\$565,597 for major and local streets, and \$166,401 for specific purposes), or 3) assigned (\$1,000,000 for specific purposes).

General Fund - The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,214,733, while total fund balance increased to \$2,250,834. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 30 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 60 percent of that same amount.

The fund balance of the City's General Fund increased by \$64,869 during the current fiscal year. The City Commission monitors the expenditures of the General Fund closely to ensure that spending does not exceed the City's available resources.

The Garbage Fund has a decrease of \$46,777 to its fund balance from the prior year, which was similar to prior year except for an increase transfers in of \$10,402. The total fund balance is \$70,247 and all is restricted.

The Street Millage Capital Projects Fund ended the year with a deficit fund balance of \$266,833, which was mainly the result of the City working on street projects that are to be funded with future tax revenues.

Proprietary funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Water & Sewer fund had a decrease to its net position of \$503,815 from the prior year. Operating expenses increased by approximately \$275,162, while revenues increased by

approximately \$141,219. The primary reason for the decrease in net position is due to depreciation expense of \$888,629.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year the budget was amended to increase the original estimated revenues and original budgeted appropriations. The most significant increase in revenues was in intergovernmental revenues of \$71,988. There was a need to make an amendment to reallocate appropriations among departments. Generally, the movement of the appropriations between departments was not significant. The exception was the appropriation for capital outlay function which was increased by \$95,146.

Final budget compared to actual results. The most significant differences between estimated expenditures and actual expenditures were as follows:

General Fund	Amended Budget	Actual	Variance
Other	\$ 82,330	\$ 91,583	\$ (9,253)
Department of Public Works	356,861	361,175	(4,314)
Parks Department	155,532	156,798	(1,266)

Capital Asset and Debt Administration

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounted to \$25,773,120 (net of accumulated depreciation). Of this amount, \$10,115,928 was for its governmental activities and \$15,657,192 was for its business-type activities. Depreciation charges for the fiscal year totaled \$876,502 for the governmental activities and \$888,629 for the business-type activities. Significant additions to capital assets during the year include purchases of vehicles, continued improvements to the water and sewer systems, and significant repairs and maintenance to the city streets.

Significant capital asset additions during the year include the following:

- North Lansing Street \$629,152
- Road construction projects \$775,762
- Spray Park \$128,345
- Pumper Tanker Fire Truck \$230,031
- Townsend Road Lift Station \$790,811

Additional information on the City's capital assets can be found in Note 8 to these financial statements.

Long-term Debt - At the end of the current fiscal year, the City had total long-term debt outstanding of \$12,600,189 (net of premiums and discounts). Of this amount, \$2,326,062 was for governmental activities while \$10,274,127 was for business-type activities.

The City issued new long-term debt in the amount of \$376,615 and made payments of \$925,085 during the current fiscal year.

State statute limits the City of St. Johns debt obligations to 10 percent of the current state equalized value (SEV). The City of St. Johns SEV as of June 30, 2016, was \$219 million; therefore, the City of St. Johns debt limitation was \$21.9 million. The City of St. Johns remains below its legal debt limit by approximately \$19.6 million.

Additional information on the City's long-term debt can be found in Note 9 to these financial statements.

Economic Factors and Next Year's Budgets and Rates

Management estimates that \$4,000,000 of revenues will be available for appropriation in the General Fund in the upcoming budget. Expenditures are expected to change by small amounts compared to 2016. The City continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2017, the City plans again to use current revenues to provide essential services and to maintain the City's financial reserves at similar levels. The ongoing costs of providing essential services for the citizens of the City will again need to be monitored in order to maintain the financial condition of the City.

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
Statement of Net Position
June 30, 2016

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 1,822,915	\$ 1,657,000	\$ 3,479,915	\$ 201,413
Receivables	612,406	957,945	1,570,351	--
Due from Agency Funds	82,071	--	82,071	--
Inventory	11,190	84,844	96,034	--
Prepays	36,101	--	36,101	--
Total Current Assets	2,564,683	2,699,789	5,264,472	201,413
<i>Noncurrent Assets</i>				
Restricted Cash	246,883	1,373,857	1,620,740	--
Capital Assets not being Depreciated	1,308,173	176,072	1,484,245	--
Capital Assets being Depreciated	8,807,755	15,481,120	24,288,875	--
Total Assets	12,927,494	19,730,838	32,658,332	201,413
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	--	26,583	26,583	--
Deferred Pension Amounts	993,459	489,316	1,482,775	--
Total Deferred Outflows of Resources	993,459	515,899	1,509,358	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	210,905	58,496	269,401	700
Accrued Liabilities	96,675	51,125	147,800	700
Accrued Interest	34,645	100,802	135,447	--
Current Portion of Compensated Absences	131,180	44,634	175,814	--
Current Portion of Long-term Debt	397,458	585,066	982,524	--
Internal Balances	(685,973)	685,973	--	--
Total Current Liabilities	184,890	1,526,096	1,710,986	1,400
<i>Noncurrent Liabilities</i>				
Compensated Absences	65,912	24,594	90,506	--
Long-term Debt	1,928,604	9,689,061	11,617,665	--
Net Pension Liability	6,506,647	3,204,766	9,711,413	--
Total Liabilities	8,686,053	14,444,517	23,130,570	1,400
NET POSITION				
Net Investment in Capital Assets	8,036,749	5,383,065	13,419,814	--
<i>Restricted for:</i>				
Debt Service	61,678	1,273,055	1,334,733	--
Capital Projects	30,280	--	30,280	--
Garbage	70,247	--	70,247	--
Drug Law	4,196	--	4,196	--
Streets	565,597	--	565,597	--
<i>Unrestricted</i>	<i>(3,533,847)</i>	<i>(853,900)</i>	<i>(4,387,747)</i>	<i>200,013</i>
Total Net Position	\$ 5,234,900	\$ 5,802,220	\$ 11,037,120	\$ 200,013

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of St. Johns
Statement of Activities
For the Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
General Government	\$ 1,679,719	\$ 181,187	\$ 217,266	\$ --	\$ (1,281,266)	\$ --	\$ (1,281,266)	\$ --
Public Safety	1,734,544	101,458	--	--	(1,633,086)	--	(1,633,086)	--
Public Works	2,137,325	1,354,647	688,483	375,000	280,805	--	280,805	--
Recreation and Culture	772,324	87,554	75,518	57,819	(551,433)	--	(551,433)	--
Interest on Long-term Debt	82,107	--	--	--	(82,107)	--	(82,107)	--
Total Governmental Activities	6,406,019	1,724,846	981,267	432,819	(3,267,087)	--	(3,267,087)	--
Business-type Activities:								
Water/Sewer Fund	4,059,601	3,491,444	--	--	--	(568,157)	(568,157)	--
Total Business-type Activities	4,059,601	3,491,444	--	--	--	(568,157)	(568,157)	--
Total Primary Government	\$ 10,465,620	\$ 5,216,290	\$ 981,267	\$ 432,819	\$ (3,267,087)	\$ (568,157)	\$ (3,835,244)	--
Component Units								
Downtown Development Authority	\$ 3,642	\$ --	\$ --	\$ --	--	--	--	(3,642)
Principal Shopping District	51,372	--	52,058	--	--	--	--	686
Local Development Finance Authority	142,328	--	19,446	--	--	--	--	(122,882)
Total Component Units	\$ 197,342	\$ --	\$ 71,504	\$ --	--	--	--	(125,838)
General Purpose Revenues and Transfers:								
Revenues								
Property Taxes					2,979,385	--	2,979,385	166,928
Intergovernmental Revenue					694,890	--	694,890	--
Other Revenue					193,325	88,716	282,041	--
Interest Income					2,929	3,885	6,814	--
Special Item - Disposal of Operations (Note 18)					(402,417)	--	(402,417)	--
Transfers					28,259	(28,259)	--	--
Total General Revenues and Transfers					3,496,371	64,342	3,560,713	166,928
Change in Net Position					229,284	(503,815)	(274,531)	41,090
Net Position at Beginning of Period - Restated (Note 16)					5,005,616	6,306,035	11,311,651	158,923
Net Position at End of Period					\$ 5,234,900	\$ 5,802,220	\$ 11,037,120	\$ 200,013

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of St. Johns
Balance Sheet
Governmental Funds
June 30, 2016**

		<u>Special Revenue</u>	<u>Capital Projects</u>		
	<u>General</u>	<u>Garbage</u>	<u>Street Millage</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash & Cash Equivalents	\$ 842,151	\$ 99,244	\$ 6,996	\$ 681,566	\$ 1,629,957
Receivables	446,823	11,888	--	153,695	612,406
Due from Agency Funds	82,071	--	--	--	82,071
Prepays	36,101	--	--	--	36,101
Due from Other Funds	957,216	--	--	--	957,216
<i>Total Assets</i>	\$ 2,364,362	\$ 111,132	\$ 6,996	\$ 835,261	\$ 3,317,751
LIABILITIES					
Accounts Payable	\$ 27,651	\$ 14,137	\$ 27,327	\$ 137,090	\$ 206,205
Accrued Liabilities	85,877	2,007	--	7,163	95,047
Due to Other Funds	--	24,741	246,502	--	271,243
<i>Total Liabilities</i>	113,528	40,885	273,829	144,253	572,495
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Special Assessments	--	--	--	38,142	38,142
<i>Total Liabilities and Deferred Inflows of Resources</i>	113,528	40,885	273,829	182,395	610,637
FUND BALANCE					
Nonspendable	36,101	--	--	--	36,101
Restricted	--	70,247	--	661,751	731,998
Assigned	1,000,000	--	--	--	1,000,000
Unassigned	1,214,733	--	(266,833)	(8,885)	939,015
<i>Total Fund Balance</i>	2,250,834	70,247	(266,833)	652,866	2,707,114
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 2,364,362	\$ 111,132	\$ 6,996	\$ 835,261	\$ 3,317,751

The Notes to the Financial Statements are an integral part of these Financial Statements

City of St. Johns
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016

Total Fund Balance - Governmental Funds	\$ 2,707,114
Net Position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements	790,261
General government capital assets of \$19,573,955, net of accumulated depreciation of \$10,203,194, are not financial resources, and accordingly are not reported in the funds.	9,370,761
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.	38,142
Net pension liabilities are not reported in the funds.	(6,506,647)
Certain deferred pension-related 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.	993,459
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,934,189)
In the statement of activities, interest is accrued on long-term debt, whereas in governmental funds, the interest expenditure is reported when due.	(26,909)
Compensated absences are not due in and payable in the current period, and therefore, are not reported in the funds.	(197,092)
Total Net Position - Governmental Funds	\$ <u>5,234,900</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of St. Johns
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

		<u>Special Revenue</u>	<u>Capital Projects</u>		
	<u>General</u>	<u>Garbage</u>	<u>Street Millage</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property Taxes	\$ 1,917,001	\$ 97,613	\$ 780,925	\$ 183,846	\$ 2,979,385
Licenses and Permits	16,481	--	--	--	16,481
Intergovernmental Revenue	1,014,234	--	--	719,742	1,733,976
Charges for Services	942,410	593,255	--	9,902	1,545,567
Fines and Forfeitures	35,918	--	--	5,037	40,955
Interest and Rentals	25,399	111	1	116	25,627
Other Revenue	166,429	2,306	--	87,343	256,078
Total Revenues	4,117,872	693,285	780,926	1,005,986	6,598,069
Expenditures					
General Government	1,393,180	--	--	--	1,393,180
Public Safety	1,518,968	--	--	--	1,518,968
Public Works	361,175	752,914	20,661	437,753	1,572,503
Recreation and Culture	314,867	--	--	341,049	655,916
Debt Service - Principal	50,872	--	--	290,000	340,872
Debt Service - Interest	5,691	--	--	84,156	89,847
Capital Outlay	128,997	7,550	761,151	423,923	1,321,621
Total Expenditures	3,773,750	760,464	781,812	1,576,881	6,892,907
Excess of Revenues Over (Under) Expenditures	344,122	(67,179)	(886)	(570,895)	(294,838)
Other Financing Sources (Uses)					
Transfers In	--	20,402	--	525,814	546,216
Transfers Out	(279,253)	--	(45,000)	(193,704)	(517,957)
Net Other Financing Sources (Uses)	(279,253)	20,402	(45,000)	332,110	28,259
Special Item - Disposal of Operations (Note 18)	--	--	--	(323,264)	(323,264)
Net Change in Fund Balance	64,869	(46,777)	(45,886)	(562,049)	(589,843)
Fund Balance at Beginning of Period	2,185,965	117,024	(220,947)	1,214,915	3,296,957
Fund Balance at End of Period	\$ 2,250,834	\$ 70,247	\$ (266,833)	\$ 652,866	\$ 2,707,114

The Notes to the Financial Statements are an integral part of these Financial Statements

City of St. Johns
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2016

Total Net Change in Fund Balances - Governmental Funds	\$ (589,843)
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements	62,403
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay expenditures of \$1,321,621 and donated capital assets of \$375,000 is in excess of depreciation expense of \$729,038 and disposals of capital assets of \$65,221 and disposal of operations of \$79,153.	823,209
Changes to accrued interest are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.	7,740
The change in net pension liability amounts does require the use of current resources and is not reported in the governmental funds.	(442,780)
Current year long-term debt principal payments on contractual obligations, bonds payable, and capital leases are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements.	340,872
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.	36,392
Change to compensated absences are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	(8,709)
Changes in Net Position - Governmental Funds	\$ <u>229,284</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of St. Johns
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-type Activities - Enterprise Fund	Governmental Activities Internal Service Fund
	Water/Sewer Fund	Mobile Equipment Fund
ASSETS		
<i>Current Assets</i>		
Cash & Cash Equivalents	\$ 1,657,000	\$ 192,958
Receivables	957,945	--
Inventory	84,844	11,190
Total Current Assets	2,699,789	204,148
<i>Noncurrent Assets</i>		
Restricted Cash	1,373,857	246,883
Capital Assets not being Depreciated	176,072	230,031
Capital Assets being Depreciated	15,481,120	515,136
Total Assets	19,730,838	1,196,198
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	26,583	--
Deferred Pension Amounts	489,316	--
Total Deferred Outflows of Resources	515,899	--
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	58,496	4,700
Accrued Liabilities	51,125	1,628
Accrued Interest	100,802	7,736
Current Portion of Compensated Absences	44,634	--
Current Portion of Long-term Debt	585,066	35,805
Due to Other Funds	685,973	--
Total Current Liabilities	1,526,096	49,869
<i>Noncurrent Liabilities</i>		
Compensated Absences	24,594	--
Long-term Debt	9,689,061	356,068
Net Pension Liability	3,204,766	--
Total Liabilities	14,444,517	405,937
NET POSITION		
Net Investment in Capital Assets	5,383,065	600,177
<i>Restricted for:</i>		
Debt Service	1,273,055	--
<i>Unrestricted</i>	(853,900)	190,084
Total Net Position	\$ 5,802,220	\$ 790,261

The Notes to the Financial Statements are an integral part of these Financial Statements

City of St. Johns
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Fund	Governmental Activities Internal Service Funds
	Water/Sewer Fund	Mobile Equipment Fund
Operating Revenues		
Charges for Services	\$ 3,491,444	\$ 541,346
Other Revenue	88,716	12,329
<i>Total Operating Revenues</i>	3,580,160	553,675
Operating Expenses		
Water Plant Operation	493,189	--
Water Distribution	562,059	--
Wastewater Plant Operation	1,060,163	--
Administrative	643,415	--
Mobile Equipment	--	344,108
Depreciation	888,629	147,464
<i>Total Operating Expenses</i>	3,647,455	491,572
<i>Operating Income (Loss)</i>	(67,295)	62,103
Non-Operating Revenues (Expenses)		
Interest Income	3,885	300
Interest Expense	(412,146)	--
<i>Net Non-Operating Revenues (Expenses)</i>	(408,261)	300
<i>Income Before Contributions and Transfers</i>	(475,556)	62,403
Transfers In	--	--
Transfers Out	(28,259)	--
<i>Change In Net Position</i>	(503,815)	62,403
<i>Net Position at Beginning of Period - Restated (Note 16)</i>	6,306,035	727,858
<i>Net Position at End of Period</i>	\$ 5,802,220	\$ 790,261

The Notes to the Financial Statements are an integral part of these Financial Statements

City of St. Johns
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	<u>Business-type Activities - Enterprise Fund</u>	<u>Governmental Activities Internal Service Fund</u>
	<u>Water/Sewer Fund</u>	<u>Mobile Equipment Fund</u>
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 3,429,602	\$ -
Receipts from Interfund Services	-	541,346
Payments to Suppliers	(1,640,278)	(282,592)
Payments to Employees	(1,006,670)	(60,732)
Other Revenue	88,716	12,329
<i>Net Cash Provided (Used in) by Operating Activities</i>	871,370	210,351
Cash Flows from Noncapital and Related Financing Activities		
Transfers Out	(28,259)	-
<i>Net Cash from (Used in) Capital and Related Financing Activities</i>	(28,259)	-
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(296,540)	(230,031)
Interest Paid on Long-term Debt	(415,349)	7,077
Principal Paid on Long-term Debt	(560,066)	(24,147)
Issuance of Long-term Debt	-	376,615
<i>Net Cash from (Used in) Capital and Related Financing Activities</i>	(1,271,955)	129,514
Cash Flows from Investing Activities		
Interest Received on Investments	3,885	300
<i>Net Cash from (Used in) Investing Activities</i>	3,885	300
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(424,959)	340,165
<i>Cash and Cash Equivalents Beginning of Period</i>	3,455,816	99,676
<i>Cash and Cash Equivalents End of Period</i>	<u>\$ 3,030,857</u>	<u>\$ 439,841</u>
Reconciliation to Statement of Net Position		
Cash and Cash Equivalents	\$ 1,657,000	\$ 192,958
Restricted Cash	1,373,857	246,883
<i>Total</i>	<u>\$ 3,030,857</u>	<u>\$ 439,841</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of St. Johns
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016**

	<u>Business-type Activities - Enterprise Fund</u>	<u>Governmental Activities Internal Service Fund</u>
	<u>Water/Sewer Fund</u>	<u>Mobile Equipment Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities		
Operating Income (Loss)	\$ (67,295)	\$ 62,103
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:		
Cash from Operating Activities:		
Depreciation	888,629	147,464
Changes in Assets and Liabilities:		
Receivables	(61,842)	-
Inventories	(19,224)	(1,214)
Accounts Payable	(24,137)	1,631
Accrued Liabilities	19,147	367
Due to Other Funds	(62,242)	-
Compensated Absences	(19,751)	-
Pension Related Amounts	218,085	-
Net Cash Provided (Used in) by Operating Activities	<u>\$ 871,370</u>	<u>\$ 210,351</u>
Noncash Items		
Prior Period Adjustment (Note 17)	\$ (88,979)	\$ -
Total	<u>\$ (88,979)</u>	<u>\$ -</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of St. Johns
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash & Investments	\$ 78,612
<i>Total Assets</i>	<u>78,612</u>
LIABILITIES	
Undistributed Receipts	<u>78,612</u>
<i>Total Liabilities</i>	<u>78,612</u>
NET POSITION	
Held in Trust	<u>\$ --</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of St. Johns
Combining Statement of Net Position
Component Units
June 30, 2016

	Downtown Development Authority	Principal Shopping District	Local Development Finance Authority	Total Component Units
ASSETS				
<i>Current Assets</i>				
Cash & Investments	\$ 53,190	\$ 19,716	\$ 128,507	\$ 201,413
Total Current Assets	53,190	19,716	128,507	201,413
<i>Noncurrent Assets</i>				
Total Assets	53,190	19,716	128,507	201,413
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	200	500	--	700
Accrued Liabilities	--	700	--	700
Total Current Liabilities	200	1,200	--	1,400
<i>Noncurrent Liabilities</i>				
Total Liabilities	200	1,200	--	1,400
NET POSITION				
<i>Unrestricted</i>	52,990	18,516	128,507	200,013
Total Net Position	\$ 52,990	\$ 18,516	\$ 128,507	\$ 200,013

The Notes to the Financial Statements are an integral part of these Financial Statements

City of St. Johns
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2016

	Downtown Development Authority	Principal Shopping District	Local Development Finance Authority	Total Component Units
Expenses				
Community and Economic Development	\$ 3,642	\$ 51,372	\$ 78,134	\$ 133,148
Interest on Long-term Debt	--	--	25,084	25,084
Capital Outlay	--	--	39,110	39,110
Total Expenses	<u>3,642</u>	<u>51,372</u>	<u>142,328</u>	<u>197,342</u>
Program Revenues				
Charges for services	--	--	--	--
Operating grants and contributions	--	52,058	19,446	71,504
Capital grants and contributions	--	--	--	--
Total Program Revenues	<u>--</u>	<u>52,058</u>	<u>19,446</u>	<u>71,504</u>
Net Program Revenues (Expenses)	<u>(3,642)</u>	<u>686</u>	<u>(122,882)</u>	<u>(125,838)</u>
General Revenue				
Property Taxes	29,326	--	137,602	166,928
Total General Revenues	<u>29,326</u>	<u>--</u>	<u>137,602</u>	<u>166,928</u>
Change in Net Position	<u>25,684</u>	<u>686</u>	<u>14,720</u>	<u>41,090</u>
<i>Net Position at Beginning of Period</i>	27,306	17,830	113,787	158,923
Net Position at End of Period	<u>\$ 52,990</u>	<u>\$ 18,516</u>	<u>\$ 128,507</u>	<u>\$ 200,013</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

NOTES TO FINANCIAL STATEMENTS

City of St. Johns

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

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

Blended Component Unit

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

Discretely Presented Component Units

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

Principal Shopping District (PSD) - The PSD is governed by a board of no less than nine (9) and no more than thirteen (13) directors. The board is comprised of owners and/or operators of downtown businesses, excepting by statute that one member shall be a representative of the City and one member shall be an adjacent neighborhood resident to the downtown area. The members are appointed by the City Commission. In addition, the Clinton County Board of Commissioners appoints one (1) County representative to the board. The purpose of the PSD is to facilitate programs for an improved growth environment in and near downtown St. Johns, and to assist the downtown area in becoming a stronger mixed-use urban center by encouraging a variety of retail, service, professional, residential and recreational opportunities. The City has the ability to significantly influence operations of the PSD and also has a potential financial benefit or burden. The PSD is legally separate and fiscally independent of the City. The PSD is

City of St. Johns

Notes to the Financial Statements

included in the City's audited financial statements and separate financial statements have not been issued.

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

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

Joint Ventures

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

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

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

City of St. Johns

Notes to the Financial Statements

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, 2016, are available at CAASA's administrative offices. As of March 31, 2016, CAASA had a net position of \$775,781.

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

City of St. Johns

Notes to the Financial Statements

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.

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

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.

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

City of St. Johns

Notes to the Financial Statements

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.

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.

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.

City of St. Johns

Notes to the Financial Statements

Assets, liabilities, deferred inflows of resources, and equity

Deposits

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

State statutes authorize the City to invest in:

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

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

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

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

Receivables and payables

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

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

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

City of St. Johns

Notes to the Financial Statements

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 taxable valuation) for general governmental services other than the payment of Debt Service Fund expenditures. They are also permitted to levy additional mills specifically designated for library, garbage, and recreation services. For the year ended June 30, 2016, the City levied 9.4360 mills for general governmental services, 0.9845 mills for library services, 0.2558 for ACT 359, 0.5000 mills for garbage services, 0.2570 mills for recreation services, and 4.0000 for streets and sidewalks. The total taxable value for the 2015 levy for property within the City was \$208,536,300.

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.

Prepays

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 valued at the acquisition cost. In the case of the initial

City of St. Johns

Notes to the Financial Statements

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.

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:

Type	Years
Land improvements	5 - 25
Building and improvements	20 - 40
Vehicles	5
Furniture and Other Assets	5
Infrastructure	20
Drain Flowage Righsts	25
Sewer Lines	40
Pump Stations	20
Equipment	3 - 10

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

Deferred outflows of resources

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

City of St. Johns

Notes to the Financial Statements

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.

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

City of St. Johns

Notes to the Financial Statements

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.

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.

New Accounting Standards Adopted

For June 30, 2016, the City adopted Government Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB 72 requires the funds to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. There was no material impact on the funds' financial statements as a result of the implementation of GASB 72.

City of St. Johns

Notes to the Financial Statements

Note 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:

- 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.
- Public hearings are conducted to obtain taxpayer comments.
- 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.
- 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.
- 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).
- Budget appropriations lapse at year-end.
- 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.
- 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.

City of St. Johns

Notes to the Financial Statements

Note 3 – Deficit Net Position and Fund Balance

Governmental activities reported a deficit in unrestricted net position of \$3,533,847. Business-type activities and the Water and Sewer fund reported a deficit in unrestricted net position of \$853,900.

The Street Millage Projects capital projects fund reported a deficit fund balance of \$266,833 at year-end. This deficit is due to capital projects that are to be funded with future revenue that will be received from the 4 mill property tax for street improvements.

The Splash Park fund reported a deficit fund balance of \$8,885 at year-end.

Note 4 - Excess of expenditures over Budget

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The City's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the department level. The approved budgets of the City for these budgeted funds were also adopted at the department level.

During the year ended June 30, 2016, the City had the following expenditures in excess of appropriations:

	Amended Budget	Actual	Variance
General Fund			
Other	\$ 82,330	\$ 91,583	\$ (9,253)
Department of Public Works	356,861	361,175	(4,314)
Parks Department	155,532	156,798	(1,266)
Nonmajor Governmental Funds			
Library Fund			
Special Item - Disposal of Operations	-	323,264	(323,264)
Local Streets			
Transfers Out	20,000	25,000	(5,000)

City of St. Johns

Notes to the Financial Statements

Note 5 – Cash

The captions on the financial statements relating to cash and pooled investments, restricted cash, and investments are as follows:

	Primary Government	Component Unit	Totals
Statement of Net Position			
Cash & Cash Equivalents	\$ 3,479,915	201,413	\$ 3,681,328
Restricted Cash	1,620,740	-	1,620,740
Statement of Fiduciary Net Position			
Cash & Pooled Investments	78,612	-	78,612
Total	\$ 5,179,267	\$ 201,413	\$ 5,380,680

Deposits and Investments

Bank deposits (checking and savings)	\$ 4,363,441
Certificates of Deposit (due within one year)	1,016,879
Cash on Hand	360
Total	\$ 5,380,680

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, \$4,037,954 of the City's bank balance of \$5,537,954 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.

Credit Risk. Statutes and various bond indentures authorized the City to invest in obligations of the U.S. Treasury, governmental agencies and instrumentalities, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard

City of St. Johns

Notes to the Financial Statements

rating services, bankers' acceptances of U.S. banks, U.S. government or federal agency obligation repurchase agreements, obligations of the State of Michigan or any of its political subdivisions rated as investment grade by not less than one standard rating service, and mutual funds composed of the types of investment vehicles named previously.

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

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

Fair Value Measurement - The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Certificates of Deposits the City held directly of \$1,016,879 are not included in the fair value measurement disclosure.

Note 6 – Receivables

Receivables are comprised of the following at year-end:

	<u>General Fund</u>	<u>Garbage</u>	<u>Nonmajor Governmental Funds</u>	<u>Water & Sewer Fund</u>	<u>Total Primary Government</u>
Receivables					
Accounts	\$ 265,316	\$ 11,888	\$ -	\$ 957,945	\$ 1,235,149
Special Assessment	-	-	38,142	-	38,142
Due from State	177,782	-	115,553	-	293,335
Due from County	3,725	-	-	-	3,725
Total Receivables	<u>\$ 446,823</u>	<u>\$ 11,888</u>	<u>\$ 153,695</u>	<u>\$ 957,945</u>	<u>\$ 1,570,351</u>

City of St. Johns

Notes to the Financial Statements

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 \$38,142 reported in the governmental funds consisted entirely of special assessments, which are expected to be received during the next fiscal year.

Note 7 – Interfund Transactions

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

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
General Fund	Garbage	\$ 24,741
General Fund	Street Millage	246,502
General Fund	Water & Sewer	685,973
		<u>\$ 957,216</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.

Interfund transfers in and out for the year ended June 30, 2016 are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Garbage	General Fund	\$ 20,402
Nonmajor Governmental Funds	General Fund	258,851
Nonmajor Governmental Funds	Street Millage	45,000
Nonmajor Governmental Funds	Nonmajor Governmental Funds	193,704
Nonmajor Governmental Funds	Water & Sewer	28,259
		<u>\$ 546,216</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.

City of St. Johns

Notes to the Financial Statements

Note 8 – Capital Assets

Capital asset activity for the year was as follows:

	July 1, 2015	Additions	Deductions	Adjustments	June 30, 2016
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 1,048,131	\$ 20,803	\$ (6,430)	-	\$ 1,062,504
Construction in progress	-	245,669	-	-	245,669
<i>Total capital assets not being depreciated</i>	<u>1,048,131</u>	<u>266,472</u>	<u>(6,430)</u>	<u>-</u>	<u>1,308,173</u>
Capital assets being depreciated					
Land improvements	1,510,551	213,440	-	(16,800)	1,707,191
Buildings and improvements	3,279,912	-	(85,000)	-	3,194,912
Vehicles	2,335,018	7,550	(75,699)	-	2,266,869
Furniture and other assets	1,193,335	34,276	(1,007,290)	16,800	237,121
Drain flowage rights	529,268	-	-	-	529,268
Infrastructure	11,289,760	1,404,914	-	-	12,694,674
<i>Total capital assets being depreciated</i>	<u>20,137,844</u>	<u>1,660,180</u>	<u>(1,167,989)</u>	<u>-</u>	<u>20,630,035</u>
Accumulated depreciation					
Land improvements	718,950	70,625	-	(6,160)	783,415
Buildings and improvements	1,322,171	85,604	(26,209)	-	1,381,566
Vehicles	1,628,810	157,629	(75,699)	-	1,710,740
Furniture and other assets	1,078,652	40,531	(928,137)	6,160	197,206
Drain flowage rights	77,235	11,198	-	-	88,433
Infrastructure	7,150,006	510,914	-	-	7,660,920
<i>Total accumulated depreciation</i>	<u>11,975,824</u>	<u>876,501</u>	<u>(1,030,045)</u>	<u>-</u>	<u>11,822,280</u>
Total net capital assets being depreciated	<u>8,162,020</u>	<u>783,679</u>	<u>(137,944)</u>	<u>-</u>	<u>8,807,755</u>
Total capital assets - Governmental Activities	<u>\$ 9,210,151</u>	<u>\$ 1,050,151</u>	<u>\$ (144,374)</u>	<u>\$ -</u>	<u>\$ 10,115,928</u>
Business-type activities					
Capital assets not being depreciated					
Land	\$ 169,161	\$ -	\$ -	\$ -	\$ 169,161
Construction in progress	571,358	6,911	-	(571,358)	6,911
<i>Total assets not being depreciated</i>	<u>740,519</u>	<u>6,911</u>	<u>-</u>	<u>(571,358)</u>	<u>176,072</u>
Capital assets being depreciated					
Water system	5,818,706	28,889	-	-	5,847,595
Sewer system	25,586,302	242,204	-	571,358	26,399,864
Water and sewer equipment	1,233,408	18,536	-	-	1,251,944
<i>Total capital assets being depreciated</i>	<u>32,638,416</u>	<u>289,629</u>	<u>-</u>	<u>571,358</u>	<u>33,499,403</u>
Accumulated depreciation					
Water system	3,727,466	101,688	-	-	3,829,154
Sewer system	12,560,012	765,257	-	-	13,325,269
Water and sewer equipment	842,176	21,684	-	-	863,860
<i>Total accumulated depreciation</i>	<u>17,129,654</u>	<u>888,629</u>	<u>-</u>	<u>-</u>	<u>18,018,283</u>
Total net capital assets being depreciated	<u>15,508,762</u>	<u>(599,000)</u>	<u>-</u>	<u>571,358</u>	<u>15,481,120</u>
Total capital assets - Business-type Activities	<u>\$ 16,249,281</u>	<u>\$ (592,089)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,657,192</u>

City of St. Johns

Notes to the Financial Statements

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

Governmental Activities

General Government	\$ 58,121
Public Safety	9,938
Public Works	576,103
Recreation & Culture	84,875
Internal Service Funds	147,464
Total Governmental Activities	\$ 876,501

Business-type Activities

Water & Sewer	\$ 888,629
Total Business-type Activities	\$ 888,629

Note 9 – Long-term Debt

Long-term debt descriptions are as follows:

Governmental Activities

1997 General Obligation Building Authority Bonds, \$750,000, with future annual installments of \$55,000 to \$60,000 through October 1, 2016, interest at 5.500%

1998 Building Authority Bonds, \$1,400,000, with future annual installments ranging from \$90,000 to \$110,000 through October 1, 2018, interest at 4.375%

2003 Michigan Transportation Fund Bonds, \$480,000, with future annual installments ranging from \$60,000 to \$70,000 through August 1, 2018, interest ranging from 3.700% to 4.200% payable semi-annually

2007 Capital Improvement Bonds, \$1,850,000, with future annual installments ranging from \$80,000 to \$130,000 through April 1, 2027, interest ranging from 4.000% to 4.125%

Installment Note Payable, to purchase land of \$536,000, with future annual installments ranging from \$32,656 to \$35,818 through July 1, 2019, interest at 4.675%

CDBG loan of \$1,100,000 for expansion of the City's industrial park, governmental portion, at quarterly installments of \$6,271 through August 1, 2020 at 0.000% interest

City of St. Johns

Notes to the Financial Statements

Internal Service Fund

Installment Note Payable, \$112,000, to purchase a fire truck, due in semiannual installments of \$6,850 through October 1, 2015, including interest at 4.000%

Installment Note Payable, to purchase a street sweeper of \$127,730, due in annual installments of \$15,975 through April 1, 2017, including interest at 4.500%

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%

Business-type Activities

Water Supply and Sewage Disposal System Revenue Refunding Bonds dated May 24, 2005, \$3,240,000, with annual installments ranging from \$500,000 to \$575,000 through October 1, 2017, with interest ranging from 3.900% to 5.000% payable semi-annually

Water Supply and Sewage Disposal System Revenue Refunding Bonds dated December 18, 2007, \$6,295,000, with future annual installments ranging from \$5,000 to \$800,000 through October 1, 2032, with interest ranging from 4.000% to 5.000% payable semi-annually

Water Supply and Sewage Disposal System Revenue Refunding Bonds dated July 16, 2013, \$2,845,000, with future annual installments of \$15,000 to \$300,000 through October 1, 2027, interest at 3.150% payable semi-annually

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

City of St. Johns

Notes to the Financial Statements

Long-term debt activity for the year ended June 30, 2016, was as follows:

	July 1, 2015	Additions	Deductions	June 30, 2016	Due Within One Year
Governmental Activities					
1997 Bldg. Auth. Bonds - Library	\$ 115,000	\$ -	\$ 55,000	\$ 60,000	\$ 60,000
1998 Bldg. Auth. Bonds - Courthouse	400,000	-	90,000	310,000	95,000
2003 MI Transportation Refunding Bonds	260,000	-	60,000	200,000	65,000
2007 Capital Improvement Bonds	1,270,000	-	85,000	1,185,000	90,000
Installment Note - Industrial Park Land Purchase	138,436	-	33,419	105,017	34,200
State of MI-CDBG	91,625	-	17,453	74,172	17,453
Internal Service Fund					
Installment Note - Firetruck	9,534	-	9,534	-	-
Installment Note - Sweeper	29,871	-	14,613	15,258	15,258
Installment Note - Pumper Tanker Fire Truck	-	376,615	-	376,615	20,547
Total Governmental Activities Long-term Debt	\$ 2,314,466	\$ 376,615	\$ 365,019	\$ 2,326,062	\$ 397,458
Compensated Absences	\$ 188,383	\$ 170,092	\$ 161,383	\$ 197,092	\$ 131,180
Business-type Activities					
2005 Water & Sewer Rev. Bonds	\$ 1,650,000	\$ -	\$ 525,000	\$ 1,125,000	\$ 550,000
2007 Water & Sewer Rev. Bonds	6,280,000	-	5,000	6,275,000	5,000
2013 Water & Sewer Rev. Bonds	2,830,000	-	15,000	2,815,000	15,000
State of MI-CDBG	40,061	-	7,631	32,430	7,631
Total Business-type Long-term Debt	10,800,061	-	552,631	10,247,430	577,631
Net Bond Premium / Discount	34,132	-	7,435	26,697	7,435
Total Business-type Activities	\$ 10,834,193	\$ -	\$ 560,066	\$ 10,274,127	\$ 585,066
Compensated Absences	\$ 88,979	\$ 66,272	\$ 86,023	\$ 69,228	\$ 44,634

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

Year Ended June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 397,434	\$ 84,128	\$ 481,562	\$ 577,631	\$ 392,149	\$ 969,780
2018	333,095	69,478	402,573	602,631	369,251	971,882
2019	349,560	56,068	405,628	462,631	348,815	811,446
2020	139,413	46,886	186,299	477,631	331,240	808,871
2021	131,983	42,221	174,204	486,904	312,499	799,403
2022 - 2026	699,391	134,426	833,793	2,725,002	1,276,260	4,001,262
2027 - 2031	275,186	19,343	294,529	3,350,000	696,929	4,046,929
2032 - 2033	-	-	-	1,565,000	68,048	1,633,048
Total	\$ 2,326,062	\$ 452,550	\$ 2,778,588	\$ 10,247,430	\$ 3,795,190	\$ 14,042,620

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

City of St. Johns

Notes to the Financial Statements

Advanced Refundings

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

Note 10 – 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.

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.

Note 11 – Contingent Liabilities

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

On May 22, 2012 the Michigan State Housing Development Authority (MSHDA) sent a demand letter to the City asserting that the City breached two Community Development Block grant agreements. MSHDA is seeking the full grant amount of \$707,977 to be repaid. The City has

City of St. Johns

Notes to the Financial Statements

retained legal counsel regarding this matter. As of the date of audit report issuance no lawsuit has been filed.

Note 12 – Pension Plans

Defined Contribution - ICMA

The City of St. Johns is the sponsor of a defined contribution retirement plan for the sole benefit of its employees. The plan is administered by the Michigan Municipal Employees Retirement System. The plan was established by the City Commission. Plan provisions and contribution requirements can be amended by the City Commission. Non-union employees hired after May 31, 2003 receive 8% of their wages as a contribution to the plan. Non-union new hires have an irrevocable option at the time of hire to contribute 2% of their wages to the plan and the City matches this contribution. If this option is refused, then the 8% City funding is what is received. Union employees hired after July 1, 2007 receive 8% of their wages as a contribution to the plan. The City will match up to 4% of additional contributions for a total maximum contribution of 16%. During the year ended June 30, 2016, 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 \$23,757 and \$108,567 were made by the employees and employer, respectively, in accordance with contribution requirements established by the City Commission.

Defined Benefit - Michigan Municipal Employees' Retirement System

General Information about the Plan

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

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

City of St. Johns

Notes to the 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 June 30, 2016, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	55
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>16</u>
Total employees covered by MERS	<u>74</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 11.42% to 71.93% of annual payroll.

Net Pension Liability. The City's net pension liability was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5% (3-4% for 2014)

Salary Increases: base wage inflation of 3.75% in the long-term (plus merit and longevity from 0 to 11% based on age) (4.5 for 2014)

Investment rate of return: 7.75%, net of investment expense, including inflation (8.25 for 2014)

Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2014 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for disabled plan member were based on a blend of RP-2014 disabled retire mortality tables of a 50% Male and 50% Female blend of disabled retirees. (1994 group annuity tables is 2014)

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

City of St. Johns

Notes to the Financial Statements

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money Weighted Rate of Return
Global equity	57.50%	6.27%	3.60%
Global fixed income	20.00%	3.43%	0.68%
Real assets	12.50%	5.48%	0.69%
Diversifying strategies	10.00%	7.81%	0.78%
Inflation			2.00%
Administrative fee			0.25%
Investment rate of return			8.00%

Discount Rate. The discount rate used to measure the total pension liability is 8.00%. 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

Notes to the Financial Statements

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Changes in Net Pension Liability			
Balance at December 31, 2014	\$ 16,651,291	\$ 8,558,039	\$ 8,093,252
Service cost	104,868	-	104,868
Interest	1,322,685	-	1,322,685
Difference between expected and actual experience	73,277	-	73,277
Changes in assumptions	685,498	-	685,498
Contributions - Employer	-	702,800	(702,800)
Contributions - Employee	-	4,095	(4,095)
Net investment income	-	(120,666)	120,666
Benefit payments, including refunds	(1,342,352)	(1,342,352)	-
Administrative expenses	-	(18,062)	18,062
<i>Net changes</i>	<u>843,976</u>	<u>(774,185)</u>	<u>1,618,161</u>
Balance at December 31, 2015	<u>\$ 17,495,267</u>	<u>\$ 7,783,854</u>	<u>\$ 9,711,413</u>

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 8.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's net pension liability	\$ 11,493,848	\$ 9,711,413	\$ 8,195,827

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

Notes to the Financial Statements

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

For the year ended June 30, 2016, the City recognized pension expense of \$660,865. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected & actual experience	\$ 36,638	
Change in assumptions	342,749	
Excess (deficit) investment returns	733,377	-
	1,112,764	
Contributions subsequent to measurement date	370,011	-
Total	\$ 1,482,775	\$ -

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

Years Ending June 30,	Amount
2017	\$ 570,530
2018	191,143
2019	191,141
2020	159,950
Total	\$ 1,112,764

Payable to the Pension Plan. At June 30, 2016, the City did not have any outstanding contribution amounts payable to the pension plan.

City of St. Johns

Notes to the Financial Statements

Note 13 – Commitments

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

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

At June 30, 2016, the City held operating lease agreements for heavy equipment, copiers, and a postage meter. Future minimum lease commitments are as follows:

Years Ending June 30,	Amount
2017	\$ 17,271
2018	13,589
2019	7,877
2020	2,166
Total	\$ 38,737

Total lease expense for the year ended June 30, 2016 was \$17,452.

City of St. Johns

Notes to the Financial Statements

Note 14 – Fund Balances – Governmental Funds

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

	General Fund	Garbage	Street Millage	Nonmajor Governmental Funds	Total
Nonspendable for					
Prepays	\$ 36,101	\$ -	\$ -	\$ -	\$ 36,101
Total Nonspendable	<u>36,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,101</u>
Restricted for					
Drug Law Enforcement	-	-	-	4,196	4,196
Streets	-	-	-	565,597	565,597
Garbage	-	70,247	-	-	-
Debt Service	-	-	-	61,678	61,678
Capital Projects	-	-	-	30,280	30,280
Total Restricted	<u>-</u>	<u>70,247</u>	<u>-</u>	<u>661,751</u>	<u>661,751</u>
Assigned for					
MSHDA Claim	800,000	-	-	-	800,000
Employee Retirement - MERS	200,000	-	-	-	200,000
Total Assigned	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Unassigned	<u>1,214,733</u>		(266,833)	(8,885)	939,015
Total Fund Balances - Governmental Funds	<u>\$ 2,250,834</u>	<u>\$ 70,247</u>	<u>\$ (266,833)</u>	<u>\$ 652,866</u>	<u>\$ 2,636,867</u>

Note 15 – Net Investment in Capital Assets

The composition of net investment in capital assets as of June 30, 2016, was as follows:

	Governmental Activities Internal Service Funds	Governmental Activities	Total Governmental Activities	Business-type Activities
Capital Assets not being Depreciated	\$ 230,031	\$ 1,078,142	\$ 1,308,173	\$ 176,072
Capital Assets being Depreciated	515,136	8,292,619	8,807,755	15,481,120
Less:			-	
Capital Related Bonds and Installment Contracts	391,873	1,934,189	2,326,062	10,247,430
Unamortized Premium on Bonds	-	-	-	26,697
Add:				
Unspent proceeds	246,883	-	246,883	-
Total Net Investment in Capital Assets	<u>\$ 600,177</u>	<u>\$ 7,436,572</u>	<u>\$ 8,036,749</u>	<u>\$ 5,383,065</u>

City of St. Johns

Notes to the Financial Statements

Note 16 – Restatement

The financial statements for the year ended June 30, 2015 have been restated in order to account for business-type compensated absences that have been previously accounted for in governmental activities. The governmental activities net position has also been adjusted to for prior year capital asset additions.

	Governmental Activities	Business-type Activities
Net Position - June 30, 2015 - As previously reported	\$ 4,734,356	\$ 6,395,014
Compensated Absences	88,979	(88,979)
Capital Assets	182,281	-
Net Position - June 30, 2015 - Restated	<u>\$ 5,005,616</u>	<u>\$ 6,306,035</u>

Note 17 – Subsequent Events

Subsequent events have been evaluated through October 31, 2016, the date the financial statements were available to be issued.

On October 20, 2016, the City issued \$6,535,000 refunding bonds for the 2007 Water/Sewer revenue bonds. The interest rate on the bonds is 2.65 percent and the maturity date is October 1, 2032.

The City entered into a purchase agreement of \$150,000 to acquire the Hicks Grain Elevator Property.

Management is not aware of any other subsequent events that would have a significant impact on the financial condition of the City.

Note 18 – Special Item - Disposal of Operations

On April 30, 2016, the City transferred the assets and liabilities comprising its library service operations to the Briggs District Library for the purpose of enhancing library services. As a result of the transfer, the City recognized a loss of \$323,264 on the fund financials and \$402,417 on the government-wide statement of activities on the disposal of its library service operations as a special item. The Building Authority will also be deeding the library building to the District Library at the end of November 2016.

REQUIRED SUPPLEMENTARY INFORMATION

City of St. Johns
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 2,000,688	\$ 2,000,688	\$ 1,917,001	\$ (83,687)
Licenses and Permits	6,500	8,500	16,481	7,981
Intergovernmental Revenue	920,086	992,074	1,014,234	22,160
Charges for Services	940,945	940,945	942,410	1,465
Fines and Forfeitures	25,000	25,000	35,918	10,918
Interest and Rentals	22,875	22,875	25,399	2,524
Other Revenue	123,843	125,636	166,429	40,794
Total Revenues	4,039,937	4,115,718	4,117,872	2,154
Other Financing Sources				
Total Revenues and Other Financing Sources	4,039,937	4,115,718	4,117,872	2,154
Expenditures				
General Government				
Legislative	307,088	307,138	287,981	19,157
Administration	969,725	942,800	921,528	21,272
Municipal Building	86,646	92,088	92,088	--
Other	68,145	82,330	91,583	(9,253)
Total General Government	1,431,604	1,424,356	1,393,180	31,176
Public Safety				
Police Department	1,331,556	1,332,818	1,310,780	22,038
Fire Department	238,849	239,749	208,188	31,561
Total Public Safety	1,570,405	1,572,567	1,518,968	53,599
Public Works				
Department of Public Works	356,803	356,861	361,175	(4,314)
Recreation and Culture				
Parks Department	151,565	155,532	156,798	(1,266)
Recreation Department	142,080	158,559	158,069	490
Total Recreation and Culture	293,645	314,091	314,867	(776)
Debt Service - Principal	58,503	58,503	50,872	7,631
Debt Service - Interest	5,692	5,692	5,691	1
Capital Outlay	34,370	129,516	128,997	519
Total Expenditures	3,751,022	3,861,586	3,773,750	87,836
Other Financing Uses				
Transfers Out	288,915	296,715	279,253	17,462
Total Expenditures and Other Financing Uses	4,039,937	4,158,301	4,053,003	105,298
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	(42,583)	64,869	107,452
Net Change in Fund Balance	--	(42,583)	64,869	107,452
Fund Balance at Beginning of Period	2,185,965	2,185,965	2,185,965	--
Fund Balance at End of Period	\$ 2,185,965	\$ 2,143,382	\$ 2,250,834	\$ 107,452

City of St. Johns
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Garbage
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 97,919	\$ 97,919	\$ 97,613	\$ (306)
Charges for Services	597,000	597,000	593,255	(3,745)
Interest and Rentals	--	--	111	111
Other Revenue	--	--	2,306	2,306
Total Revenues	694,919	694,919	693,285	(1,634)
Other Financing Sources				
Transfers In	20,402	20,402	20,402	--
Total Revenues and Other Financing Sources	715,321	715,321	713,687	(1,634)
Expenditures				
Public Works	770,321	766,949	752,914	14,035
Capital Outlay	5,000	8,373	7,550	823
Total Expenditures	775,321	775,321	760,464	14,857
Other Financing Uses				
Total Expenditures and Other Financing Uses	775,321	775,321	760,464	14,857
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(60,000)	(60,000)	(46,777)	13,223
Net Change in Fund Balance	(60,000)	(60,000)	(46,777)	13,223
<i>Fund Balance at Beginning of Period</i>	117,024	117,024	117,024	--
Fund Balance at End of Period	\$ 57,024	\$ 57,024	\$ 70,247	\$ 13,223

City of St. Johns
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Fiscal Year (Schedule is built prospectively upon implementation of GASB 68)

	2016	2015
Total Pension Liability		
Service Cost	\$ 104,868	\$ 102,554
Interest	1,322,685	1,315,290
Differences Between Expected & Actual Experience	73,277	-
Changes in Assumptions	685,498	-
Benefit Payments, Including Refunds	(1,342,352)	(1,316,382)
Net Change in Pension Liability	843,976	101,462
<i>Total Pension Liability - Beginning</i>	16,651,291	16,549,829
Total Pension Liability - Ending (a)	<u>\$ 17,495,267</u>	<u>\$ 16,651,291</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 702,800	\$ 663,817
Contributions - Member	4,095	4,054
Net Investment Income	(120,666)	533,601
Benefit Payments, Including Refunds	(1,342,352)	(1,316,382)
Administrative Expenses	(18,062)	(19,451)
Net Change in Plan Fiduciary Net Position	(774,185)	(134,361)
<i>Plan Fiduciary Net Position - Beginning</i>	8,558,039	8,692,400
Plan Fiduciary Net Position - Ending (b)	<u>\$ 7,783,854</u>	<u>\$ 8,558,039</u>
Net Pension Liability - Ending (a) - (b)	\$ 9,711,413	\$ 8,093,252
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	44.49%	51.40%
Covered Employee Payroll	\$ 889,705	\$ 870,041
Net Pension Liability as a Percentage of Covered Employee Payroll	1091.53%	930.22%

City of St. Johns
Required Supplementary Information
Schedule of Contributions
Last 10 Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially Determined Contribution	\$ 702,800	\$ 663,817	\$ 588,494	\$ 529,567	\$ 504,854	\$ 460,240	\$ 422,971	\$ 415,584	\$ 433,523	\$ 356,266
Contributions in Relation to the Actuarially Determined Contribution	702,800	663,817	588,494	529,567	504,854	460,240	422,971	415,584	433,523	356,266
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	889,705	870,041	919,396	921,051	1,152,871	1,303,664	1,696,349	1,645,368	1,663,725	1,732,517
Contributions as a Percentage of Covered Employee Payroll	79%	76%	64%	57%	44%	35%	25%	25%	26%	21%

Notes

Valuation Date December 31, 2015

Actuarially determined contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry-age
Amortization method	Level percent of payroll, closed
Remaining amortization period	10 Years
Asset valuation method	5 years
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition.
Mortality	50% Male - 50% Female RP-2014 Mortality Table

OTHER SUPPLEMENTARY INFORMATION

City of St. Johns

Nonmajor Governmental Fund Descriptions

Special Revenue Funds

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

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

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

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

Debt Service Funds

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

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.

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
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016**

	Special Revenue				Debt Service	
	Major Streets	Local Streets	Drug Law Enforcement	Library	2003 Michigan Transportation Fund Bonds	2007 Building Authority Capital Improvement Bonds
ASSETS						
Cash & Cash Equivalents	\$ 332,091	\$ 262,206	\$ 4,196	\$ --	\$ 28	\$ --
Receivables	83,951	31,602	--	--	--	--
<i>Total Assets</i>	\$ 416,042	\$ 293,808	\$ 4,196	\$ --	\$ 28	\$ --
LIABILITIES						
Accounts Payable	\$ 135,110	\$ 1,980	\$ --	\$ --	\$ --	\$ --
Accrued Liabilities	3,208	3,955	--	--	--	--
<i>Total Liabilities</i>	138,318	5,935	--	--	--	--
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Special Assessments	--	--	--	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	138,318	5,935	--	--	--	--
FUND BALANCE						
Restricted	277,724	287,873	4,196	--	28	--
Unassigned	--	--	--	--	--	--
<i>Total Fund Balance</i>	277,724	287,873	4,196	--	28	--
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 416,042	\$ 293,808	\$ 4,196	\$ --	\$ 28	\$ --

**City of St. Johns
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016**

	Debt Service		Capital Projects			
	1997 Library Building Authority Fund Bonds	1998 Courthouse Building Authority Fund Bonds	Fantasy Forest	Splash Park	Revolving Special Assessment	Total Nonmajor Governmental Funds
ASSETS						
Cash & Cash Equivalents	\$ 61,650	\$ --	\$ 7,412	\$ (8,885)	\$ 22,868	\$ 681,566
Receivables	--	--	--	--	38,142	153,695
<i>Total Assets</i>	\$ 61,650	\$ --	\$ 7,412	\$ (8,885)	\$ 61,010	\$ 835,261
LIABILITIES						
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 137,090
Accrued Liabilities	--	--	--	--	--	7,163
<i>Total Liabilities</i>	--	--	--	--	--	144,253
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Special Assessments	--	--	--	--	38,142	38,142
<i>Total Liabilities and Deferred Inflows of Resources</i>	--	--	--	--	38,142	182,395
FUND BALANCE						
Restricted	61,650	--	7,412	--	22,868	661,751
Unassigned	--	--	--	(8,885)	--	(8,885)
<i>Total Fund Balance</i>	61,650	--	7,412	(8,885)	22,868	652,866
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 61,650	\$ --	\$ 7,412	\$ (8,885)	\$ 61,010	\$ 835,261

City of St. Johns
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue				Debt Service	
	Major Streets	Local Streets	Drug Law Enforcement	Library	2003 Michigan Transportation Fund Bonds	2007 Building Authority Capital Improvement Bonds
Revenues						
Property Taxes	\$ --	\$ --	\$ --	\$ 183,846	\$ --	\$ --
Intergovernmental Revenue	477,020	181,004	--	61,718	--	--
Charges for Services	--	--	--	9,902	--	--
Fines and Forfeitures	--	--	--	5,037	--	--
Interest and Rentals	4	2	--	2	--	--
Other Revenue	2,625	2,901	--	61,674	--	--
Total Revenues	479,649	183,907	--	322,179	--	--
Expenditures						
Public Works	241,663	196,090	--	--	--	--
Recreation and Culture	--	--	--	334,587	--	--
Debt Service - Principal	--	--	--	--	60,000	85,000
Debt Service - Interest	--	--	--	--	10,110	52,203
Capital Outlay	261,728	7,035	--	26,815	--	--
Total Expenditures	503,391	203,125	--	361,402	70,110	137,203
Excess of Revenues Over (Under) Expenditures	(23,742)	(19,218)	--	(39,223)	(70,110)	(137,203)
Other Financing Sources (Uses)						
Transfers In	103,328	52,506	--	--	70,110	137,203
Transfers Out	(166,318)	(25,000)	--	(2,386)	--	--
Net Other Financing Sources (Uses)	(62,990)	27,506	--	(2,386)	70,110	137,203
Special Item - Disposal of Operations (Note 18)	--	--	--	(323,264)	--	--
Net Change in Fund Balance	(86,732)	8,288	--	(364,873)	--	--
Fund Balance at Beginning of Period	364,456	279,585	4,196	364,873	28	--
Fund Balance at End of Period	\$ 277,724	\$ 287,873	\$ 4,196	\$ --	\$ 28	\$ --

City of St. Johns
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Debt Service		Capital Projects			
	1997 Library Building Authority Fund Bonds	1998 Courthouse Building Authority Fund Bonds	Fantasy Forest	Splash Park	Revolving Special Assessment	Total Nonmajor Governmental Funds
Revenues						
Property Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 183,846
Intergovernmental Revenue	--	--	--	--	--	719,742
Charges for Services	--	--	--	--	--	9,902
Fines and Forfeitures	--	--	--	--	--	5,037
Interest and Rentals	--	--	3	--	105	116
Other Revenue	--	--	--	18,393	1,750	87,343
Total Revenues	--	--	3	18,393	1,855	1,005,986
Expenditures						
Public Works	--	--	--	--	--	437,753
Recreation and Culture	--	--	--	6,462	--	341,049
Debt Service - Principal	55,000	90,000	--	--	--	290,000
Debt Service - Interest	5,562	16,281	--	--	--	84,156
Capital Outlay	--	--	--	128,345	--	423,923
Total Expenditures	60,562	106,281	--	134,807	--	1,576,881
Excess of Revenues Over (Under) Expenditures	(60,562)	(106,281)	3	(116,414)	1,855	(570,895)
Other Financing Sources (Uses)						
Transfers In	2,386	106,281	--	54,000	--	525,814
Transfers Out	--	--	--	--	--	(193,704)
Net Other Financing Sources (Uses)	2,386	106,281	--	54,000	--	332,110
Special Item - Disposal of Operations (Note 18)	--	--	--	--	--	(323,264)
Net Change in Fund Balance	(58,176)	--	3	(62,414)	1,855	(562,049)
<i>Fund Balance at Beginning of Period</i>	<i>119,826</i>	<i>--</i>	<i>7,409</i>	<i>53,529</i>	<i>21,013</i>	<i>1,214,915</i>
Fund Balance at End of Period	\$ 61,650	\$ --	\$ 7,412	\$ (8,885)	\$ 22,868	\$ 652,866

City of St. Johns
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Major Streets
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Intergovernmental Revenue	\$ 401,709	\$ 401,709	\$ 477,020	\$ 75,311
Interest and Rentals	--	--	4	4
Other Revenue	--	--	2,625	2,625
Total Revenues	401,709	401,709	479,649	77,940
Other Financing Sources				
Transfers In	29,528	58,328	103,328	45,000
Total Revenues and Other Financing Sources	431,237	460,037	582,977	122,940
Expenditures				
Public Works	260,419	266,719	241,663	25,056
Capital Outlay	13,500	315,000	261,728	53,272
Total Expenditures	273,919	581,719	503,391	78,328
Other Financing Uses				
Transfers Out	166,318	166,318	166,318	--
Total Expenditures and Other Financing Uses	440,237	748,037	669,709	78,328
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(9,000)	(288,000)	(86,732)	201,268
Net Change in Fund Balance	(9,000)	(288,000)	(86,732)	201,268
<i>Fund Balance at Beginning of Period</i>	364,456	364,456	364,456	--
Fund Balance at End of Period	\$ 355,456	\$ 76,456	\$ 277,724	\$ 201,268

City of St. Johns
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Local Streets
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Intergovernmental Revenue	\$ 154,525	\$ 174,525	\$ 181,004	\$ 6,479
Interest and Rentals	--	--	2	2
Other Revenue	--	--	2,901	2,901
Total Revenues	<u>154,525</u>	<u>174,525</u>	<u>183,907</u>	<u>9,382</u>
Other Financing Sources				
Transfers In	<u>70,008</u>	<u>70,008</u>	<u>52,506</u>	<u>(17,502)</u>
Total Revenues and Other Financing Sources	<u>224,533</u>	<u>244,533</u>	<u>236,413</u>	<u>(8,120)</u>
Expenditures				
Public Works	218,533	221,533	196,090	25,443
Capital Outlay	<u>15,000</u>	<u>12,000</u>	<u>7,035</u>	<u>4,965</u>
Total Expenditures	<u>233,533</u>	<u>233,533</u>	<u>203,125</u>	<u>30,408</u>
Other Financing Uses				
Transfers Out	<u>--</u>	<u>20,000</u>	<u>25,000</u>	<u>(5,000)</u>
Total Expenditures and Other Financing Uses	<u>233,533</u>	<u>253,533</u>	<u>228,125</u>	<u>25,408</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(9,000)</u>	<u>(9,000)</u>	<u>8,288</u>	<u>17,288</u>
Net Change in Fund Balance	<u>(9,000)</u>	<u>(9,000)</u>	<u>8,288</u>	<u>17,288</u>
Fund Balance at Beginning of Period	<u>279,585</u>	<u>279,585</u>	<u>279,585</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 270,585</u>	<u>\$ 270,585</u>	<u>\$ 287,873</u>	<u>\$ 17,288</u>

City of St. Johns
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Drug Law Enforcement
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
<i>Total Revenues</i>	--	--	--	--
Other Financing Sources				
<i>Total Revenues and Other Financing Sources</i>	--	--	--	--
Expenditures				
<i>Total Expenditures</i>	--	--	--	--
Other Financing Uses				
<i>Total Expenditures and Other Financing Uses</i>	--	--	--	--
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>	--	--	--	--
<i>Net Change in Fund Balance</i>	--	--	--	--
<i>Fund Balance at Beginning of Period</i>	4,196	4,196	4,196	--
<i>Fund Balance at End of Period</i>	<u>\$ 4,196</u>	<u>\$ 4,196</u>	<u>\$ 4,196</u>	<u>\$ --</u>

City of St. Johns
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Library
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 184,003	\$ 184,003	\$ 183,846	\$ (157)
Intergovernmental Revenue	159,544	159,544	61,718	(97,826)
Charges for Services	12,648	12,648	9,902	(2,746)
Fines and Forfeitures	6,090	6,090	5,037	(1,053)
Interest and Rentals	180	180	2	(178)
Other Revenue	16,689	52,274	61,674	9,400
Total Revenues	379,154	414,739	322,179	(92,560)
Other Financing Sources				
Total Revenues and Other Financing Sources	379,154	414,739	322,179	(92,560)
Expenditures				
Recreation and Culture	372,647	405,845	334,587	71,258
Capital Outlay	36,791	36,791	26,815	9,976
Special Item - Disposal of Operations (Note 18)	--	--	323,264	(323,264)
Total Expenditures	409,438	442,636	684,666	(242,030)
Other Financing Uses				
Transfers Out	--	2,387	2,386	1
Total Expenditures and Other Financing Uses	409,438	445,023	687,052	(242,029)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(30,284)	(30,284)	(364,873)	(334,589)
Net Change in Fund Balance	(30,284)	(30,284)	(364,873)	(334,589)
<i>Fund Balance at Beginning of Period</i>	<i>364,873</i>	<i>364,873</i>	<i>364,873</i>	<i>--</i>
Fund Balance at End of Period	\$ 334,589	\$ 334,589	\$ --	\$ (334,589)

City of St. Johns

Fiduciary Fund Descriptions

FIDUCIARY FUNDS

Tax Collection - This fund is used to record the receipt and transfers of property taxes collected by the City on behalf of the state, county, school districts, and other governments.

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

City of St. Johns
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Agency</u>	
	<u>Trust and Agency</u>	<u>Tax Collection</u>
ASSETS		
Cash & Investments	\$ 76,767	\$ 1,845
<i>Total Assets</i>	<u>76,767</u>	<u>1,845</u>
LIABILITIES		
Undistributed Receipts	76,767	1,845
<i>Total Liabilities</i>	<u>76,767</u>	<u>1,845</u>
NET POSITION		
Held in Trust	\$ --	\$ --

City of St. Johns
Combined Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2016

	Tax Collection			
	June 30, 2015	Additions	Deductions	June 30, 2016
ASSETS				
Cash and Investments	\$ 77	\$ 9,418,784	\$ 9,417,016	\$ 1,845
Accounts Receivable	-	-	-	-
<i>Total Assets</i>	<u>77</u>	<u>9,418,784</u>	<u>9,417,016</u>	<u>1,845</u>
LIABILITIES				
Undistributed Receipts	77	9,418,784	9,417,016	1,845
<i>Total Liabilities</i>	<u>\$ 77</u>	<u>\$ 9,418,784</u>	<u>\$ 9,417,016</u>	<u>\$ 1,845</u>

	Trust and Agency			
	June 30, 2015	Additions	Deductions	June 30, 2016
ASSETS				
Cash and Investments	\$ 65,609	\$ 977,173	\$ 966,015	\$ 76,767
Due from Funds	1,260	-	1,260	-
<i>Total Assets</i>	66,869	977,173	967,275	76,767
LIABILITIES				
Undistributed Receipts	66,869	977,173	967,275	76,767
<i>Total Liabilities</i>	\$ 66,869	\$ 977,173	\$ 967,275	\$ 76,767

	Total			
	June 30, 2015	Additions	Deductions	June 30, 2016
ASSETS				
Cash and Investments	\$ 65,686	\$ 10,395,957	\$ 10,383,031	\$ 78,612
Due from Funds	1,260	-	1,260	-
Total Assets	66,946	10,395,957	10,384,291	78,612
LIABILITIES				
Undistributed Receipts	66,946	10,395,957	10,384,291	78,612
Total Liabilities	\$ 66,946	\$ 10,395,957	\$ 10,384,291	\$ 78,612

STATISTICAL SECTION

City of St. Johns Statistical Section

This part of the City of St. John's comprehensive annual financial report presents detailed information as context for understanding what the information in the financial statements and note disclosures says about the city's overall financial health.

Contents	Table
Financial Trends	
These schedules contain information to help the reader understand how the City's financial performance and well-being have changed over time.	A-1 to A-4
Revenue Capacity	
These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.	B-1 to B-4
Debt Capacity	
These present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	C-1 to C-4
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place.	D-1 to D-2
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and activities it performs.	E-1 to E-3

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF ST. JOHNS

Table A-1

**NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year									
	2016	2015*	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Net investment in capital assets	\$ 8,036,749	\$ 6,713,405	\$ 5,528,294	\$ 5,545,869	\$ 5,764,422	\$ 5,117,902	\$ 5,217,094	\$ 5,141,798	\$ 4,097,761	\$ 3,634,022
Restricted	731,998	1,243,761	1,448,811	1,444,773	1,266,665	998,387	1,212,853	1,339,049	2,074,395	2,428,436
Unrestricted	(3,533,847)	(3,222,810)	1,858,441	1,921,027	2,068,629	2,620,011	2,710,396	2,725,886	2,866,252	2,729,324
Total governmental activities net position	\$ 5,234,900	\$ 4,734,356	\$ 8,835,546	\$ 8,911,669	\$ 9,099,716	\$ 8,736,300	\$ 9,140,343	\$ 9,206,733	\$ 9,038,408	\$ 8,791,782
Business-type activities										
Net investment in capital assets	\$ 5,383,065	\$ 5,443,887	\$ 5,100,038	\$ 4,878,351	\$ 4,993,664	\$ 5,392,596	\$ 5,741,929	\$ 4,861,354	\$ 5,705,983	\$ 6,069,901
Restricted	1,273,055	1,267,273	1,241,700	1,323,869	1,316,369	1,301,369	1,314,969	1,282,619	1,275,119	963,716
Unrestricted	(853,900)	(316,146)	2,909,945	3,059,535	3,489,385	3,482,511	3,236,659	4,347,173	3,272,226	3,025,743
Total business-type activities net position	\$ 5,802,220	\$ 6,395,014	\$ 9,251,683	\$ 9,261,755	\$ 9,799,418	\$ 10,176,476	\$ 10,293,557	\$ 10,491,146	\$ 10,253,328	\$ 10,059,360
Primary government										
Net investment in capital assets	\$ 13,419,814	\$ 12,157,292	\$ 10,628,332	\$ 10,424,220	\$ 10,758,086	\$ 10,510,498	\$ 10,959,023	\$ 10,003,152	\$ 9,803,744	\$ 9,703,923
Restricted	2,005,053	2,511,034	2,690,511	2,768,642	2,583,034	2,299,756	2,527,822	2,621,668	3,349,514	3,392,152
Unrestricted	(4,387,747)	(3,538,956)	4,768,386	4,980,562	5,558,014	6,102,522	5,947,055	7,073,059	6,138,478	5,755,067
Total primary government net position	\$ 11,037,120	\$ 11,129,370	\$ 18,087,229	\$ 18,173,424	\$ 18,899,134	\$ 18,912,776	\$ 19,433,900	\$ 19,697,879	\$ 19,291,736	\$ 18,851,142

Source: City of St. Johns basic financial statements

* Restated Due to GASB 68

CITY OF ST. JOHNS

Table A-2

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental activities										
General government	\$ 1,679,719	\$ 1,239,099	\$ 1,533,050	\$ 1,569,775	\$ 1,625,884	\$ 1,555,276	\$ 1,222,008	\$ 1,887,997	\$ 1,266,220	\$ 1,727,638
Public safety	1,734,544	1,465,663	1,405,036	1,309,145	1,232,431	1,778,851	1,424,852	1,333,478	1,393,472	1,347,380
Public works	2,137,325	1,987,632	2,067,006	2,173,149	2,075,051	2,509,856	2,157,548	1,773,554	2,044,475	1,521,204
Community and economic development	-	-	-	604	-	129,014	190,517	329,315	199,831	338,282
Recreation and culture	772,324	909,829	633,608	763,370	658,138	644,178	881,209	711,623	664,897	694,729
Interest on long-term debt	82,107	101,805	126,170	128,460	185,327	168,274	187,456	182,142	224,081	166,245
Total governmental activities expenses	6,406,019	5,704,028	5,764,870	5,944,503	5,776,831	6,785,449	6,063,590	6,218,109	5,792,976	5,795,478
Business-type activities										
Water and Sewer	4,059,601	3,784,439	3,775,216	3,784,453	3,971,813	3,517,857	3,384,561	3,077,226	2,895,051	2,740,741
Total primary government expenses	10,465,620	9,488,467	9,540,086	9,728,956	9,748,644	10,303,306	9,448,151	9,295,335	8,688,027	8,536,219
Program revenues										
Governmental activities										
Charges for services										
Refuse collection	593,255	623,608	606,533	599,455	579,000	589,790	654,216	594,884	608,934	496,902
Other public works	755,459	675,377	656,884	649,219	627,066	638,751	473,743	497,750	439,296	422,395
Other activities	376,132	431,026	419,224	414,332	400,194	407,651	422,242	659,893	421,460	427,662
Total charges for services	1,724,846	1,730,011	1,682,641	1,663,006	1,606,260	1,636,192	1,550,201	1,752,527	1,469,690	1,346,959
Operating grants and contributions	981,267	1,035,542	941,965	978,150	1,402,983	764,496	854,769	862,298	967,710	1,138,860
Capital grants and contributions	432,819	-	-	63,224	67,851	499,447	381,699	591,546	143,766	171,594
Total governmental activities program revenues	3,138,932	2,765,553	2,624,606	2,704,380	3,077,094	2,900,135	2,786,669	3,206,371	2,581,166	2,657,413
Business-type activities										
Charges for services										
Water and Sewer	3,486,444	3,362,116	3,395,952	3,426,030	3,356,057	3,352,400	3,107,225	3,344,723	2,853,672	2,702,695
Other activities	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total charges for services	3,491,444	3,367,116	3,400,952	3,431,030	3,361,057	3,357,400	3,112,225	3,349,723	2,858,672	2,707,695
Capital grants and contributions	-	-	44,918	101,918	152,417	950	19,791	14,898	14,898	14,898
Total business-type activities program revenues	3,491,444	3,367,116	3,445,870	3,532,948	3,513,474	3,358,350	3,132,016	3,364,621	2,873,570	2,722,593
Total primary government program revenues	6,630,376	6,132,669	6,070,476	6,237,328	6,590,568	6,258,485	5,918,685	6,570,992	5,454,736	5,380,006

continued...

CITY OF ST. JOHNS

Table A-2.1

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net (expense) revenue										
Governmental activities	\$ (3,267,087)	\$ (2,938,475)	\$ (3,140,264)	\$ (3,240,123)	\$ (2,699,737)	\$ (3,885,314)	\$ (3,276,921)	\$ (3,011,738)	\$ (3,211,810)	\$ (3,138,065)
Business-type activities	(568,157)	(417,323)	(329,346)	(251,505)	(458,339)	(159,507)	(252,545)	287,395	(21,481)	(18,148)
Total primary government net (expense) revenue	(3,835,244)	(3,355,798)	(3,469,610)	(3,491,628)	(3,158,076)	(4,044,821)	(3,529,466)	(2,724,343)	(3,233,291)	(3,156,213)
General revenues and other changes in net position										
Governmental activities										
Taxes	2,979,385	2,962,510	2,185,855	2,203,982	2,227,200	2,221,376	2,299,060	2,279,200	2,355,955	2,216,216
State Shared Revenue	694,890	695,460	683,247	665,287	647,375	618,149	728,532	718,626	721,434	738,444
Investment earnings	2,929	2,117	2,563	1,839	2,946	5,684	13,007	48,085	214,681	204,641
Gain on sale of capital assets	-	-	-	-	9,327	53,556	-	-	-	181,236
Miscellaneous	193,325	197,891	164,217	147,536	130,326	555,118	142,960	120,908	138,509	165,923
Transfers	28,259	28,259	28,259	33,433	45,979	27,388	26,972	13,929	27,857	-
Special item - disposal of operations	(402,417)	-	-	-	-	-	-	-	-	-
Total governmental activities	3,496,371	3,886,237	3,064,141	3,052,077	3,063,153	3,481,271	3,210,531	3,180,748	3,458,436	3,506,460
Business-type activities										
Investment earnings	3,885	1,552	1,850	1,816	2,730	2,830	10,919	84,789	200,965	134,692
Other general revenues	88,716	74,158	56,849	107,053	124,530	66,984	71,099	(39,038)	42,341	48,113
Transfers	(28,259)	(28,259)	(28,259)	(33,433)	(45,979)	(27,388)	(26,972)	(13,929)	(27,857)	-
Total business-type activities	64,342	47,451	30,440	75,436	81,281	42,426	55,046	31,822	215,449	182,805
Total primary government	3,560,713	3,933,688	3,094,581	3,127,513	3,144,434	3,523,697	3,265,577	3,212,570	3,673,885	3,689,265
Change in net position										
Governmental activities	229,284	947,762	(76,123)	(188,046)	363,416	(404,043)	(66,390)	169,010	246,626	368,395
Business-type activities	(503,815)	(369,872)	(298,906)	(176,069)	(377,058)	(117,081)	(197,499)	319,217	193,968	164,657
Total primary government	\$ (274,531)	\$ 577,890	\$ (375,029)	\$ (364,115)	\$ (13,642)	\$ (521,124)	\$ (263,889)	\$ 488,227	\$ 440,594	\$ 533,052

Source: City of St. Johns basic financial statements

concluded

CITY OF ST. JOHNS

Table A-3

**FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)**

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,749	\$ 41,576	\$ 6,425	\$ 2,930
Unreserved	-	-	-	-	-	-	1,436,947	1,390,252	1,431,308	1,348,602
Nonspendable	36,101	75,240	32,741	42,736	41,359	48,002	-	-	-	-
Assigned	1,000,000	1,000,000	1,000,000	1,000,000	958,329	408,000	-	-	-	-
Unassigned	1,214,733	1,110,725	1,042,160	926,946	870,000	1,283,782	-	-	-	-
Total general fund	\$ 2,250,834	\$ 2,185,965	\$ 2,074,901	\$ 1,969,682	\$ 1,869,688	\$ 1,739,784	\$ 1,476,696	\$ 1,431,828	\$ 1,437,733	\$ 1,351,532
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132,196	\$ 137,435	\$ 141,352	\$ 161,530
Unreserved reported in										
Special revenue funds	-	-	-	-	-	-	1,342,663	1,329,722	1,510,002	1,359,041
Capital project funds	-	-	-	-	-	-	639,422	883,523	1,465,298	1,853,534
Nonspendable	-	3,637	4,388	3,711	3,454	2,263	-	-	-	-
Restricted	731,998	1,274,773	1,492,147	1,488,290	1,266,693	1,043,108	-	-	-	-
Assigned	-	53,529	42,500	43,000	292,881	692,980	-	-	-	-
Unassigned (deficit)	(275,718)	(220,947)	(181,764)	-	-	-	-	-	-	-
Total all other governmental funds	\$ 456,280	\$ 1,110,992	\$ 1,357,271	\$ 1,535,001	\$ 1,563,028	\$ 1,738,351	\$ 2,114,281	\$ 2,350,680	\$ 3,116,652	\$ 3,374,105

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.

CITY OF ST. JOHNS

Table A-4

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Taxes	\$ 2,979,385	\$ 3,001,810	\$ 2,225,155	\$ 2,251,154	\$ 2,277,465	\$ 2,329,348	\$ 2,393,070	\$ 2,370,985	\$ 2,451,617	\$ 2,306,035
Licenses and permits	16,481	117,171	117,345	113,824	81,033	102,946	141,335	100,287	136,133	145,110
Intergovernmental revenues	1,733,976	1,634,860	1,526,236	1,509,187	2,007,475	1,913,806	1,840,210	2,301,788	1,689,436	1,883,561
Charges for services	1,545,567	1,534,362	1,508,850	1,483,161	1,466,169	1,376,929	1,268,904	1,228,852	1,175,602	1,041,886
Fines and forfeits	40,955	33,629	35,059	40,735	36,882	33,329	28,582	163,669	160,515	171,257
Interest and Rents	25,627	23,912	22,863	26,843	25,103	26,023	33,182	73,525	232,447	223,598
Other Revenue	256,078	294,033	263,193	345,010	241,060	623,945	316,187	187,683	224,771	431,560
Total revenues	6,598,069	6,639,777	5,698,701	5,769,914	6,135,187	6,406,326	6,021,470	6,426,789	6,070,521	6,203,007
Expenditures										
Current										
General government	1,393,180	1,330,285	1,450,796	1,375,062	1,408,439	1,378,628	1,387,352	1,779,050	1,417,004	1,421,149
Public safety	1,518,968	1,433,635	1,379,660	1,277,285	1,258,157	1,704,683	1,329,991	1,333,478	1,335,660	1,337,463
Public works	1,572,503	1,522,377	1,516,231	1,710,335	2,237,409	1,352,048	1,426,538	1,769,115	1,528,531	1,848,956
Community and economic development	-	-	-	604	-	129,014	190,517	329,315	199,831	338,282
Recreation & culture	655,916	833,274	577,225	675,316	565,342	576,568	728,791	711,623	622,571	642,287
Debt service										
Principal	340,872	425,109	399,363	425,955	399,218	438,697	452,839	443,280	439,639	380,378
Interest	89,847	107,777	123,086	139,505	164,439	174,416	197,374	202,561	219,717	164,719
Capital Outlay	1,321,621	1,150,794	353,110	127,318	193,581	843,617	526,571	644,173	506,677	609,209
Total expenditures	6,892,907	6,803,251	5,799,471	5,731,380	6,226,585	6,597,671	6,239,973	7,212,595	6,269,630	6,742,443
Excess of Revenues Over (Under) Expenditures	(294,838)	(163,474)	(100,770)	38,534	(91,398)	(191,345)	(218,503)	(785,806)	(199,109)	(539,436)
Other financing sources (uses)										
Proceeds from borrowing		-	-	-	-	51,115	-	-	-	1,850,000
Bond discount and issuance costs		-	-	-	-	-	-	-	-	(24,385)
Transfers in	546,216	426,921	455,013	645,616	748,045	991,601	710,631	797,473	780,863	658,193
Transfers out	(517,957)	(398,662)	(426,754)	(612,183)	(702,066)	(964,213)	(683,659)	(783,544)	(753,006)	(658,193)
Total other financing sources (uses)	28,259	28,259	28,259	33,433	45,979	78,503	26,972	13,929	27,857	1,825,615
Special item - disposal of operations	(323,264)	-	-	-	-	-	-	-	-	-
Net changes in fund balances	\$ (589,843)	\$ (135,215)	\$ (72,511)	\$ 71,967	\$ (45,419)	\$ (112,842)	\$ (191,531)	\$ (771,877)	\$ (171,252)	\$ 1,286,179
Debt service as a percentage of noncapital expenditures	7.73%	9.43%	9.59%	10.09%	9.34%	10.66%	11.38%	9.83%	11.44%	8.89%

CITY OF ST. JOHNS

Table B-1

***ASSESSED STATE EQUALIZED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS***

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Developmental	Personal Property	Special Act Parcels	Total	Total Direct Tax Rate (1)
2007	\$ 140,364,846	\$ 34,834,416	\$ 13,458,454	\$ 308,341	\$ 23,872,300	\$ 2,752,300	\$ 215,590,657	11.3066
2008	143,552,992	35,693,249	14,202,976	315,425	18,731,600	2,262,900	214,759,142	11.1554
2009	141,124,206	37,933,386	14,297,721	329,296	19,117,700	5,229,000	218,031,309	11.1554
2010	138,780,365	36,131,503	13,935,325	328,301	18,623,300	4,586,224	212,385,018	11.1583
2011	136,072,875	42,579,284	5,059,314	316,909	17,807,200	3,750,100	205,585,682	11.1682
2012	131,689,328	42,845,583	4,766,258	323,855	17,823,100	3,913,300	201,361,424	11.1737
2013	130,806,543	44,727,741	4,561,030	340,132	17,360,000	4,017,600	201,813,046	11.1732
2014	131,636,561	43,814,183	4,254,867	325,085	14,454,400	4,742,800	199,227,896	15.1775
2015	138,828,200	48,744,800	4,864,600	799,100	15,299,600	4,107,079	212,643,379	15.1763
2016	147,428,225	50,019,000	4,213,600	-	14,746,700	3,271,398	219,678,923	15.1735

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.

CITY OF ST. JOHNS

Table B-2

***DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per \$1,000 of taxable value)***

City of St. Johns												
Fiscal Year	General	Econ. Dev.	Garbage (4)	Library	Streets (3)	Total	St. Johns Public Schools (2)	Clinton County	Clinton County Regional Educational Service Agency	Clinton Transit	State Education Tax	Total
2007	9.5729	0.2349	0.5000	0.9988	-	11.3066	7.0000	7.6095	3.7603	0.1986	6.0000	35.8750
2008	9.4360	0.2349	0.5000	0.9845	-	11.1554	7.0000	5.7068	3.7579	0.1986	6.0000	33.8187
2009	9.4360	0.2349	0.5000	0.9845	-	11.1554	7.0000	5.8000	3.7579	0.1986	6.0000	33.9119
2010	9.4360	0.2378	0.5000	0.9845	-	11.1583	7.0000	5.8000	3.7615	0.2000	6.0000	33.9198
2011	9.4360	0.2477	0.5000	0.9845	-	11.1682	7.0000	5.8000	3.7615	0.2000	6.0000	33.9297
2012	9.4360	0.2532	0.5000	0.9845	-	11.1737	7.0000	5.8000	3.7615	0.2000	6.0000	33.9352
2013	9.4360	0.2527	0.5000	0.9845	-	11.1732	7.0000	5.8000	3.7615	0.2000	6.0000	33.9347
2014	9.4360	0.2570	0.5000	0.9845	4.0000	15.1775	7.0000	5.8000	3.7615	0.2000	6.0000	37.9390
2015	9.4360	0.2558	0.5000	0.9845	4.0000	15.1763	7.0000	5.8000	3.7615	0.2000	6.0000	37.9378
2016	9.4360	0.2530	0.5000	0.9845	4.0000	15.1735	7.0000	5.7953	3.7615	0.2000	6.0000	37.9303

Source: Tax warrants issued by City Assessor

Notes:

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

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

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

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

CITY OF ST. JOHNS

Table B-3

***PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO***

Taxpayer	2016			2007		
	Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value
Save-A-Lot	\$ 5,681,600	1	2.59%	\$ 8,273,500	1	3.84%
Mahle Engine Components	4,201,507	2	1.91%	-	-	0.00%
Consumers Energy	3,889,575	3	1.77%	2,021,567	6	0.94%
Lone Oak - St Johns LLC	2,789,272	4	1.27%	-	-	0.00%
Allied Ring Co	2,380,100	5	1.08%	3,435,600	7	1.59%
Harry's St Johns LLC	2,307,273	6	1.05%	2,753,210	8	1.28%
Glick Suntree LLC	1,896,400	7	0.86%	-	0	0.00%
Clinton Commons	1,536,925	8	0.70%	2,569,781	4	1.19%
CCS/Lansing Inc	1,160,400	9	0.53%	1,334,619	10	0.62%
Martin-Brower	1,083,200	10	0.49%	-	-	0.00%
Federal Mogul	-	-	0.00%	8,166,300	2	3.79%
Dana Corporation	-	-	0.00%	3,253,500	3	1.51%
Barnard Manufacturing	-	-	0.00%	2,710,018	5	1.26%
M & M Restaurant Supply	-	-	0.00%	1,592,843	9	0.74%
<i>Total</i>	<u>\$ 26,926,252</u>		<u>12.26%</u>	<u>\$ 36,110,938</u>		<u>16.75%</u>

Source: City assessors office & 2007 financial statements

CITY OF ST. JOHNS

Table B-4

***PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS***

Fiscal Year Ended June 30	General	Street Millage	Economic Development	Library	Garbage	Total Tax Levy	Amount Collected in Fiscal Year of Levy		Amount Collected in Subsequent Year/ Received from County	Total Collections to Date	
							Amount	Percentage		Total Tax Collection	Percentage Collected
2007	\$ 1,946,188	\$ -	\$ 49,976	\$ 203,043	\$ 101,641	\$ 2,300,848	\$ 2,296,850	99.83%	\$ -	\$ 2,296,850	99.83%
2008	2,035,547	-	49,932	212,366	106,309	\$ 2,404,154	2,385,061	99.21%	-	\$ 2,385,061	99.21%
2009	2,016,581	-	50,184	210,384	106,846	\$ 2,383,995	2,260,165	94.81%	-	\$ 2,260,165	94.81%
2010	2,007,987	-	49,971	209,488	106,394	\$ 2,373,840	2,269,700	95.61%	-	\$ 2,269,700	95.61%
2011	1,962,400	-	49,455	204,746	103,985	\$ 2,320,586	2,199,901	94.80%	-	\$ 2,199,901	94.80%
2012	1,904,505	-	49,978	198,691	100,913	\$ 2,254,087	2,150,767	95.42%	-	\$ 2,150,767	95.42%
2013	1,864,987	-	50,044	194,582	98,823	\$ 2,208,436	2,188,777	99.11%	-	\$ 2,188,777	99.11%
2014	1,866,384	-	49,967	194,714	98,894	\$ 2,209,959	2,203,855	99.72%	-	\$ 2,203,855	99.72%
2015	1,835,148	777,936	49,968	191,456	97,238	\$ 2,951,746	2,844,685	96.37%	107,051	\$ 2,951,736	100.00%
2016	1,822,644	772,634	49,395	190,151	96,573	\$ 2,931,397	2,858,694	97.52%	70,139	\$ 2,928,833	99.91%

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

Notes:

(1) Clinton County pays the City of St. Johns the full amount of the delinquent real property taxes upon settlement in March of each year.

(2) The table includes Ad Valorem taxes only. It excludes commercial and industrial facilities taxes as provided under Public Acts 198 and 255.

CITY OF ST. JOHNS

Table C-1

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Population	Assessed Value of Property	Governmental Activities			Business-type Activities		Total Primary Government	Net Debt to Assessed Value	Net Debt Per Capita
			General Obligation Bonds	Special Assessment Bonds	Note and Loans	Revenue Bonds	Note and Loans			
2007	7,485	\$ 261,243,000	\$ 4,720,000	\$ 70,000	\$ 969,970	\$ 7,850,000	\$ 122,909	\$ 13,732,879	5.26%	\$ 1,835
2008	7,485	252,668,500	4,415,000	50,000	946,052	13,765,000	108,011	19,284,063	7.63%	\$ 2,576
2009	7,485	241,152,600	4,100,000	35,000	820,870	13,375,000	93,113	18,423,983	7.64%	\$ 2,461
2010	7,485	232,451,224	3,775,000	15,000	684,696	12,975,000	78,215	17,527,911	7.54%	\$ 2,342
2011	7,865	220,224,200	3,430,000	-	634,474	12,560,000	70,585	16,695,059	7.58%	\$ 2,123
2012	7,865	211,771,200	3,110,000	-	575,178	12,360,000	62,954	16,108,132	7.61%	\$ 2,048
2013	7,865	210,411,200	2,770,000	-	421,245	11,711,774	55,323	14,958,342	7.11%	\$ 1,902
2014	7,865	207,215,800	2,420,000	-	346,278	11,321,566	47,692	14,135,536	6.82%	\$ 1,797
2015	7,865	212,643,379	2,045,000	-	269,466	10,794,132	40,061	13,148,659	6.18%	\$ 1,672
2016	7,865	219,678,923	1,755,000	-	571,067	10,241,697	32,430	12,600,194	5.74%	\$ 1,602

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 D-1

CITY OF ST. JOHNS

Table C-2

***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	Net Debt to Assessed Value	Net Debt Per Capita
2007	7,485	\$ 261,243,000	\$ 4,720,000	\$ 101,987	\$ 4,618,013	1.77%	\$ 617
2008	7,485	252,668,500	4,415,000	77,445	4,337,555	1.72%	579
2009	7,485	241,152,600	4,100,000	80,109	4,019,891	1.67%	537
2010	7,485	232,451,224	3,775,000	80,400	3,694,600	1.59%	494
2011	7,865	220,224,200	3,430,000	325,410	3,104,590	1.41%	395
2012	7,865	211,771,200	3,110,000	308,214	2,801,786	1.32%	356
2013	7,865	210,411,200	2,770,000	200,975	2,569,025	1.22%	327
2014	7,865	207,215,800	2,420,000	140,106	2,279,894	1.10%	290
2015	7,865	212,643,379	2,045,000	85,205	1,959,795	0.92%	249
2016	7,865	219,678,923	1,755,000	61,678	1,693,322	0.77%	215

Note:

(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).

CITY OF ST. JOHNS

Table C-3

***DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2016***

Governmental Unit	Debt Outstanding	Percentage Applicable To City (1)	Amount Applicable To City
Overlapping Debt			
St. Johns Public Schools (a)	\$ 74,605,000	30.46%	\$ 22,724,683
Clinton County (b)	4,209,267	8.05%	338,846
<i>Total Overlapping Debt</i>			<u>23,063,529</u>
City of St. Johns	\$ 2,326,067	100.0%	2,326,067
<i>Total Direct and Overlapping Debt</i>			<u><u>\$ 25,389,596</u></u>

Note:

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

(a) Source: St. Johns Public Schools financial statements as of 6/30/2016.

(b) Source: Clinton County financial statements as of 12/31/2015.

CITY OF ST. JOHNS

Table C-4

**LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Total state equalized value (1)	\$219,678,923
Debt limitation - 10 percent of SEV	<u>\$ 21,967,892</u>
Debt applicable to limitation	
Total bonded debt	2,326,067
Less:	
Revenue bonds	<u>-</u>
Total Debt Applicable to Limitation	<u>2,326,067</u>
Legal Debt Margin	<u>\$ 19,641,825</u>

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt limit	\$ 21,967,892	\$ 21,264,338	\$ 20,721,580	\$ 21,041,120	\$ 21,177,120	\$ 22,022,420	\$ 23,245,122	\$ 24,115,260	\$ 25,266,850	\$ 26,124,300
Total net debt applicable to limit	2,326,067	2,314,466	2,766,278	3,191,245	3,641,732	4,370,145	4,792,945	5,263,121	5,713,038	6,067,947
Legal debt margin	<u>\$ 19,641,825</u>	<u>\$ 18,949,872</u>	<u>\$ 17,955,302</u>	<u>\$ 17,849,875</u>	<u>\$ 17,535,388</u>	<u>\$ 17,652,275</u>	<u>\$ 18,452,177</u>	<u>\$ 18,852,139</u>	<u>\$ 19,553,812</u>	<u>\$ 20,056,353</u>
Total net debt applicable to limit as a percentage of debt limit	10.59%	10.88%	13.35%	15.17%	17.20%	19.84%	20.62%	21.82%	22.61%	23.23%

Source: City of St. Johns Treasurer's Office

(1) Source: Clinton County equalization reports (includes amounts for Commercial Rehab & Industrial Facilities properties).

CITY OF ST. JOHNS

Table D-1

***DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS***

Year	Population (1 & 2)	Personal Income	Per Capita Personal Income (3 & 6)	Unemployment Rate (5)
2007	7,485	\$ 241,698,135	\$ 32,291	5.90%
2008	7,485	251,061,870	33,542	6.60%
2009	7,485	244,961,595	32,727	10.90%
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	-	(4)	4.30%
2016	7,865	-	(4)	-

Notes

(1) *Source: 2000 Census report*

(2) *Source: 2010 Census report*

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

(4) *Data for 2015 and 2016 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

Table D-2

***PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO***

	2016		2007	
	Number of Jobs (1 & 2)	Percentage of Workforce	Number of Jobs (1 & 2)	Percentage of Workforce
Construction & Mining	7,600	3.35%	8,400	3.76%
Manufacturing	21,200	9.36%	21,700	9.70%
Trade, Transportation & Utilities	35,800	15.80%	35,600	15.92%
Information	3,100	1.37%	2,500	1.12%
Financial Activities	16,000	7.06%	15,000	6.71%
Professional & Business Services	22,700	10.02%	20,400	9.12%
Educational & Health Services	30,500	13.46%	28,900	12.92%
Leisure & Hospitality	19,800	8.74%	20,000	8.94%
Other Services	10,300	4.55%	11,600	5.19%
Government	59,600	26.30%	59,500	26.61%
Totals	<u>226,600</u>		<u>223,600</u>	

(1) Source: State of Michigan Labor Market Information

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

CITY OF ST. JOHNS

Table E-1

***CITY EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS***

Function/Program	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General government	8	8	8	8	8	8	8	9	9	9
Public Safety	12	11	11	10	10	10	10	13	13	13
Public Works	21	22	22	18	18	18	18	22	22	22
Community and economic development	1	1	1	1	1	1	1	1	1	1
Recreation and Culture	8	8	7	5	5	5	5	5	5	5
<i>Total</i>	50	50	49	42	42	42	42	50	50	50

Source: City of St. Johns Clerk's Office

CITY OF ST. JOHNS

Table E-2

**OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public safety (2)										
Physical Arrest	316	272	329	404	404	338	230	201	277	434
Parking violations	893	962	1,086	1,071	886	886	1,046	997	987	1,092
Traffic violations	901	862	893	1,041	1,048	1,048	712	949	1,279	1,126
Emergency fire responses	55	38	47	45	74	61	35	35	44	34
Public works (3)										
Street resurfacing (in miles)	3.34	3.80	0.53	0.99	1.21	0.27	0.27	0.22	-	2.52
Number of water meters	3,262	3,252	3,321	3,321	3,282	3,280	3,280	3,188	3,189	3,163
Average daily water consumption (gallons)	588,000	658,000	657,000	671,000	622,000	608,000	609,000	719,600	633,000	764,000
Peak daily water consumption	1,015,000	1,120,000	1,393,000	1,410,000	1,300,000	1,650,000	1,657,000	1,287,000	1,711,000	1,414,000
Average daily sewage treatment	1,148,166	1,250,000	1,200,000	1,090,000	1,200,000	1,084,000	1,084,000	1,187,000	1,063,737	1,324,562
Recreation and culture (4)										
Volumes of library collection	48,637	47,071	44,657	45,380	44,772	42,423	39,642	38,843	41,902	40,423
Volumes borrowed from library	86,482	82,670	89,559	93,611	108,602	126,059	129,986	126,336	124,465	125,271

(1) Water, sewage, public safety and library data are reported on a calendar year basis. Therefore, the 2016 information is not yet available.

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

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

(4) Source: Briggs District Library Director

CITY OF ST. JOHNS

Table E-3

***CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS***

Function/Program	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public safety (1)										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Public works (2)										
<i>Streets</i>										
Streets (per lane mile)	87	87	87	87	80	80	80	80	80	80
Traffic signals	4	4	4	4	4	4	4	4	4	4
<i>Water</i>										
Mains (miles)	52	52	52	52	50	50	50	50	50	50
Fire hydrants	432	432	432	431	437	437	437	437	437	437
Storage capacity (gallons)	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000
<i>Waste Water</i>										
Sanitary sewers (miles)	43	43	43	43	43	43	43	43	43	43
Storm sewers (miles)	32	32	32	32	32	32	32	32	32	32
Treatment capacity (million gallons per day)	2.9	2.9	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Recreation and culture (3)										
Parks (acres)	97	97	97	94	94	94	116	116	116	116
Playgrounds	6	6	6	6	6	6	6	6	6	6
Municipal swimming pools/spray park (4)	1	-	-	-	-	-	-	1	1	1
Tennis courts	4	4	4	4	4	4	11	11	11	11
Softball diamonds	1	1	1	1	1	1	3	3	3	3

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

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

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

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

October 31, 2016

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Johns for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 19, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of St. Johns are described in Note 1 to the financial statements. As discussed in Note 1 to the Financial Statements, the City adopted Governmental Accounting Standards Board Statement No. 72. We noted no transactions entered into by the City of St. Johns during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the City's financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension plan is based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of St. John's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of St. John's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison information, and the pension information, which are (is) required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report the combining and individual nonmajor fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the City Commission and management of the City of St. Johns and is not intended to be, and should not be, used by anyone other than these specified parties.

Gabridge & Company

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor & Members of the City Commission
City of 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, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of St. Johns, Michigan's basic financial statements, and have issued our report thereon dated October 31, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of St. Johns, Michigan'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 of St. Johns, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of St. Johns, Michigan'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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of St. Johns, Michigan's financial statements are free from 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*.

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 entity'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 dark ink that reads "Galbridge & Company". The script is cursive and fluid, with the ampersand clearly visible.

Grand Rapids, Michigan
October 31, 2016

City of St. Johns**Attachment A – Upcoming Changes in Accounting Standards / Regulations**

For the June 30, 2016 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City. For the complete text of these and other GASB standards, visit www.gasb.org and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 74 - Postemployment Benefit Plans Other than Pension Plans

Effective 06/15/2017 (your FY 2017)

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB 75 - Postemployment Benefits Other than Pensions

Effective 06/15/2018 (your FY 2018)

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB 77 - Tax Abatement Disclosures

Effective 12/15/2016 (your FY 2017)

The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government’s financial position and economic condition.

GASB 78 - Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

Effective 12/15/2016 (your FY 2017)

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB 80 - Blending Requirements for Certain Component Units

Effective 06/15/2017 (your FY 2017)

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

GASB 81 - Irrevocable Split-interest Agreements

Effective 12/15/2017 (your FY 2018)

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

GASB 82 - GASB 81 - Pension Issues

Effective 06/15/2017 (your FY 2017)

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance

in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.