

**City of St. Joseph
Berrien County, Michigan**

FINANCIAL STATEMENTS

June 30, 2015

City of St. Joseph

TABLE OF CONTENTS

June 30, 2015

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-iii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iv-x
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	6
Proprietary Funds	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9-10
Fiduciary Funds	
Statement of Fiduciary Net Position	11
Statement of Changes in Fiduciary Net Position	12
Component Units	
Combining Statement of Net Position	13
Combining Statement of Activities	14
Notes to Financial Statements	15-43
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Budgetary Comparison Schedule	44-45
Employee Retirement System	
Schedules of Funding Progress and Employer Contributions	46
Schedule of Changes in the System's Net Pension Liability and Related Ratios	47
Schedule of Employer Contributions	48
Schedule of Investment Returns	49
Schedule of City's Proportionate Share of Net Pension Asset	50
Schedule of City Contributions	51
Other Post-Employment Benefits	
Schedules of Funding Progress and Employer Contributions	52
Notes to Required Supplementary Information	53-54

City of St. Joseph

TABLE OF CONTENTS - CONTINUED

June 30, 2015

	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	55-58
Combining Statement of Revenues, Expenses, and Changes in Fund Balances	59-62
Nonmajor Enterprise Funds	
Combining Balance Sheet	63
Combining Statement of Revenues, Expenses, and Changes in Fund Balances	64
Combining Statement of Cash Flows	65-66
Internal Service Funds	
Combining Statement of Net Position	67
Combining Statement of Revenues, Expenses, and Changes in Net Position	68
Combining Statement of Cash Flows	69
Component Unit Fund - Downtown Development Authority	
Balance Sheet	70
Statement of Revenues, Expenditures, and Changes in Fund Balance	71
Debt Schedules	
Schedule of 2003 State Revolving Fund Bonds	72
Schedule of 2004 State Revolving Fund Bonds	73
Schedule of Capital Improvement Note Berrien County Revolving Loan Fund	74
Schedule of Bluffside Installment Loan	75
Schedule of 2011 Refunding Bonds	76
Schedule of 2014 Fire Truck Installment Loan	77
Schedule of 2008 Capital Improvement Bonds	78
Schedule of 2009 Clean Water Bonds, Project #5322-01	79
Schedule of 2009 Clean Water Bonds, Project #7237-01	80
Schedule of 2010 Clean Water Bonds	81
Schedule of 2010 Marina Installment Loan	82
Schedule of 2012 Clean Water Bonds	83
Schedule of General Limited Tax Bonds	84
Schedule of 2013 Clean Water Bonds	85
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 <i>GOVERNMENT AUDITING STANDARDS</i>	86-87

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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of St. Joseph Housing Commission, which represent 96 percent, 96 percent, and 92 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. We did not audit the financial statements of the Southwest Michigan Regional Airport Authority, which represents 16 percent, 17 percent, and 0 percent, respectively, of the assets, net position, and revenues of the governmental activities. We did not audit the financial statements of the Benton Harbor - St. Joseph Joint Wastewater Treatment Plant, which represents 25 percent, 32 percent, and 0 percent, respectively, of the assets, net position, and revenues of the business-type activities and 70 percent, 76 percent, and 0 percent, respectively, of the assets, net position, and revenues of the Sewer Fund, which is a major fund. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they related to the amounts included for the aggregate discretely presented component units, governmental activities, the business-type activities, and the Sewer Fund, are based solely on the reports of other auditors. 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, based on our audit and the reports of other auditors, 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. Joseph, Michigan, as of June 30, 2015, 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.

Changes in Accounting Principles

As discussed in Note N to the financial statements, during the year the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*. As a result, the City's net pension asset has been recognized on the government-wide and proprietary financial statements and the beginning net position has been restated. Our opinions are not modified with respect to this matter.

Also as discussed in Note N to the financial statements, the City implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, during the year. As a result, the City recognized beginning deferred outflows of resources for its pension contributions made subsequent to the measurement date of the beginning net pension asset. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and debt schedules, as identified in the table of contents, 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 and debt schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and debt schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 26, 2015

City of St. Joseph

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

This discussion and analysis of the City of St. Joseph's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the City's financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the 2014-2015 fiscal year by \$107,558,031. Of this amount, \$36,657,041 is not restricted and may be used to meet the ongoing obligations of residents and creditors.
- The City's total net position increased by \$945,498.
- At the close of the current fiscal year, the City's Governmental Funds reported combined ending fund balances of \$10,009,757, an increase of \$1,689,830 in comparison with the prior fiscal year. Approximately \$1,884,510 of this total amount is available for spending at the government's discretion.
- At the end of the current fiscal year, the General Fund's fund balance was \$2,884,510 or approximately 35.60% of total general fund expenditures.
- The City's total debt decreased by \$752,905 to \$17,157,277, well below the debt limitations set by State statutes.

Overview of the Financial Statements

This analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include the following three components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

In addition to the basic financial statements themselves, this report also contains other supplementary information.

1. Government-Wide Financial Statements

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

- The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources, liabilities, and deferred inflows of resources, 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 in this statement for some items that will only result in cash flows in future fiscal periods such as unused vacation leave.

Both of these Government-Wide Financial Statements distinguish City functions, which are principally supported by taxes and intergovernmental revenues from those City functions that are intended to recover all or significant portions of their costs through user fees and charges for services. The governmental activities of the City include general government, public safety, public works, sanitation, health and welfare, recreation and culture, community and economic development and debt service. The business-type activities of the City include Sewer, Water, City Water, Ice Arena, and Marina operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The Government-Wide Financial Statements include not only the City itself, but also a legally separate Downtown Development Authority and the St. Joseph Housing Commission for which the City is financially accountable. Financial information for these component units are reported separately from the financial information presented for the primary government itself.

2. Fund Financial Statements

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

Governmental Funds

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

Because the focus of Governmental Funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, the reader may better understand the long-term impact of the City's near-term financing decisions. 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.

The City maintains approximately 20 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. The City's major governmental funds for fiscal year 2015 include the General Fund and the Capital Improvement Fund. Data for the other government funds are combined into a single, aggregate presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements reported in the other supplementary information.

The City adopts an annual appropriated budget for its General Fund and all special revenue funds. A budgetary comparison statement has been provided for the General Fund and any major special revenue funds to demonstrate compliance with this budget.

Proprietary Funds

The City maintains two different types of proprietary funds, the enterprise funds and the internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. The City uses enterprise funds to account for its water, sewer, ice arena, and marina operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and heavy equipment and for its self-insurance and employee health care needs. Because the internal services predominantly benefit government rather than business-type functions, the internal service funds have been included within Governmental Activities in the Government-Wide Financial Statements.

City of St. Joseph

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

Proprietary funds provide the same type of information as the Government-Wide Financial Statements, only in more detail. The City's major enterprise funds for fiscal year 2015 include the Sewer Fund, Water Fund, and City Water Fund. Data for the other enterprise funds are combined into a single, aggregate presentation. Individual fund data for each of the nonmajor enterprise funds is provided in the form of combining statements reported in the other supplementary information. Conversely, all three internal service funds are combined into a single, aggregated presentation in the Proprietary Fund Financial Statements. Individual fund data for the internal service funds is provided in the form of combining statements reported in the other supplementary information.

Fiduciary Funds

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

3. Note 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.

4. Other Information

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

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$107,558,031 at the close of the 2014-2015 fiscal year.

By far the largest portion of the City's net position reflects its investment in capital assets, less any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens and 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.

The following table shows, in a condensed format, the current year's net position for the years ended June 30, 2015 and 2014:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 11,707,232	\$ 25,252,120	\$ 21,463,243	\$ 20,811,518	\$ 33,170,475	\$ 46,063,638
Capital assets	50,642,160	49,526,568	30,114,676	32,607,219	80,756,836	82,133,787
Total assets	62,349,392	74,778,688	51,577,919	53,418,737	113,927,311	128,197,425
Deferred outflow of resources	3,307,995	-	-	-	3,307,995	-0-
Current liabilities	1,322,545	1,264,588	1,755,252	1,798,218	3,077,797	3,062,806
Noncurrent liabilities	8,088,582	8,356,882	9,603,278	10,165,205	17,691,860	18,522,087
Total liabilities	9,411,127	9,621,470	11,358,530	11,963,423	20,769,657	21,584,893
Deferred inflow of resources	813,193	-	-	-	813,193	-0-

City of St. Joseph

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Net position						
Net investment in capital assets	\$ 43,975,011	\$ 42,873,696	\$ 19,966,685	\$ 21,883,027	\$ 63,941,696	\$ 64,756,723
Restricted	6,959,294	18,321,656	-	-	6,959,294	18,321,656
Unrestricted	16,404,337	3,961,866	20,252,704	19,572,287	36,657,041	23,534,153
Total net position	<u>\$ 67,338,642</u>	<u>\$ 65,157,218</u>	<u>\$ 40,219,389</u>	<u>\$ 41,455,314</u>	<u>\$ 107,558,031</u>	<u>\$ 106,612,532</u>

A portion of the City's net position, \$6,959,294, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$36,657,041 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental, business-type activities, and component units.

The following table illustrates the varying results of the governmental activities and business-type activities, which combine to capture the City's total net position, for the years ended June 30, 2015 and 2014. (Note: the 2014 column is prior to the implementation of GASB Statement No. 68 which was effective for fiscal years beginning after June 15, 2014.)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	\$ 2,182,947	\$ 3,950,963	\$ 7,540,384	\$ 7,845,801	\$ 9,723,331	\$ 11,796,764
Grants and contributions	2,154,386	4,823,389	129,729	-	2,284,115	4,823,389
General revenues						
Property taxes	7,200,873	7,413,189	-	-	7,200,873	7,413,189
State shared revenue	852,956	830,202	-	-	852,956	830,202
Investment earnings	20,163	(271,075)	9,498	163,211	29,661	(107,864)
Miscellaneous	381,310	1,307,348	11,686	273,791	392,996	1,581,139
Transfers	2,156,847	65,000	(2,156,847)	(65,000)	-	-
Total revenues	<u>14,949,482</u>	<u>18,119,016</u>	<u>5,534,450</u>	<u>8,217,803</u>	<u>20,483,932</u>	<u>26,336,819</u>
Expenses						
General government	1,518,305	3,619,698	-	-	1,518,305	3,619,698
Public safety	3,979,462	3,650,748	-	-	3,979,462	3,650,748
Public works	3,763,484	1,871,084	-	-	3,763,484	1,871,084
Health and welfare	33,113	48,099	-	-	33,113	48,099
Community and economic development	580,132	417,512	-	-	580,132	417,512
Recreation and culture	2,685,553	1,205,609	-	-	2,685,553	1,205,609
Sewer system	-	-	1,307,631	1,394,393	1,307,631	1,394,393
Water system	-	-	4,841,174	4,646,842	4,841,174	4,646,842
Ice arena	-	-	231,356	206,423	231,356	206,423
Marina	-	-	390,214	480,956	390,214	480,956
Other	208,009	2,740,233	-	-	208,009	2,740,233
Total expenses	<u>12,768,058</u>	<u>13,552,983</u>	<u>6,770,375</u>	<u>6,728,614</u>	<u>19,538,433</u>	<u>20,281,597</u>
Change in net position	<u>\$ 2,181,424</u>	<u>\$ 4,566,033</u>	<u>\$ (1,235,925)</u>	<u>\$ 1,489,189</u>	<u>\$ 945,499</u>	<u>\$ 6,055,222</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

Governmental Activities

Governmental Activities increased the City's net position by \$2,181,424. Property taxes were \$7,200,873 or approximately 48% of the total governmental revenues. Grants and contributions were \$2,154,386 or approximately 14% of the total governmental revenues. The remaining 38% is mostly composed of various charges for services, state revenues, and other miscellaneous revenue. Governmental expenditures decreased overall by \$784,925 most dramatically in the General Government expenditures where staffing vacancies, including management level positions, occurred.

Business-Type Activities

Business-type Activities decreased the City's net position by \$1,235,926. Charges for services, including water sales, were \$7,540,384, the majority of the total business-type revenues, with the remaining mostly composed of various fees and interest revenue. Business-type expenditures increased overall by just \$41,762.

Financial Analysis of the City's Funds

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

Governmental Funds

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

As of the end of the current fiscal year the City's Governmental Funds reported combined ending fund balances of \$10,009,757, an increase of \$1,689,830 in comparison with the prior fiscal year. Approximately 19% of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The remaining 81% is reserved for specific government functions.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$2,884,510 which represents roughly 36% of total General Fund expenditures and other financing uses. As a measure of liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The fund balance of the City's General Fund increased \$30,934 from the previous fiscal year.

The Capital Improvement Fund is a capital projects fund used to account for restricted financial resources (i.e., intergovernmental and contributions) that are used toward improvements within the City.

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 Sewer Fund reported net position of \$16,930,814, an increase of \$435,248 from the prior fiscal year. The net position balance is divided between \$2,595,856 net investment in capital assets and \$14,334,958 as unrestricted.

The Water Fund reported net position of \$13,569,512, an increase of \$103,617 from the prior fiscal year. The net position balance is divided between \$9,453,239 net investment in capital assets and \$4,116,273 as unrestricted.

City of St. Joseph

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The City Water Fund reported net position of \$7,190,844, an increase of \$271,771 from the prior fiscal year. The net position balance is divided between \$5,713,000 net investment in capital assets and \$1,477,844 as unrestricted.

General Fund Budgetary Highlights

The City's budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is routinely amended during the course of the year to reflect changing operational demands. For the General Fund, the City Commission originally appropriated \$7,697,400 to cover anticipated expenditures and other financing uses of \$7,697,400. The City Commission's final amendment to the budget increased expected revenues by \$23,000 to \$7,720,400 and increased anticipated expenditures and other financing uses by \$889,000 to \$8,586,400. The most significant budget adjustments can be noted in the Public Works function and the transfers out of the General Fund.

Capital Asset and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015, was \$80,756,836 (net of depreciation), a decrease of \$1,376,951 over the previous fiscal year. This investment in capital assets includes land, buildings and improvements, infrastructure, books, furniture and equipment, land improvements, vehicles, and utility systems.

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

- Botham Avenue Reconstruction
- Park Street Bridge Rehabilitation
- Replacement of Mausoleum Roof
- Fire Station Mold Remediation and Building Rehabilitation
- Purchase Fire Apparatus
- Purchase Extrication Equipment
- Harbor Village at Harbor Shores – Public Infrastructure
- Demolition of Real Property at 1302 Niles Avenue

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$17,157,277. The City's total debt decreased as a result of scheduled payments on outstanding debt made throughout the year.

State statutes limit the amount of general obligation bond debt governmental entities may issue to 10% of its total state equalized valuation and the amount of general obligation installment note debt 1.25% of its total state equalized valuation, exclusive of interest. The current debt limitation for the City is \$50,876,849 for bond debt and \$6,359,606 for note debt, which is significantly in excess of the City's outstanding general obligation debt.

Next Year's Budget and Rates

The City's budget for the 2015/2016 fiscal year is balanced with no property tax rate increase. Total expenses in the General Fund for the 2015/2016 fiscal year are estimated to be \$8.2 million. In FY 2015/2016, the City will begin accounting for both the inspections and ice arena functions within the General Fund. Economic factors contributing to the total expenses for 2015/2016 include General Fund contributions to both the street and rubbish funds.

City of St. Joseph

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

In FY 2014/2015 the City was awarded a \$1 million Stormwater/Asset Management/Wastewater (SAW) grant by the State of Michigan to begin the initial planning phases of a comprehensive asset management plan. Phase I of this plan will identify and prioritize long-term improvements to city infrastructure, including sanitary sewer, storm sewer, water and streets. The City recognizes that this long-term planning is the foundation to the development of a financial strategy that will ensure continuation of quality services while maintaining a strong fiscal position.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City, 700 Broad Street, St. Joseph, Michigan, 49085.

BASIC FINANCIAL STATEMENTS

City of St. Joseph

STATEMENT OF NET POSITION

June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 9,799,708	\$ 7,176,637	\$ 16,976,345	\$ 457,784
Investments	-	-	-0-	40,010
Receivables	22,266	1,294,137	1,316,403	467
Due from other governmental units	244,527	-	244,527	-
Internal balances	(300)	300	-0-	-
Inventories	102,226	145,962	248,188	5,565
Prepays	156,178	-	156,178	36,761
Total current assets	10,324,605	8,617,036	18,941,641	540,587
Noncurrent assets				
Investments	1,382,627	-	1,382,627	-
Investment in joint venture	11,660,036	12,846,207	24,506,243	-
Capital assets not being depreciated	12,012,117	1,202,173	13,214,290	19,800
Capital assets being depreciated, net	38,630,043	28,912,503	67,542,546	1,267,119
Net pension asset	245,539	-	245,539	-
Total noncurrent assets	63,930,362	42,960,883	106,891,245	1,286,919
TOTAL ASSETS	74,254,967	51,577,919	125,832,886	1,827,506
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	3,307,995	-	3,307,995	-
LIABILITIES				
Current liabilities				
Accounts payable	72,563	779,081	851,644	53,261
Accrued liabilities	335,315	63,989	399,304	19,027
Tenant security deposit liability	-	-	-0-	27,693
Accrued interest payable	46,551	57,972	104,523	-
Due to other governmental units	-	225,511	225,511	-
Unearned revenue	28,850	500	29,350	10,144
Current portion of compensated absences	117,838	69,310	187,148	-
Current portion of long-term debt	721,428	558,889	1,280,317	13,556
Total current liabilities	1,322,545	1,755,252	3,077,797	123,681
Noncurrent liabilities				
Noncurrent portion of compensated absences	140,813	14,176	154,989	8,592
Noncurrent portion of long-term debt	5,945,721	9,589,102	15,534,823	156,949
Net other post-employment benefits obligation	2,002,048	-	2,002,048	-
Total noncurrent liabilities	8,088,582	9,603,278	17,691,860	165,541
TOTAL LIABILITIES	9,411,127	11,358,530	20,769,657	289,222
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	813,193	-	813,193	-
NET POSITION				
Net investment in capital assets	43,975,011	19,966,685	63,941,696	1,116,414
Restricted				
Streets and highways	2,587,468	-	2,587,468	-
Sanitation	11,216	-	11,216	-
Public safety	11,615	-	11,615	-
Capital improvement				
Expendable	2,441,319	-	2,441,319	-
Nonexpendable	495,804	-	495,804	-
Debt service	662,358	-	662,358	-
Other	749,514	-	749,514	-
Unrestricted	16,404,337	20,252,704	36,657,041	421,870
TOTAL NET POSITION	\$ 67,338,642	\$ 40,219,389	\$107,558,031	\$ 1,538,284

See accompanying notes to financial statements.

City of St. Joseph
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			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	\$ 1,518,305	\$ 1,708,975	\$ 217,119	\$ 490,597	\$ 898,386	\$ -	\$ 898,386	\$ -
Public safety	3,979,462	272,628	1,119	-	(3,705,715)	-	(3,705,715)	-
Public works	3,763,484	2,566	630,984	90,586	(3,039,348)	-	(3,039,348)	-
Health and welfare	33,113	-	-	-	(33,113)	-	(33,113)	-
Community and economic development	580,132	-	-	-	(580,132)	-	(580,132)	-
Recreation and culture	2,685,553	198,778	723,981	-	(1,762,794)	-	(1,762,794)	-
Interest and fees on long-term debt	208,009	-	-	-	(208,009)	-	(208,009)	-
Total governmental activities	12,768,058	2,182,947	1,573,203	581,183	(8,430,725)	-0-	(8,430,725)	-0-
Business-type activities								
Sewer sysetm	1,307,631	1,597,874	129,729	-	-	419,972	419,972	-
Water system	4,841,174	5,168,505	-	-	-	327,331	327,331	-
Ice arena	231,356	180,644	-	-	-	(50,712)	(50,712)	-
Marina	390,214	593,361	-	-	-	203,147	203,147	-
Total business-type activities	6,770,375	7,540,384	129,729	-0-	-0-	899,738	899,738	-0-
Total primary government	\$ 19,538,433	\$ 9,723,331	\$ 1,702,932	\$ 581,183	(8,430,725)	899,738	(7,530,987)	-0-
Component units								
Downtown Development Authority	\$ 63,071	\$ -	\$ -	\$ -	-	-	-0-	(63,071)
Housing Commission	697,179	388,117	132,687	34,914	-	-	-0-	(141,461)
Total component units	\$ 760,250	\$ 388,117	\$ 132,687	\$ 34,914	-0-	-0-	-0-	(204,532)
General revenues								
Property taxes					7,200,873	-	7,200,873	52,411
State shared revenue					852,956	-	852,956	-
Investment earnings					20,163	9,498	29,661	871
Miscellaneous					381,310	11,686	392,996	40,766
Transfers					2,156,847	(2,156,847)	-0-	-
Total general revenues and transfers					10,612,149	(2,135,663)	8,476,486	94,048
Change in net position					2,181,424	(1,235,925)	945,499	(110,484)
Restated net position, beginning of year					65,157,218	41,455,314	106,612,532	1,648,768
Net position, end of the year					\$ 67,338,642	\$ 40,219,389	\$ 107,558,031	\$ 1,538,284

See accompanying notes to financial statements.

City of St. Joseph

Governmental Funds

BALANCE SHEET

June 30, 2015

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 1,878,142	\$ 1,668,919	\$ 5,052,144	\$ 8,599,205
Investments	980,627	-	402,000	1,382,627
Accounts receivable	4,119	-	18,147	22,266
Due from other governmental units	21,720	100,416	122,391	244,527
Due from other funds	281,804	-	-	281,804
Inventory	-	-	63,772	63,772
Prepays	-	-	120,692	120,692
TOTAL ASSETS	<u>\$ 3,166,412</u>	<u>\$ 1,769,335</u>	<u>\$ 5,779,146</u>	<u>\$ 10,714,893</u>
LIABILITIES				
Accounts payable	\$ 27,408	\$ 11,764	\$ 31,464	\$ 70,636
Accrued liabilities	225,644	44	22,359	248,047
Due to other funds	-	-	357,603	357,603
Unearned revenue	28,850	-	-	28,850
TOTAL LIABILITIES	281,902	11,808	411,426	705,136
FUND BALANCES				
Nonspendable	-	-	680,268	680,268
Restricted	-	1,757,527	4,498,668	6,256,195
Committed	1,000,000	-	179,523	1,179,523
Assigned	-	-	9,261	9,261
Unassigned	1,884,510	-	-	1,884,510
TOTAL FUND BALANCES	<u>2,884,510</u>	<u>1,757,527</u>	<u>5,367,720</u>	<u>10,009,757</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,166,412</u>	<u>\$ 1,769,335</u>	<u>\$ 5,779,146</u>	<u>\$ 10,714,893</u>

See accompanying notes to financial statements.

City of St. Joseph

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2015

Total fund balances - governmental funds \$ 10,009,757

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 69,263,660	
Accumulated depreciation is	<u>(19,759,938)</u>	
Capital assets, net		49,503,722

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of certain internal service funds are included in the governmental activities in the government-wide statement of net position.

Net position of governmental activities accounted for in governmental activities internal service funds		2,399,185
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Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension asset or liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	3,307,995	
Deferred inflows of resources related to pensions	<u>(813,193)</u>	
		2,494,802

Some assets are not current financial resources and therefore are not reported as assets in the governmental funds. These amounts consist of:

Investment in joint venture	11,660,036	
Net pension asset	<u>245,539</u>	
		11,905,575

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities and related deferred charges at year-end consist of:

Bonds payable and installment purchase agreement	(6,667,149)	
Accrued interest payable	(46,551)	
Compensated absences	(258,651)	
Net other post-employment benefits obligation	<u>(2,002,048)</u>	
		<u>(8,974,399)</u>

Net position of governmental activities \$ 67,338,642

See accompanying notes to financial statements.

City of St. Joseph

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	\$ 5,216,266	\$ -	\$ 2,208,406	\$ 7,424,672
Intergovernmental	866,800	490,597	919,160	2,276,557
Licenses and permits	140,687	-	252,824	393,511
Charges for services	1,449,863	-	234,358	1,684,221
Fines and forfeits	71,697	-	179,510	251,207
Interest and rents	16,566	871	34,946	52,383
Contributions	-	197,015	48,983	245,998
Other	36,997	261,757	569,565	868,319
TOTAL REVENUES	7,798,876	950,240	4,447,752	13,196,868
EXPENDITURES				
Current				
General government	1,087,136	-	159,327	1,246,463
Public safety	3,341,240	-	236,301	3,577,541
Public works	681,840	-	2,051,355	2,733,195
Health and welfare	48,099	-	-	48,099
Community and economic development	565,104	-	-	565,104
Recreation and culture	744,107	-	984,832	1,728,939
Other	275,409	-	-	275,409
Debt service				
Principal	111,004	219,108	370,000	700,112
Interest and fees	42,044	3,968	171,082	217,094
Capital outlay	-	1,069,241	23,537	1,092,778
TOTAL EXPENDITURES	6,895,983	1,292,317	3,996,434	12,184,734
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	902,893	(342,077)	451,318	1,012,134
OTHER FINANCING SOURCES (USES)				
Note proceeds	-	665,200	-	665,200
Transfers in	335,748	1,082,707	457,854	1,876,309
Transfers out	(1,207,707)	-	(656,106)	(1,863,813)
TOTAL OTHER FINANCING SOURCES (USES)	(871,959)	1,747,907	(198,252)	677,696
NET CHANGE IN FUND BALANCES	30,934	1,405,830	253,066	1,689,830
Fund balances, beginning of year	2,853,576	351,697	5,114,654	8,319,927
Fund balances, end of year	<u>\$ 2,884,510</u>	<u>\$ 1,757,527</u>	<u>\$ 5,367,720</u>	<u>\$ 10,009,757</u>

See accompanying notes to financial statements.

City of St. Joseph

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Net change in fund balances - total governmental funds 1,689,830

Amounts reported for governmental activities in the statement of activities are different because:

Change in equity interest in the joint venture is not reported in the governmental funds. (434,541)

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,004,053	
Depreciation expense	<u>(1,915,439)</u>	
Excess of depreciation expense over capital outlay		(911,386)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Change in unavailable revenue	(404,233)	
(Decrease) in net pension asset	<u>(2,771,588)</u>	
		(3,175,821)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain individual funds are included in the governmental activities.

Net income of governmental activities internal service funds	210,763
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Transfer of capital assets, net of accumulated depreciation from business-type activities	2,083,002
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Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing long-term debt increases liabilities in the statement of net position. Items resulting from the repayment of long-term debt are reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current period, these amounts consist of:

Debt proceeds	(665,200)	
Premium on bonds	4,919	
Debt principal retirement	<u>700,112</u>	
		39,831

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	4,166	
Decrease in accrued compensated absences	150,330	
Increase in deferred outflows of resources related to pensions	3,307,995	
(Increase) in deferred inflows of resources related to pensions	(813,193)	
Decrease in other post-employment benefits obligation	<u>30,448</u>	
		<u>2,679,746</u>

Change in net position of governmental activities \$ 2,181,424

City of St. Joseph

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2015

	Enterprise Funds					Governmental Activities
	Sewer	Water	City Water	Nonmajor	Total	Internal Services
ASSETS						
Current assets						
Cash and cash equivalents	\$ 1,604,707	\$ 3,890,658	\$ 1,323,837	\$ 357,435	\$ 7,176,637	\$ 1,200,503
Accounts receivable	675,472	449,103	169,542	20	1,294,137	-
Due from other funds	-	300	-	-	300	79,192
Inventory	-	93,331	-	52,631	145,962	38,454
Prepays	-	-	-	-	-0-	35,486
Total current assets	2,280,179	4,433,392	1,493,379	410,086	8,617,036	1,353,635
Noncurrent assets						
Investment in joint venture	12,846,207	-	-	-	12,846,207	-
Capital assets not being depreciated	194,998	-	877,386	129,789	1,202,173	-
Capital assets, net of accumulated depreciation	2,990,560	16,442,699	7,321,110	2,158,134	28,912,503	1,138,438
Total noncurrent assets	16,031,765	16,442,699	8,198,496	2,287,923	42,960,883	1,138,438
TOTAL ASSETS	18,311,944	20,876,091	9,691,875	2,698,009	51,577,919	2,492,073
LIABILITIES						
Current liabilities						
Accounts payable	602,354	100,528	-	76,199	779,081	1,927
Accrued wages	2,055	48,060	-	7,895	58,010	41,937
Other accrued liabilities	-	5,700	-	279	5,979	45,331
Accrued interest payable	-	42,437	15,535	-	57,972	-
Due to other funds	-	-	-	-	-0-	3,693
Due to other governmental units	186,519	38,992	-	-	225,511	-
Unearned revenue	500	-	-	-	500	-
Current portion of compensated absences	-	69,508	-	1,419	70,927	-
Current portion of long-term debt	30,000	375,000	140,000	13,889	558,889	-
Total current liabilities	821,428	680,225	155,535	99,681	1,756,869	92,888
Noncurrent liabilities						
Noncurrent portion of compensated absences	-	11,894	-	665	12,559	-
Noncurrent portion of long-term debt	559,702	6,614,460	2,345,496	69,444	9,589,102	-
Total noncurrent liabilities	559,702	6,626,354	2,345,496	70,109	9,601,661	-0-
TOTAL LIABILITIES	1,381,130	7,306,579	2,501,031	169,790	11,358,530	92,888
NET POSITION						
Net investment in capital assets	2,595,856	9,453,239	5,713,000	2,204,590	19,966,685	-
Unrestricted	14,334,958	4,116,273	1,477,844	323,629	20,252,704	2,399,185
TOTAL NET POSITION	\$ 16,930,814	\$ 13,569,512	\$ 7,190,844	\$ 2,528,219	\$ 40,219,389	\$ 2,399,185

See accompanying notes to financial statements.

City of St. Joseph

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2015

	Enterprise Funds					Governmental Activities
	Sewer	Water	City Water	Nonmajor	Total	Internal Services
OPERATING REVENUES						
Charges for services	\$ 1,541,867	\$ 4,486,031	\$ 682,474	\$ 774,005	\$ 7,484,377	\$ 1,028,562
Fines and forfeitures	56,007	-	-	-	56,007	-
Rent	-	-	-	-	-0-	787,326
Other	732	10,249	-	705	11,686	1,603,317
TOTAL OPERATING REVENUES	1,598,606	4,496,280	682,474	774,710	7,552,070	3,419,205
OPERATING EXPENSES						
Salaries and wages	48,611	995,395	-	146,372	1,190,378	814,039
Fringe benefits	17,967	444,830	-	56,701	519,498	1,512,049
Contractual services	257,486	859,706	177,005	38,971	1,333,168	133,895
Supplies	1,142	552,734	1,397	135,179	690,452	297,266
Utilities	813,483	266,956	-	59,572	1,140,011	-
Insurance	21,778	67,754	-	9,679	99,211	193,142
Communications	2,288	12,000	-	8,151	22,439	-
Transportation	196	6,295	-	-	6,491	20
Printing and publishing	-	7,941	-	129	8,070	-
Repairs	41,710	420,759	-	20,922	483,391	55,051
Building and equipment rental	15,085	176,591	-	-	191,676	12,513
Other	6,570	21,310	-	13,015	40,895	11,133
Depreciation	68,268	390,723	201,983	132,342	793,316	241,448
TOTAL OPERATING EXPENSES	1,294,584	4,222,994	380,385	621,033	6,518,996	3,270,556
OPERATING INCOME	304,022	273,286	302,089	153,677	1,033,074	148,649
NONOPERATING REVENUES (EXPENSES)						
Intergovernmental	129,729	-	-	-	129,729	-
Interest income	1,696	6,062	1,439	301	9,498	765
Interest expense and fees	(13,047)	(175,731)	(62,064)	(537)	(251,379)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	118,378	(169,669)	(60,625)	(236)	(112,152)	765
INCOME (LOSS) BEFORE TRANSFERS	422,400	103,617	241,464	153,441	920,922	149,414
TRANSFERS						
Transfers in	32,849	-	50,307	-	83,156	76,650
Transfers out	(20,000)	-	(20,000)	(2,200,003)	(2,240,003)	(15,301)
CHANGE IN NET POSITION	435,249	103,617	271,771	(2,046,562)	(1,235,925)	210,763
Restated net position, beginning of year	16,495,565	13,465,895	6,919,073	4,574,781	41,455,314	2,188,422
Net position, end of year	<u>\$ 16,930,814</u>	<u>\$ 13,569,512</u>	<u>\$ 7,190,844</u>	<u>\$ 2,528,219</u>	<u>\$ 40,219,389</u>	<u>\$ 2,399,185</u>

See accompanying notes to financial statements.

City of St. Joseph

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

	Enterprise Funds					Governmental Activities
	Sewer	Water	City Water	Nonmajor	Total	Internal Services
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash receipts from customers	\$ 1,684,586	\$ 4,505,005	\$ 686,224	\$ 781,275	\$ 7,657,090	\$ 3,422,867
Cash paid to suppliers	(1,192,641)	(2,796,288)	(310,800)	(307,411)	(4,607,140)	(2,169,625)
Cash paid to employees	(47,907)	(978,735)	-	(144,915)	(1,171,557)	(775,795)
NET CASH PROVIDED BY OPERATING ACTIVITIES	444,038	729,982	375,424	328,949	1,878,393	477,447
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Receipt/payment of interfund balances	(46,021)	(19,074)	(49,921)	2,500	(112,516)	(28,868)
Transfers in	32,849	-	50,307	-	83,156	76,650
Transfers out	(20,000)	-	(20,000)	(117,001)	(157,001)	(15,301)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(33,172)	(19,074)	(19,614)	(114,501)	(186,361)	61,349
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Intergovernmental	129,729	-	-	-	129,729	-
Purchase of capital assets	(147,308)	(55,224)	(55,462)	(125,781)	(383,775)	(185,425)
Principal paid on debt	(30,000)	(365,000)	(135,000)	(46,201)	(576,201)	-
Interest paid on debt	(13,047)	(175,731)	(62,064)	(537)	(251,379)	-
NET CASH PROVIDED (USED) BY CAPITAL RELATED FINANCING ACTIVITIES	(60,626)	(595,955)	(252,526)	(172,519)	(1,081,626)	(185,425)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	1,696	6,062	1,439	301	9,498	765
NET INCREASE IN CASH AND CASH EQUIVALENTS	351,936	121,015	104,723	42,230	619,904	325,268
Cash and cash equivalents, beginning of year	1,252,771	3,769,643	1,219,114	315,205	6,556,733	875,235
Cash and cash equivalents, end of year	<u>\$ 1,604,707</u>	<u>\$ 3,890,658</u>	<u>\$ 1,323,837</u>	<u>\$ 357,435</u>	<u>\$ 7,176,637</u>	<u>\$ 1,200,503</u>

See accompanying notes to financial statements.

City of St. Joseph

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2015

	Enterprise Funds					Governmental Activities
	Sewer	Water	City Water	Nonmajor	Total	Internal Services
Reconciliation of operating income to net cash provided by operating activities						
Operating income	\$ 304,022	\$ 273,286	\$ 302,089	\$ 153,677	\$ 1,033,074	\$ 148,649
Adjustments to reconcile operating income to net cash provided by operating activities						
Depreciation	68,268	390,723	201,983	132,342	793,316	241,448
(Increase) decrease in:						
Accounts receivable	(272,238)	8,725	3,750	6,565	(253,198)	3,662
Due from other governmental units	358,718	-	-	-	358,718	-
Inventory	38	2,344	-	(27,207)	(24,825)	8,178
Prepays	-	-	-	-	-0-	5,653
Increase (decrease) in:						
Accounts payable	438,570	89,874	(128,951)	61,950	461,443	(13,718)
Accrued wages	2,055	-	-	2,132	4,187	39,421
Other accrued liabilities	(1,915)	13,182	-	165	11,432	45,331
Accrued interest payable	-	(2,329)	(3,447)	-	(5,776)	-
Due to other governmental units	(451,629)	(62,483)	-	-	(514,112)	-
Unearned revenue	(500)	-	-	-	(500)	-
Compensated absences	(1,351)	16,660	-	(675)	14,634	(1,177)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 444,038	\$ 729,982	\$ 375,424	\$ 328,949	\$ 1,878,393	\$ 477,447
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES						
Transfer of capital assets	\$ -	\$ -	\$ -	\$ 2,083,002	2,083,002	\$ -

City of St. Joseph

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	<u>Pension Benefits Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 180,067	\$ 5,002
Accounts receivable	160,487	-
Investments		
Fixed income	25,085,161	-
Equities	37,430,736	-
Other	500,266	-
TOTAL ASSETS	63,356,717	<u>\$ 5,002</u>
LIABILITIES		
Due to others	-	<u>\$ 5,002</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 63,356,717</u>	

See accompanying notes to financial statements.

City of St. Joseph

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2015

	<u>Pension Benefits Trust</u>
ADDITIONS	
Investment income	
Change in fair value of investments	\$ 667,671
Interest	333,399
Dividends	1,044,425
Miscellaneous	<u>19,896</u>
Total investment income	2,065,391
Less: investment expense	<u>(209,792)</u>
Net investment income	1,855,599
Contributions	
Employers	1,064,307
Employee	<u>283,317</u>
Total contributions	<u>1,347,624</u>
TOTAL ADDITIONS	3,203,223
DEDUCTIONS	
Benefits	3,195,578
Refunds of contributions	12,166
Administrative expenses	<u>40,547</u>
TOTAL DEDUCTIONS	<u>3,248,291</u>
CHANGE IN NET POSITION	(45,068)
Net position, beginning of year	<u>63,401,785</u>
Net position, end of year	<u><u>\$ 63,356,717</u></u>

See accompanying notes to financial statements.

City of St. Joseph

Component Units

COMBINING STATEMENT OF NET POSITION

June 30, 2015

	Downtown Development Authority	Housing Commission	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 59,474	\$ 398,310	\$ 457,784
Investments	-	40,010	40,010
Receivables	-	467	467
Inventory	-	5,565	5,565
Prepays	5,500	31,261	36,761
Total current assets	64,974	475,613	540,587
Noncurrent assets			
Capital assets not being depreciated	-	19,800	19,800
Capital assets being depreciated, net	-	1,267,119	1,267,119
Total noncurrent assets	-0-	1,286,919	1,286,919
TOTAL ASSETS	64,974	1,762,532	1,827,506
LIABILITIES			
Current liabilities			
Accounts payable	-	53,261	53,261
Accrued liabilities	517	18,510	19,027
Tenant security deposit liability	-	27,693	27,693
Unearned revenue	-	10,144	10,144
Current portion of long-term debt	-	13,556	13,556
Total current liabilities	517	123,164	123,681
Noncurrent liabilities			
Noncurrent portion of compensated absences	-	8,592	8,592
Noncurrent portion of long-term debt	-	156,949	156,949
Total noncurrent liabilities	-0-	165,541	165,541
TOTAL LIABILITIES	517	288,705	289,222
NET POSITION			
Net investment in capital assets	-	1,116,414	1,116,414
Unrestricted	64,457	357,413	421,870
TOTAL NET POSITION	\$ 64,457	\$ 1,473,827	\$ 1,538,284

See accompanying notes to financial statements.

City of St. Joseph

Component Units

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Housing Commission	Total
Governmental Activities							
Downtown Development Authority	\$ 63,071	\$ -	\$ -	\$ -	\$ (63,071)	\$ -	\$ (63,071)
Business-type Activities							
Housing Commission	<u>697,179</u>	<u>388,117</u>	<u>132,687</u>	<u>34,914</u>	<u>-</u>	<u>(141,461)</u>	<u>(141,461)</u>
Total component units	<u>\$ 760,250</u>	<u>\$ 388,117</u>	<u>\$ 132,687</u>	<u>\$ 34,914</u>	(63,071)	(141,461)	(204,532)
General revenues							
Property taxes					52,411	-	52,411
Investment earnings					87	784	871
Miscellaneous					<u>-</u>	<u>40,766</u>	<u>40,766</u>
Total general revenues					<u>52,498</u>	<u>41,550</u>	<u>94,048</u>
Change in net position					(10,573)	(99,911)	(110,484)
Restated net position, beginning of year					<u>75,030</u>	<u>1,573,738</u>	<u>1,648,768</u>
Net position, end of the year					<u>\$ 64,457</u>	<u>\$ 1,473,827</u>	<u>\$ 1,538,284</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of St. Joseph (the City), operates with a City Manager/Commission form of government and provides services to its residents in many areas including general government, public safety, water and sewer services, highways and streets, rubbish and trash disposal, planning and zoning, public improvements, culture, recreation, and general administrative services.

The City has elected a City Commission, which consists of the Mayor, Mayor pro tem, and three (3) Commissioner, with oversight of daily activities provided by the City Manager.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the City of St. Joseph (primary government), and its component units. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

The component units described below should be included in the City's reporting entity because of the significance of its operational or financial relationship with the City. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

2. Discretely Presented Component Units

Downtown Development Authority - The Downtown Development Authority (DDA) was established to work in cooperation with the City Commission to correct and prevent deterioration of the downtown district of the City, to promote economic growth and revitalization, to encourage historic preservation, to address problems of urban decline, and to strengthen existing areas and encourage new private development within the downtown district. The DDA's governing body consists of nine (9) individuals, who are appointed by the City Commission. Additionally, the DDA's budget is subject to approval by the City Commission. The DDA does not issue separate financial statements.

City of St. Joseph Housing Commission - The Housing Commission is a nonprofit corporation that was organized under the laws of the State of Michigan. This component unit provides low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD). The fiscal year for the Housing Commission ends March 31. The Housing Commission is considered a component unit due to the City's ability to impose its will by removing an appointed member. A complete financial statement for the City of St. Joseph Housing Commission can be obtained at 601 Port Street, St. Joseph, Michigan 49085.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Joint Ventures

The City participates in the following activities, which are considered joint ventures, with neighboring municipalities.

Southwest Michigan Regional Airport Authority - The City is a member of the Southwest Michigan Regional Airport Authority, which is a joint venture between four municipalities, including the City of St. Joseph, and was established to oversee the airport operations for these municipalities. The City provides 37.21 percent of the total funding to the Authority. The City of St. Joseph's equity interest for the year ended June 30, 2015, was \$11,660,036. Separate audited financial statements for their year ended June 30, 2015, can be obtained from the Southwest Michigan Regional Airport Authority upon request.

Benton Harbor - St. Joseph Wastewater Treatment Plant - The City is a member of the Benton Harbor - St. Joseph Wastewater Treatment Plant, which is a joint venture between the City of Benton Harbor and the City of St. Joseph, and was established to provide sanitary sewage treatment and collection services for the residents of both Cities. The City's equity interest in the amount of \$12,846,207 is recorded in the Sewer Fund and in the business-type activities in the government-wide financial statements. A copy of the most recently available separately audited financial statements, for their year ended June 30, 2014, are available at the Plant's administrative offices.

4. Jointly Governed Organizations

Community Emergency Services, Inc., operating as Medic 1 Ambulance (nonprofit) - This potential component unit is disclosed as a jointly governed organization because it is jointly governed by various municipal governments, including the City of St. Joseph, but the City does not have an ongoing financial interest or ongoing financial responsibility. The City is entitled to the rights and privileges of one voting board member. Medic 1 is organized for the purpose of providing emergency ambulance service to surrounding communities. The City's contribution for the year ended June 30, 2015, was \$48,099.

5. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the City as a whole. All non-fiduciary activities of the City are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of 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.

The statement of activities presents the direct functional expenses of the City and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, unrestricted State revenue sharing payments, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. 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 the major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FUND FINANCIAL STATEMENTS - CONTINUED

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Capital Improvement Fund is a capital projects fund used to account for restricted financial resources (i.e., intergovernmental and contributions) that are used toward improvements within the City.

The City reports the following major enterprise funds:

- a. The Sewer Fund is used to account for the activities related to the maintenance of the sanitary system and pays for the treatment of wastewater. The costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- b. The Water Fund is used to account for the activities related to water production, treatment, distribution, and billing. The costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- c. The City Water Fund is used to account for the activities related to non-system wide water and system maintenance. The costs (expenses, including depreciation) are financed or recovered primarily through user charges.

Additionally, the City reports internal service funds, which are used to account for self-insurance, fleet maintenance, employee health care, and public works services provided to other departments on a cost reimbursement basis.

The City reports a trust fund to account for the St. Joseph Employees' Retirement System, which accumulates resources for pension benefit payments to qualified employees of the City of St. Joseph, the City of St. Joseph Housing Commission, and the Benton Harbor - St. Joseph Joint Wastewater Treatment Plant.

The City also reports an agency fund to account for assets held by the City in a trustee capacity. Agency funds are custodial in nature and do not involve the measurement of results of operations.

6. Measurement Focus

The government-wide, proprietary, and non-agency fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for agency funds since assets equal liabilities.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is sixty (60) days. Revenues that are considered measurable but not available are recorded as a receivable and unavailable revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

8. Budgets and Budgetary Accounting

The General Fund budget shown as required supplementary information was prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types.

The City employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. The fiscal year will begin on July 1 and end on June 30 of each year.
- b. At an April Commission meeting, the City Manager will submit a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and resources to finance them.
- c. A Public Hearing is conducted prior to the adoption of the budget to obtain taxpayers' comments.
- d. Prior to June 30, the budget is legally enacted through passage of a resolution by the City Commission.
- e. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of all checking and savings accounts and certificates of deposit or short-term investments with an original maturity of three (3) months or less. The cash equivalents are recorded at cost, which approximates fair value.

Investments consist of pension fund securities, mutual funds, and certificates of deposit with an original maturity of more than three (3) months. Investments are recorded at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

11. Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan for various payments and grants and receivables for charges for services provided to local governmental units.

11. Receivables

Receivables consist of amounts due related to charges for services, interest receivable, and other amounts owed to the City at year-end. No allowances have been made for uncollectible amounts.

12. Property Tax

City property taxes are assessed as of December 31 and attached as an enforceable lien on property as of July 1 of the following year. The taxes are due without penalty on or before September 15. Real property taxes not collected as of March 1 are turned over to Berrien County for collection. The County advances the City 100% of the delinquent taxes on real property. The City has delegated the collection of personal property taxes to the County Treasurer. The City recognizes property taxes as revenue when they are levied on July 1 because at that point the taxes are both measurable and available.

The City is permitted to levy up to 20 mills (\$20 per \$1,000 of taxable valuation), reduced by Headlee to 15.6181 mills, for general governmental services other than the payment of principal and interest on long-term debt. They are also permitted to levy additional mills specifically designated for library, band, rubbish, airport, and debt service. For the year ended June 30, 2015, the City levied 12.5000 mills for general governmental services, 0.6800 mills for library services, 0.2500 mills for the municipal band, 1.7800 mills for rubbish collection, 0.2444 mills for airport services, and 1.3515 mills for debt service. The total taxable value for the 2014 levy for the property within the City was \$441,521,514.

13. Inventories

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

14. Prepays

Prepaid expenditures in the governmental funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by nonspendable fund balance, which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities, business-type activities, and component units columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than five (5) years. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Equipment	5-15 years
Vehicles	5-30 years
Utility systems	10-60 years
Infrastructure	25-60 years
Library books	5-10 years

16. Unavailable/Unearned Revenue

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

The Statement of Net Position reports unearned revenue for resources that have been received, but not yet earned.

17. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position and balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City reports items in both categories, deferred outflows and inflows of resources, which correspond to the City's net pension asset and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

18. Compensated Absences

Amounts of vested or accumulated vacation leave and compensated time are accrued in the government-wide and proprietary fund financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "termination leave" prior to retirement. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

19. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from debt proceeds received, are reported as expenses.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

20. 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 and proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The General Fund records charges for services for centralized services provided to various City departments and funds as charges for services. All City funds record these payments as operating expenses/expenditures.

The Internal Service Funds record charges for insurance and employee benefits services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses. The net revenues or losses of the Internal Service Funds, as well as the net position are included in the reconciliation to the government-wide financial statements.

21. Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate restrictions that have been imposed by outside sources which preclude a portion of net position from their use for unrestricted purposes.

22. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City of St. Joseph Employees' Retirement System (the System) is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

CITY AND COMPONENT UNITS (EXCEPT EMPLOYEES' RETIREMENT SYSTEM)

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2015, the carrying amount of the City's deposits was \$18,362,224 and the bank balance was \$18,765,391. Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2015, \$750,000 of the City accounts were federally insured while \$18,015,391 was uninsured.

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of the uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

The carrying amount of the component units' deposits was \$497,794 and the bank balance was \$497,544. A portion of the component units' cash is held by the City as a part of pooled cash. As a result, the insured and uninsured amounts cannot be determined.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2015, the City did not have any investments that would be subject to rating.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

CITY AND COMPONENT UNITS (EXCEPT EMPLOYEES' RETIREMENT SYSTEM) - CONTINUED

Interest Rate Risk

The City has adopted a policy that indicates the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective to attain a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and cash flow characteristics of the portfolio.

Concentration of Credit Risk

The City has adopted a policy that will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying its investments by maturity dates, individual financial institution, or a specific class of security to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Custodial Credit Risk

The City has adopted a policy that indicates the City will minimize custodial credit risk, which 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 that are in possession of an outside party, by annually requiring an examination of investments and the investment policy and requiring authorized investment officials to follow the "prudent person" standard.

EMPLOYEES' RETIREMENT SYSTEM

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. The System's banking and investment policy does not specifically address this risk, although management believes that due to the dollar amounts of cash deposits and the limits of insurance provided through the Federal Deposit Insurance Corporation (FDIC), it is impractical to insure all bank deposits. As a result, management evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated level risk level are used as depositories. As of June 30, 2015, the carrying amount of the System's deposits was \$180,067 and the bank balance was \$180,067; however, as the System's checking account is held by the City at financial institutions that hold other City funds, the federally insured amount is undeterminable.

Investments

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the System to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The Employees' Retirement Board shall be the trustees of the assets of the retirement system and shall have full power to invest and reinvest such assets in accordance with provisions of Act 314 of the Public Acts of 1965, as amended. The Employees' Retirement Board may employ investment counseling services and other services as it shall determine to be necessary in the proper operation of the retirement system. The compensation for such services shall be subject to the approval of the City Manager and the City Commission. All investment decisions are subject to Michigan law and the investment policy established by the Commission.

City of St. Joseph

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

EMPLOYEES' RETIREMENT SYSTEM - CONTINUED

The adopted asset allocation policy as of June 30, 2015, is as follows:

<u>Asset Class</u>	<u>Target</u>	<u>Long-term Expected Rate of Return</u>
Equities	60.00%	7.00%
Fixed Income	40.00%	7.00%

The System's investments are held in a single portfolio administered by one (1) investment manager. The following is a summary of the System's investments as of June 30, 2015:

	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
U.S. government bonds	\$ 14	\$ 14	6.38 years
Corporate bonds mutual funds	25,085,161	25,085,161	N/A
Equity mutual funds	37,430,736	37,430,736	N/A
Money market trust fund	<u>500,252</u>	<u>500,252</u>	< 1 year
Total investments	<u>\$ 63,016,163</u>	<u>\$ 63,016,163</u>	

Credit Risk

The System's investment policy provides that its investments must maintain a dollar-weighted average credit rating of A1/A+ or better by Moody's and Standard & Poor's rating services, respectively. In addition, the minimum acceptable credit quality rating for a particular bond shall be investment grade (Baa/BBB, respectively). As of June 30, 2015, rating information on the System's investments is presented below.

<u>S&P Rating</u>	<u>U.S. Government Bonds</u>	<u>Corporate Bonds Mutual Funds</u>	<u>Equity Mutual Funds</u>	<u>Money Market Trust Fund</u>
AAA	100.00%	64.71%	- %	- %
AA	-	5.62	-	-
A	-	12.79	-	-
BBB	-	13.87	-	-
BB	-	0.91	-	-
B	-	0.47	-	-
Below B	-	0.54	-	-
Not rated	-	1.09	100.00	100.00

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

EMPLOYEES' RETIREMENT SYSTEM - CONTINUED

Custodial Credit Risk

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy does not address custodial credit risk. Although uninsured and unregistered, the System's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the System's name. Short-term investments in money market funds and investments in mutual funds are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Concentration of Credit Risk

The System's investment policy requires that investment in a single issuer shall not exceed 5% of the total market value of the fund. At June 30, 2015, the System's investments were within that range.

The System's investment policy and State statutes provide that no more than 60% of the total investments may be in equity holdings and no more than 40% in fixed incomes. As of June 30, 2015, the System's equity holdings accounted for 59%, of the total investment portfolio; the System's holdings in fixed incomes were 40% at June 30, 2015.

Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.91 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Interest Rate Risk

For investments, the risk that changes in interest rates will adversely affect the fair value of the investment is known as interest rate risk. The System's investment policy does not address interest rate risk.

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note A. The cash and cash equivalents captions on the financial statements include \$1,750 in petty cash. The following summarizes the categorization of these amounts as of June 30, 2015:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 16,976,345	\$ 185,069	\$ 457,784	\$ 17,619,198
Investments	<u>1,382,627</u>	<u>63,016,163</u>	<u>40,010</u>	<u>64,438,800</u>
	<u>\$ 18,358,972</u>	<u>\$ 63,201,232</u>	<u>\$ 497,794</u>	<u>\$ 82,057,998</u>

City of St. Joseph

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE C: INTERFUND PAYABLES AND RECEIVABLES

The amount of interfund receivables and payables at June 30, 2015, are as follows:

Due to General Fund from:		
Nonmajor governmental funds		<u>\$ 281,804</u>
Due to Water Fund from:		
Nonmajor governmental funds		<u>\$ 300</u>
Due to Internal Service Funds from:		
Nonmajor governmental funds	\$ 75,499	
Internal service funds		<u>3,693</u>
		<u>\$ 79,192</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not yet cleared as of the balance sheet date.

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and enterprise funds have been eliminated.

Transfers to General Fund from:		
Nonmajor governmental funds	\$ 218,747	
Nonmajor enterprise funds		<u>117,001</u>
		<u>\$ 335,748</u>
Transfers to Capital Improvement Fund from:		
General Fund		<u>\$ 1,082,707</u>
Transfer to nonmajor governmental funds from:		
General Fund	\$ 50,000	
Sewer Fund	20,000	
City Water Fund	20,000	
Nonmajor governmental funds	352,553	
Internal service funds		<u>15,301</u>
		<u>\$ 457,854</u>
Transfers to Sewer Fund from:		
Nonmajor governmental funds	\$ 32,849	
		<u>\$ 50,307</u>

City of St. Joseph

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE D: INTERFUND TRANSFERS - CONTINUED

Transfers to internal service funds from:	
General Fund	\$ 75,000
Nonmajor governmental funds	<u>1,650</u>
	<u>\$ 76,650</u>

For the year ended June 30, 2015, total interfund transfers in were \$2,036,116 and total interfund transfers out were \$4,119,117. The difference of \$2,083,002 consists of transfers of capital assets from a nonmajor enterprise fund to governmental activities. Capital assets are not recorded in governmental funds.

Transfers are used to move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them, 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 use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE E: CAPITAL ASSETS

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

Primary Government

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 11,899,202	\$ 3,205	\$ -	\$ 11,902,407
Historical art	22,000	-	-	22,000
Construction in progress	<u>2,614,702</u>	<u>195,899</u>	<u>(2,722,891)</u>	<u>87,710</u>
Capital assets not being depreciated	14,535,904	199,104	(2,722,891)	12,012,117
Capital assets being depreciated				
Buildings and improvements	22,738,653	2,057,092	-	24,795,745
Infrastructure	23,982,229	-	-	23,982,229
Books	708,899	-	-	708,899
Furniture	4,641,190	969,999	-	5,611,189
Land improvements	1,192,440	2,694,335	-	3,886,775
Vehicles	<u>2,010,849</u>	<u>74,840</u>	<u>(104,553)</u>	<u>1,981,136</u>
Subtotal	55,274,260	5,796,266	(104,553)	60,965,973

City of St. Joseph

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance July 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2015
Governmental Activities - continued				
Less accumulated depreciation for:				
Buildings and improvements	(5,267,360)	(493,462)	-	(5,760,822)
Infrastructure	(9,964,189)	(639,781)	-	(10,603,970)
Books	(648,997)	(25,256)	-	(674,253)
Furniture and equipment	(3,023,481)	(251,249)	-	(3,274,730)
Land improvements	(240,241)	(588,176)	-	(828,417)
Vehicles	(1,139,328)	(158,963)	104,553	(1,193,738)
Subtotal	<u>(20,283,596)</u>	<u>(2,156,887)</u>	<u>104,553</u>	<u>(22,335,930)</u>
Net capital assets being depreciated	<u>34,990,664</u>	<u>3,639,379</u>	<u>-0-</u>	<u>38,630,043</u>
Capital assets, net	<u>\$ 49,526,568</u>	<u>\$ 3,838,483</u>	<u>\$ (2,722,891)</u>	<u>\$ 50,642,160</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 238,292
Public safety	150,789
Public works	210,768
Public works - infrastructure	639,781
Recreation and culture	917,257
	<u>\$ 2,156,887</u>

	Balance July 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2015
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 956,870	\$ -	\$ -	\$ 956,870
Construction in Progress	822,019	253,344	(830,060)	245,303
Capital assets not being depreciated	1,778,889	253,344	(830,060)	1,202,173
Capital assets being depreciated				
Buildings and improvements	27,596,033	102,050	(1,764,431)	25,933,652
Infrastructure	1,688,401	18,000	(6,604)	1,699,797
Furniture and equipment	2,130,910	107,781	(692,851)	1,545,840
Utility systems	11,953,119	732,660	-	12,685,779
Subtotal	43,368,463	960,491	(2,463,886)	41,865,068

City of St. Joseph

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance July 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2015
Business-type Activities - continued				
Less accumulated depreciation for:				
Buildings and improvements	(8,274,567)	(432,038)	118,048	(8,588,557)
Infrastructure	(1,033,012)	(14,983)	6,605	(1,041,390)
Furniture and equipment	(1,106,654)	(80,073)	256,231	(930,496)
Utility systems	(2,125,900)	(266,222)	-	(2,392,122)
Subtotal	(12,540,133)	(793,316)	380,884	(12,952,565)
Net capital assets being depreciated	30,828,330	167,175	(2,083,002)	28,912,503
Capital assets, net	<u>\$ 32,607,219</u>	<u>\$ 420,519</u>	<u>\$ (2,913,062)</u>	<u>\$ 30,114,676</u>

Depreciation expense was charged to the following business-type activities:

Sewer System	\$ 68,268
Water System	390,723
City Water	201,983
Marina	55,389
Ice Arena	76,953
	<u>\$ 793,316</u>

Component Unit

	Balance April 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance March 31, 2015
Housing Commission				
Capital assets not being depreciated				
Land	\$ 19,800	\$ -	\$ -	\$ 19,800
Construction in Progress	116,232	-	(116,232)	-0-
Total capital assets not being depreciated	136,032	-0-	(116,232)	19,800
Capital assets being depreciated				
Buildings and improvements	4,357,934	119,840	-	4,477,774
Furniture and equipment - dwelling	73,526	-	(39,626)	33,900
Furniture and equipment - administration	118,412	-	(17,834)	100,578
Subtotal	4,549,872	119,840	(57,460)	4,612,252
Less accumulated depreciation for:	(3,222,783)	(146,228)	23,878	(3,345,133)
Net capital assets being depreciated	1,327,089	(26,388)	(33,582)	1,267,119
Capital assets, net	<u>\$ 1,463,121</u>	<u>\$ (26,388)</u>	<u>\$ (149,814)</u>	<u>\$ 1,286,919</u>

City of St. Joseph

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2015:

Primary Government

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
Governmental activities					
2003 State revolving fund bonds	\$ 942,410	\$ -	\$ (95,000)	\$ 847,410	\$ 95,000
2004 State revolving fund bonds	1,301,902	-	(105,000)	1,196,902	110,000
Berrien County revolving loan	150,000	-	(25,000)	125,000	25,000
2008 Bluffside installment loan	988,560	-	(86,004)	902,556	89,786
2011 Refunding bonds	3,270,000	-	(170,000)	3,100,000	175,000
2014 Fire truck installment loan	-	665,200	(219,108)	446,092	221,723
Compensated absences	410,158	35,355	(186,862)	258,651	117,838
Subtotal	7,063,030	700,555	(886,974)	6,876,611	834,347
Bond premium	54,108	-	(4,919)	49,189	4,919
Total governmental activities	7,117,138	700,555	(891,893)	6,925,800	839,266
Business-type activities					
2008 Capital improvement bonds	\$ 2,620,496	\$ -	\$ (135,000)	\$ 2,485,496	\$ 140,000
2009 Clean water bonds	191,000	-	(10,000)	181,000	10,000
2009 Clean water bonds	5,494,460	-	(245,000)	5,249,460	250,000
2010 Marina improvement installment loan	32,312	-	(32,312)	-0-	-
2010 Clean water bonds	1,195,000	-	(55,000)	1,140,000	55,000
2010 Marina installment loan	97,222	-	(13,889)	83,333	13,889
2012 Clean water bonds	190,000	-	(10,000)	180,000	10,000
2012 General obligation tax bonds	665,000	-	(65,000)	600,000	70,000
2013 Clean water bonds	238,702	-	(10,000)	228,702	10,000
Compensated absences	68,852	71,795	(57,161)	83,486	69,310
Total business-type activities	10,793,044	71,795	(633,362)	10,231,477	628,199
Total primary government	<u>\$ 17,910,182</u>	<u>\$ 772,350</u>	<u>\$(1,525,255)</u>	<u>\$ 17,157,277</u>	<u>\$ 1,467,465</u>

Component Unit

	Balance April 1, 2014	Additions	Deletions	Balance March 31, 2015	Amounts Due Within One Year
Housing Commission					
2013 Energy Services Note	\$ 181,929	\$ -	\$ (11,424)	\$ 170,505	\$ 13,556
Compensated absences	2,623	18,659	(12,690)	8,592	6,751
Total component unit	<u>\$ 184,552</u>	<u>\$ 18,659</u>	<u>\$ (24,114)</u>	<u>\$ 179,097</u>	<u>\$ 20,307</u>

The Berrien County revolving loan, Bluffside installment loan, and compensated absences liabilities are normally liquidated by the General Fund. The fire truck installment loan is liquidated by the Capital Improvement Fund.

City of St. Joseph

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portion) are presented below:

Governmental Activities

\$1,846,525 2003 State Revolving Fund Bonds, dated September 26, 2002, due in annual installments ranging from \$87,410 to \$95,000 through October 1, 2023, with interest of 2.50 percent payable semi-annually.	\$ 847,410
\$2,015,205 2004 State Revolving Fund Bonds, dated March 25, 2004, due in annual installments ranging from \$110,000 to \$130,000 through April 1, 2025, with interest of 2.125 percent, payable semi-annually.	1,196,902
\$250,000 Installment Loan from Berrien County Revolving Loan Fund, dated January 9, 2001, due in an annual installment of \$25,000 through January 1, 2020, with no interest.	125,000
\$1,400,000 Bluffside Installment Loan, dated August 8, 2008, due in semi-annual installments ranging from \$44,410 to \$63,443 through August 8, 2023, with interest of 4.35 percent payable semi-annually.	902,556
\$3,575,000 2011 Refunding Bonds, dated November 22, 2011, due in annual installments ranging from \$175,000 to \$355,000 through May 1, 2027, with interest ranging from 2.50 to 4.125 percent payable semi-annually.	3,100,000
\$665,200 Installment Purchase Agreement for a Fire Truck, dated October 1, 2014, due in semi-annual installments ranging from \$110,533 to \$112,517 through May 1, 2017, with interest of 1.19 percent payable semi-annually.	<u>446,092</u>
	<u><u>\$ 6,617,960</u></u>

Business-type Activities

\$3,135,496 2008 Capital Improvement Bonds dated September 29, 2008, due in installments ranging from \$140,000 to \$195,496 annually through April 1, 2030, with interest of 2.50 percent payable semi-annually.	\$ 2,485,496
\$231,000 2009 Clean Water Bonds dated September 21, 2009, due in installments ranging from \$10,000 to \$15,000 annually through April 1, 2030, with interest of 2.50 percent payable semi-annually.	181,000
\$5,972,460 2009 Clean Water Bonds dated September 21, 2009, due in installments ranging from \$250,000 to \$374,460 annually through October 1, 2031, with interest of 2.50 percent payable semi-annually.	5,249,460
\$1,293,000 2010 Clean Water Bonds dated January 22, 2010, due in installments ranging from \$55,000 to \$85,000 annually through October 1, 2031, with interest of 2.50 percent payable semi-annually.	1,140,000

City of St. Joseph

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F: LONG-TERM DEBT - CONTINUED

Business-type Activities - continued

\$125,000 Marina Installment Loan for Land acquired from Whirlpool Corporation, dated March 22, 2010, due in annual installments of \$13,889 through December 31, 2020, with no interest.	\$ 83,333
\$210,000 2012 Clean Water Bonds dated April 10, 2012, due in installments ranging from \$10,000 to \$15,000 annually through April 1, 2032, with interest of 2.50 percent payable semi-annually.	180,000
\$730,000 2012 General Obligation Limited Tax Bonds dated August 28, 2012, due in installments ranging from \$70,000 to \$80,000 annually through May 1, 2023, with interest rates from 1.55 to 3.35 percent payable semi-annually.	600,000
\$248,702 2013 Clean Water Bonds dated June 25, 2013, due in installments ranging from \$10,000 to \$18,702 annually through April 1, 2033, with interest of 2.00 percent payable semi-annually.	<u>228,702</u>
	<u><u>\$ 10,147,991</u></u>

Component Unit - Housing Commission

\$185,479 note payable due in quarterly payments of \$5,200 to \$6,600 through December 1, 2023, with interest of 5.43 percent payable quarterly.	<u><u>\$ 170,505</u></u>
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The annual requirements to pay the debt principal and interest outstanding for bonds and installment purchase agreements are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 716,509	\$ 204,138	\$ 558,889	\$ 246,136	\$ 13,556	\$ 8,981
2017	733,103	188,456	568,889	233,031	14,776	8,224
2018	532,866	172,068	578,889	219,563	16,485	7,715
2019	547,159	156,946	598,889	205,514	17,974	6,826
2020	571,651	140,285	613,889	190,833	19,349	5,851
2021-2025	2,821,672	413,094	3,059,888	719,665	88,365	40,371
2026-2030	695,000	42,888	3,185,496	337,428	-	-
2031-2033	-	-	983,162	25,940	-	-
	<u>\$ 6,617,960</u>	<u>\$ 1,317,875</u>	<u>\$ 10,147,991</u>	<u>\$ 2,178,110</u>	<u>\$ 170,505</u>	<u>\$ 77,968</u>

Compensated Absences

In accordance with the City personnel policies and/or contracts negotiated with the various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused sick leave and vacation under formulas and conditions specified in the respective personnel policies and/or contracts. At June 30, 2015, the dollar amount of these vested rights, including related payroll taxes, amounted to \$258,651 and \$83,486 for sick leave and vacation in government activities and business-type activities, respectively.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F: LONG-TERM DEBT - CONTINUED

Compensated Absences - continued

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. At June 30, 2015, the dollar amount of these vested rights, including related payroll taxes, amounted to \$8,592.

NOTE G: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal League 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 period exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The City has not been informed of any special assessments being required.

The City participates in a State pool through the Michigan Municipal Risk Management Authority, with other municipalities for liability, vehicle damage, fire/EMS replacement cost, property, crime, data breach, and sewer system overflow. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. 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 H: DEFINED BENEFIT PENSION PLAN

Plan Administration

The City of St. Joseph Employees' Retirement System (the System) is a cost-sharing multiple-employer public employee retirement system, which provides pension benefits to substantially all full-time employees of the City of St. Joseph, the City of St. Joseph Housing Commission, and the Benton Harbor-St. Joseph Wastewater Treatment Plant (collectively referred to as the Employers).

The System is administered by the City of St. Joseph Retirement System Board of Trustees (the Board). The Board consists of five (5) individual trustees either elected or appointed in accordance with the Pension Ordinance. Plan benefit provisions were established and may be amended under the authority of Pension Ordinances. Employee contribution requirements were established and may be amended subject to collective bargaining agreements and approval by the City of St. Joseph Retirement System Board of Trustees.

The Board of Trustees is made up of the following members:

- One (1) member selected from among the City Commission;
- One (1) member is the City Manager by virtue of his or her position;
- One (1) police or fire member elected by the police and fire members;
- One (1) general member elected by the general membership; and
- One (1) resident, who is not a member, retiree, or beneficiary of the System, appointed by the City Commission.

The term of office of the citizen trustee, police or fire member trustee, and general member trustee, shall be three (3) years, one such term to expire September 30 of each year.

City of St. Joseph

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Plan Membership

System membership consisted of the following at June 30, 2015, according to actuarial valuations as of those dates:

Retirees and beneficiaries receiving benefits	134
Terminated plan members entitled to, but not yet receiving, benefits	7
Active plan members	<u>107</u>
	<u><u>248</u></u>

Benefits Provided

The System provides retirement, disability, and death benefits to covered and non-covered plan members and their beneficiaries. Plan members are eligible for service-related disability or service-related death benefits regardless of length of service or age. The benefit amounts attribute to regular retirements and the conditions under which such benefits may be paid are described in tabular form below.

	Eligibility	Benefit Multiplier	Years of Service	Years of Final Average Compensation (FAC)	Member Contribution Rate	Covered ⁽¹⁾
General	60 and 10 or 30 years	2.25%/0%	40	3	4.00%	Yes
Wastewater	60 and 10 or 30 years	2.25%/0%	40	3	4.00%	Yes
Public Works	60 and 10 or 30 years	2.25%/0%	40	3	3.25%	Yes
Communication Specialists	60 and 10 or 50 and 25 years	2.50%/0%	25 ⁽²⁾	3	6.50%	Yes
Library	60 and 10 or 30 years	2.25%/0%	40	3	4.00%	Yes
Housing	60 and 10 or 30 years	2.25%/0%	40	3	4.00%	Yes
Police	60 and 10 or 30 years	2.50%/0%	28	3	6.50%	No
Police Command	60 and 10 or 50 and 25 years	2.50%/0%	30	3	6.50%	No
Fire	60 and 10 or 50 and 25 or 30 years	2.70%/0%	25	3	8.35%	No

⁽¹⁾ Covered members consist of any member who is covered by the federal social security old-age survivors' and disability insurance program on account of employment with the City. Non-covered members consist of any member who is not covered by the federal social security old-age survivors' and disability insurance program on account of employment with the City.

⁽²⁾ An employee who reaches 25 years of credited service before the age of 50 is eligible to receive a benefit based on 2.5% of FAC for each year of credited service, for all credited service through the age of 50.

Deferred retirement

Members are eligible for benefits with 10 years of service. Benefits begin at age 60 for general members, and at age 50 for public safety members with 25 years of service. Retirement benefits are calculated as regular retirement.

Duty disability

No age or service requirement for eligibility. Retirement benefits are calculated as regular retirement. Upon termination of worker's compensation, or age 65, whichever occurs first, additional service credit is granted and benefit is recomputed. Benefit shall not be less than the amount of worker's compensation.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Plan Membership - continued

Non-duty disability

Members are eligible for benefits with 10 years of service. Retirement benefits are calculated as regular retirement.

Duty death before retirement

No age or service requirement for eligibility. Upon termination of worker's compensation a benefit equal to the worker's compensation amount shall be paid to the spouse, unmarried children under 18 and dependent parents.

Non-duty death before retirement

Members are eligible for benefits with 20 years of service or at age 55 with 10 years of service. Retirement benefits are calculated as regular retirement but actuarially reduced in accordance with a 100% joint and survivor election.

Death after retirement

Firefighters are eligible. Spouse must have been married to the firefighter on the retirement date. Retirement benefits are calculated at 55% of the retiring firefighter's pension for the remainder of the spouse's lifetime.

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the System's Board of Trustees retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The actuarially recommended employer contribution rate for the year ended June 30, 2015, was between 12.35 and 28.96 percent of annual payroll.

The City of St. Joseph is required to contribute such additional amounts, as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. The Employers contributed \$1,064,306 for the year ended June 30, 2015.

The components of the net pension asset of the System at June 30, 2015, were as follows:

TOTAL PENSION LIABILITY	
Service cost	\$ 1,067,679
Interest	4,111,210
Changes of benefit terms	-
Differences between expected and actual experience	(1,297,373)
Change of assumptions	2,588,347
Benefit payments, including refunds of member contributions	<u>(3,207,744)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	3,262,119
TOTAL PENSION LIABILITY, BEGINNING	<u>59,801,609</u>
TOTAL PENSION LIABILITY, ENDING (A)	<u>\$ 63,063,728</u>

City of St. Joseph

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Net Pension Asset

PLAN FIDUCIARY NET POSITION	
Contributions - employer	\$ 1,064,307
Contributions - member	283,317
Net investment income	1,858,878
Benefit payments, including refunds of member contributions	(3,207,744)
Administrative expense	(45,394)
Other	1,568
	<hr/>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(45,068)
PLAN FIDUCIARY NET POSITION, BEGINNING	<hr/> 63,401,785
PLAN FIDUCIARY NET POSITION, ENDING (B)	<hr/> <hr/> \$ 63,356,717
SYSTEM'S NET PENSION (ASSET), ENDING (A)-(B)	<hr/> <hr/> \$ (292,989)
Plan fiduciary net position as a percentage of the total pension liability	100.46%
Covered-employee payroll	\$ 5,801,272
System's net pension (asset) as a percentage of covered-employee payroll	(5.05)%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17 years
Asset valuation method	5-year smoothed market
Inflation	4.00%
Salary increases	4.1% to 8.0% including inflation
Investment rate of return	7.00%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality rates	RP-2000 Male (110%) and Female (unadjusted) Healthy Life Mortality Table

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2014 through June 30, 2015.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED**Net Pension Asset - continued**Discount Rate

The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the 7 percent 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.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the City of St. Joseph's allocated portion of the net pension liability (asset), calculated using the discount rate of 7 percent, as well as what the City of St. Joseph's allocated portion of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percent lower (6.00 percent) or 1 percent higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Single Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Total pension liability	\$ 59,451,084	\$ 52,850,557	\$ 47,336,741
Plan fiduciary net position	<u>53,096,096</u>	<u>53,096,096</u>	<u>53,096,096</u>
Net pension liability (asset)	<u>\$ 6,354,988</u>	<u>\$ (245,539)</u>	<u>\$ (5,759,355)</u>

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

For the year ended June 30, 2015, the City of St. Joseph recognized pension expenses of \$1,168,729. The City of St. Joseph reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 813,193
Changes in assumptions	1,622,376	-
Net difference between projected and actual earnings on pension plan investments	<u>1,685,619</u>	<u>-</u>
	<u>\$ 3,307,995</u>	<u>\$ 813,193</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Net Pension Asset - continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Pension Expense</u>
2016	\$ 694,123
2017	694,123
2018	685,151
2019	421,405

NOTE I: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City provides certain retiree health care benefits as other post-employment benefits (OPEB) to all applicable employees, in accordance with union agreements and/or personnel policies. The City has eliminated post-retirement healthcare for all employees except those public safety employees hired on or before June 30, 2012. Current retirees and those public safety employees hired on or before June 30, 2012, may elect to continue the City's health insurance benefit for themselves, their spouse, and dependents. For the year ended June 30, 2015, City expended \$198,358 for 15 participants currently eligible to receive benefits. The City's policy is to finance these benefits on a pay-as-you-go basis.

The plan does not issue a separate stand-alone financial statement.

Funding Policy

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a "pay-as-you-go" basis). The current contributions being made are based on an actuarial calculated valuation. The amount of the annual required contribution is reflected in the schedule that follows. Administrative costs of the plan are paid for by the City.

Funding Progress

For the year ended June 30, 2015, the City has determined an estimated cost of providing post-employment benefits through an actuarial valuation as of June 30, 2014. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed thirty (30) years.

City of St. Joseph

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Funding Progress - continued

The City's computed contribution and actual funding is summarized as follows:

Annual required contribution	\$ 232,273
Interest on net OPEB obligation	71,137
Adjustment to annual required contribution	<u>(135,500)</u>
Annual OPEB cost (expense)	167,910
Contributions made	<u>(198,358)</u>
(Decrease) in net OPEB obligation	(30,448)
Net OPEB obligation, beginning of year	<u>2,032,496</u>
Net OPEB obligation, end of year	<u><u>\$ 2,002,048</u></u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the year ended June 30, was as follows:

	Year Ended June 30,	
	<u>2014</u>	<u>2015</u>
Annual OPEB cost	\$ 124,764	\$ 167,910
Percentage contributed	30.3%	118.1%
Net OPEB obligation	\$ 2,032,496	\$ 2,002,048

The current funding progress of the plan based on the most recent valuation is as follows:

	<u>As of</u> <u>June 30, 2014</u>
Actuarial value of assets	\$ -
Actuarial accrued liability (AAL) (entry age)	2,079,964
Unfunded AAL (UAAL)	2,079,964
Funded ratio	0.0%
Covered payroll	\$ 1,338,705
UAAL as a percentage of covered payroll	155.4%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revisions as actual results are compared with past expectations and new estimates and assumptions are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Actuarial Methods and Assumptions - continued

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014, actuarial valuation, the individual entry-age actuarial cost method was used. The actuarial assumptions include a 3.5 percent per year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment returns on plan assets. A discount rate of 3.5 percent was also used. There was also an inflationary rate assumption factored into the calculation.

NOTE J: COMMITMENTS

As of June 30, 2015, the City had several construction projects in process. Budget and commitment information relating to these commitments project is summarized below:

<u>Project</u>	<u>Total Budget</u>	<u>Remaining Commitment June 30, 2015</u>
Park Street Bridge Refurbish	\$ 664,500	\$ 491,414
2013 S2 Grant Flow Monitoring	195,596	34,559
Botham Avenue Reconstruction	1,202,800	959,145
Fire Station Renovation	140,420	137,644

Current fund balance and future revenue is expected to be sufficient to cover these commitments.

NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) classifications under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, Commission, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

City of St. Joseph

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

The formal action required to be taken to establish a fund balance commitment is the adoption of a City ordinance.

For assigned fund balance, the City has not approved a policy indicating who is authorized to assign amounts to a specific purpose. In the absence of such a policy, authorization is deemed to rest with the City Commission.

The City has not formally adopted a policy that determines when both restricted and unrestricted fund balances are available which should be used first. In the absence of such a policy, resources with the highest level of restriction will be used first.

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total
Fund balances				
Nonspendable				
Inventory	\$ -	\$ -	\$ 63,772	\$ 63,772
Prepays	-	-	120,692	120,692
Endowment purposes	-	-	495,804	495,804
Restricted				
Streets			2,403,004	2,403,004
Cemetery	-	-	339,665	339,665
Rubbish collection	-	-	11,216	11,216
Band	-	-	166,068	166,068
Library	-	-	456,104	456,104
Debt service	-	-	662,358	662,358
Capital projects	-	1,757,527	460,253	2,217,780
Committed				
Budget Stabilization	1,000,000	-	-	1,000,000
Equipment	-	-	134,339	134,339
Economic and community development	-	-	33,569	33,569
Public safety	-	-	11,615	11,615
Assigned				
Capital projects	-	-	9,261	9,261
Unassigned	1,884,510	-	-	1,884,510
	<u>\$ 2,884,510</u>	<u>\$ 1,757,527</u>	<u>\$ 5,367,720</u>	<u>\$ 10,009,757</u>

NOTE L: CONTINGENT LIABILITIES

There are potential legal actions pending against the City. Due to the inconclusive nature of many of the actions, it is not possible for City Commission to determine the probable outcome or a reasonable estimate of the potential liability, if any. These actions, for which a reasonable estimate can be determined of the potential liability, if any, are considered by City management and legal counsel to be immaterial.

City of St. Joseph

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE M: RESTATEMENT OF BEGINNING NET POSITION

Beginning net position has been restated for governmental activities due to a change in accounting principles. Beginning net position has also been restated for an understatement of net other post-employment benefit obligations in the governmental activities and an overstatement of net other post-employment benefit obligations in the business-type activities, Sewer System Fund, Water System Fund, and internal services funds. Beginning net position has been restated for an overstatement of capital assets in the component units.

	Governmental Activities	Business-type Activities	Sewer System Fund	Water System Fund	Motor Pool Fund	Component Unit Housing Commission
Beginning net position	\$ 62,269,119	\$ 41,326,286	\$ 16,460,118	\$ 13,372,314	\$ 1,654,577	\$ 1,618,927
Capital assets	-	-	-	-	-	(45,189)
Net pension asset	3,017,127	-	-	-	-	-
Net other post-employment benefit obligations	(129,028)	129,028	35,447	93,581	10,634	-
Restated beginning net position	<u>\$ 65,157,218</u>	<u>\$ 41,455,314</u>	<u>\$ 16,495,565</u>	<u>\$ 13,465,895</u>	<u>\$ 1,665,211</u>	<u>\$ 1,573,738</u>

NOTE N: CHANGES IN ACCOUNTING PRINCIPLES

The City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

The City implemented the provisions of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, during the year as it is required to be applied simultaneously with the provisions of GASB Statement No. 68. The statement addresses and issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

NOTE O: UPCOMING PRONOUNCEMENTS

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*. The statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE O: UPCOMING PRONOUNCEMENTS - CONTINUED

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement will establish accounting and financial reporting requirements related to other postemployment benefit plans and specify the required approach to measuring the OPEB liability of employers. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. This statement will be effective for the 2016-2017 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 fiscal year.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2015-2016 fiscal year.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

City of St. Joseph

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,206,000	\$ 5,206,000	\$ 5,216,266	\$ 10,266
Intergovernmental	843,900	843,900	866,800	22,900
Licenses and permits	128,500	128,500	140,687	12,187
Charges for services	1,460,500	1,483,500	1,449,863	(33,637)
Fines and forfeits	25,000	25,000	71,697	46,697
Interest and rents	12,500	12,500	16,566	4,066
Other	21,000	21,000	36,997	15,997
TOTAL REVENUES	7,697,400	7,720,400	7,798,876	78,476
EXPENDITURES				
Current				
General government				
Legislative				
City Commission	30,200	30,200	25,321	4,879
Chief Executive				
City Manager	213,500	213,500	213,000	500
General Administration	133,700	123,700	107,164	16,536
Financial and Tax Administration				
Clerk	96,200	97,900	91,808	6,092
Treasurer	212,200	215,800	216,602	(802)
City Assessor	101,100	91,100	86,673	4,427
Building and Grounds				
Municipal buildings	145,100	145,100	139,026	6,074
Other general government				
City Attorney	80,500	124,500	124,500	-0-
Personnel Department	73,800	83,900	83,042	858
Total general government	1,086,300	1,125,700	1,087,136	38,564
Public safety				
Fire Department	1,220,200	1,220,200	1,164,212	55,988
Public Safety Department	2,259,900	2,237,000	2,177,028	59,972
Total public safety	3,480,100	3,457,200	3,341,240	115,960
Public works				
Engineer	236,800	236,800	236,163	637
Street lighting	115,000	115,000	83,710	31,290
Department of public works	573,400	450,500	361,967	88,533
Total public works	925,200	802,300	681,840	120,460

City of St. Joseph

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Health and welfare				
Ambulance	\$ 50,000	\$ 50,000	\$ 48,099	\$ 1,901
Community and economic development				
Planning	236,200	243,800	211,507	32,293
Economic development	30,000	30,000	30,000	-0-
Communications	142,200	237,200	228,834	8,366
Community outreach	166,000	101,800	94,763	7,037
Total community and economic development	574,400	612,800	565,104	47,696
Recreation and culture				
Parks	806,300	806,300	707,509	98,791
City recreation program	29,000	38,300	36,598	1,702
Total recreation and culture	835,300	844,600	744,107	100,493
Other	348,000	333,000	275,409	57,591
Debt service				
Principal	111,000	111,000	111,004	(4)
Interest	42,100	42,100	42,044	56
Total debt service	153,100	153,100	153,048	52
TOTAL EXPENDITURES	7,452,400	7,378,700	6,895,983	482,717
EXCESS OF REVENUES OVER EXPENDITURES	245,000	341,700	902,893	561,193
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	335,748	335,748
Transfers out	(245,000)	(1,207,700)	(1,207,707)	(7)
TOTAL OTHER FINANCING SOURCES (USES)	(245,000)	(1,207,700)	(871,959)	335,741
NET CHANGE IN FUND BALANCE	-0-	(866,000)	30,934	896,934
Fund balance, beginning of year	2,853,576	2,853,576	2,853,576	-0-
Fund balance, end of year	\$ 2,853,576	\$ 1,987,576	\$ 2,884,510	\$ 896,934

City of St. Joseph

Defined Benefit Pension Plan

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Year Ended June 30, 2015

SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) (Entry Age)</u>	<u>Overfunded AAL (OAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>OAAL as a Percentage of Covered Payroll</u>
6/30/2015	\$ 63,356,716	\$ 63,063,728	\$ (292,988)	100.46%	\$ 5,801,272	(5.05)%
6/30/2014	63,401,785	59,801,609	(3,600,176)	106.02%	5,858,840	(61.45)%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Annual Actual Contribution</u>	<u>Percent Contributed</u>
2015	\$ 1,129,118	\$ 1,064,306	94.26%
2014	1,255,841	1,117,203	88.96%

City of St. Joseph

Defined Benefit Pension Plan

SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS

Last Two Fiscal Years (ultimately ten fiscal years will be displayed)

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 1,067,679	\$ 1,079,238
Interest	4,111,210	3,978,717
Changes of benefit terms	-	-
Differences between expected and actual experience	(1,297,373)	-
Change of assumptions	2,588,347	-
Benefit payments, including refunds of member contributions	<u>(3,207,744)</u>	<u>(3,111,093)</u>
 NET CHANGE IN TOTAL PENSION LIABILITY	 3,262,119	 1,946,862
 TOTAL PENSION LIABILITY, BEGINNING	 <u>59,801,609</u>	 <u>57,854,747</u>
 TOTAL PENSION LIABILITY, ENDING (A)	 <u><u>\$ 63,063,728</u></u>	 <u><u>\$ 59,801,609</u></u>
 PLAN FIDUCIARY NET POSITION		
Contributions - employer	\$ 1,064,307	\$ 1,117,203
Contributions - member	283,317	347,439
Net investment income	1,858,878	8,678,588
Benefit payments, including refunds of member contributions	(3,207,744)	(3,111,093)
Administrative expense	(45,394)	(109,294)
Other	<u>1,568</u>	<u>-</u>
 NET CHANGE IN PLAN FIDUCIARY NET POSITION	 (45,068)	 6,922,843
 PLAN FIDUCIARY NET POSITION, BEGINNING	 <u>63,401,785</u>	 <u>56,478,942</u>
 PLAN FIDUCIARY NET POSITION, ENDING (B)	 <u><u>\$ 63,356,717</u></u>	 <u><u>\$ 63,401,785</u></u>
 SYSTEM'S NET PENSION (ASSET), ENDING (A)-(B)	 <u><u>\$ (292,989)</u></u>	 <u><u>\$ (3,600,176)</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	 100.46%	 106.02%
 Covered-employee payroll	 \$ 5,801,272	 \$ 5,858,840
 System's net pension (asset) as a percentage of covered-employee payroll	 (5.05)%	 (61.45)%

City of St. Joseph

Defined Benefit Pension Plan

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Two Fiscal Years (ultimately ten fiscal years will be displayed)

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,129,118	\$ 1,255,841
Contributions in relation to the actuarially determined contribution	<u>1,064,306</u>	<u>1,117,203</u>
Contribution deficiency (excess)	<u>\$ 64,812</u>	<u>\$ 138,638</u>
Covered-employee payroll	\$ 5,801,272	\$ 5,858,840
Contributions as a percentage of covered-employee payroll	18.35%	19.07%

City of St. Joseph

Defined Benefit Pension Plan

SCHEDULE OF INVESTMENT RETURNS

Last Two Fiscal Years (ultimately ten years will be displayed)

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	2.91%	15.42%

City of St. Joseph

Defined Benefit Pension Plan

SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION ASSET

Last Fiscal Year (ultimately ten years will be displayed)

	<u>2015</u>
City's proportion of net pension liability (asset)	83.805%
City's proportionate share of net pension liability (asset)	\$ (891,941)
City's covered employee payroll	\$ 2,999,915
City's proportionate share of net pension (asset) as a percentage of its covered employee payroll	29.73%
Plan fiduciary net position as a percentage of total pension (asset)	66.20%

City of St. Joseph

Defined Benefit Pension Plan

SCHEDULE OF CITY CONTRIBUTIONS

Last Fiscal Year (ultimately ten years will be displayed)

	<u>2015</u>
Actuarially determined contribution	\$ 969,106
Contributions in relation to the actuarially determined contribution	<u>891,941</u>
Contribution deficiency (excess)	<u><u>\$ 77,165</u></u>
Covered employee payroll	\$ 2,999,915
Contributions as a percentage of covered-employee payroll	29.73%

City of St. Joseph

Other Post-Employment Benefits

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (Entry Age)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2014	\$ -	\$ 2,079,964	\$ 2,079,964	0.00%	\$ 1,338,705	155.37%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2015	\$ 167,910	118.10%	\$ 2,002,048
2014	124,764	30.30%	2,032,496

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2015

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

The City's budgeted expenditures in the General Fund have been shown at the activity level. The City's budgeted expenditures for nonmajor Special Revenue Funds are not required to be reported in the financial statements. The approved budgets of the City have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2015, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Financial and Tax Administration			
Treasurer	\$ 215,800	\$ 216,602	\$ 802
Debt service			
Principal	111,000	111,004	4
Transfers out	1,207,700	1,207,707	7

NOTE B: DEFINED BENEFIT PENSION PLAN

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The accompanying schedules of employer contributions presents trend information about the amounts contributed to the plan by the employer in comparison to the Annual Pension Costs (APC), which is calculated from the Annual Required Contribution (ARC), an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortized any unfunded actuarial liabilities (or fund excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of June 30 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.
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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED

Year Ended June 30, 2015

NOTE B: DEFINED BENEFIT PENSION PLAN - CONTINUED

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17 years
Asset valuation method	5-year smoothed market
Inflation	4.00%
Salary increases	4.1% to 8.0% including inflation
Investment rate of return	7.00%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality rates	RP-2000 Male (110%) and Female (unadjusted) Healthy Life Mortality Table

Changes in Benefit Terms: There were no changes of benefit terms in fiscal year 2015.

Changes in Assumptions: For amounts reported prior to 2015, the expectation of retired life mortality was based on RP-2000 Mortality table unadjusted for women with 110% of the table rates for men. For amounts reported 2015 and later, the expectation of retired life mortality was based on RP-2000 Mortality table projected 20 years unadjusted for women with 110% of the table rates for men.

OTHER SUPPLEMENTARY INFORMATION

City of St. Joseph

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2015

	Special Revenue Funds				
	Major Street	Local Street	Street Improvement	Cemetery	Depot
ASSETS					
Cash and cash equivalents	\$ 869,281	\$ 170,889	\$ 1,344,201	\$ 172,563	\$ 134,239
Investments	-	-	-	-	-
Accounts receivable	-	-	4,747	-	400
Due from other governmental units	69,743	38,065	-	-	-
Inventory	-	63,772	-	-	-
Prepays	-	-	120,692	-	-
TOTAL ASSETS	\$ 939,024	\$ 272,726	\$ 1,469,640	\$ 172,563	\$ 134,639
LIABILITIES					
Accounts payable	\$ -	\$ 47	\$ 17,940	\$ 991	\$ -
Accrued liabilities	-	-	436	-	-
Due to other funds	-	75,499	-	-	300
TOTAL LIABILITIES	-0-	75,546	18,376	991	300
FUND BALANCES					
Nonspendable	-	63,772	120,692	-	-
Restricted	939,024	133,408	1,330,572	171,572	-
Committed	-	-	-	-	134,339
Assigned	-	-	-	-	-
TOTAL FUND BALANCES	939,024	197,180	1,451,264	171,572	134,339
TOTAL LIABILITIES AND FUND BALANCES	\$ 939,024	\$ 272,726	\$ 1,469,640	\$ 172,563	\$ 134,639

Special Revenue Funds

Garbage and Rubbish Collection	Brownfield Authority	Building Inspection	Drug Forfeiture	Criminal Forfeiture	Band	Public Library	Justice Training
\$ 11,348	\$ 33,569	\$ 286,474	\$ 5,321	\$ 100	\$ 169,350	\$ 244,307	\$ 6,194
-	-	-	-	-	-	-	-
-	-	-	-	-	-	14,583	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 11,348</u>	<u>\$ 33,569</u>	<u>\$ 286,474</u>	<u>\$ 5,321</u>	<u>\$ 100</u>	<u>\$ 169,350</u>	<u>\$ 258,890</u>	<u>\$ 6,194</u>
\$ 132	\$ -	\$ 4,670	\$ -	\$ -	\$ 1,000	\$ 6,684	\$ -
-	-	-	-	-	2,282	19,641	-
-	-	281,804	-	-	-	-	-
132	-0-	286,474	-0-	-0-	3,282	26,325	-0-
-	-	-	-	-	-	-	-
11,216	-	-	-	-	166,068	232,565	-
-	33,569	-	5,321	100	-	-	6,194
-	-	-	-	-	-	-	-
<u>11,216</u>	<u>33,569</u>	<u>-0-</u>	<u>5,321</u>	<u>100</u>	<u>166,068</u>	<u>232,565</u>	<u>6,194</u>
<u>\$ 11,348</u>	<u>\$ 33,569</u>	<u>\$ 286,474</u>	<u>\$ 5,321</u>	<u>\$ 100</u>	<u>\$ 169,350</u>	<u>\$ 258,890</u>	<u>\$ 6,194</u>

City of St. Joseph

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2015

	Debt Service Fund	Permanent Funds	
		Cemetery Perpetual Care	Library Endowment
ASSETS			
Cash and cash equivalents	\$ 662,358	\$ 168,093	\$ 317,343
Investments	-	-	402,000
Accounts receivable	-	-	-
Due from other governmental units	-	-	-
Inventory	-	-	-
Prepays	-	-	-
TOTAL ASSETS	\$ 662,358	\$ 168,093	\$ 719,343
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
FUND BALANCES			
Nonspendable	-	-	495,804
Restricted	662,358	168,093	223,539
Committed	-	-	-
Assigned	-	-	-
TOTAL FUND BALANCES	662,358	168,093	719,343
TOTAL LIABILITIES AND FUND BALANCES	\$ 662,358	\$ 168,093	\$ 719,343

Capital Projects Funds

SAW Grant Project	Library Capital Improvements	Lighthouse Improvement	Total
\$ 67,250	\$ 9,261	\$ 380,003	\$ 5,052,144
-	-	-	402,000
-	-	13,000	18,147
-	-	-	122,391
-	-	-	63,772
-	-	-	120,692
<u>\$ 67,250</u>	<u>\$ 9,261</u>	<u>\$ 393,003</u>	<u>\$ 5,779,146</u>
\$ -	\$ -	\$ -	\$ 31,464
-	-	-	22,359
-	-	-	357,603
-0-	-0-	-0-	411,426
-	-	-	680,268
67,250	-	393,003	4,498,668
-	-	-	179,523
-	9,261	-	9,261
<u>67,250</u>	<u>9,261</u>	<u>393,003</u>	<u>5,367,720</u>
<u>\$ 67,250</u>	<u>\$ 9,261</u>	<u>\$ 393,003</u>	<u>\$ 5,779,146</u>

City of St. Joseph

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	Special Revenue Funds				
	Major Street	Local Street	Street Improvement	Cemetery	Depot
REVENUES					
Taxes	\$ -	\$ -	\$ 432,753	\$ -	\$ -
Intergovernmental	414,126	210,107	90,586	-	-
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	196,587	-
Fines and forfeits	-	-	-	-	-
Interest	59	794	1,232	16	23,121
Contributions	-	-	-	1,750	-
Other	200	1,016	66,752	412	-
TOTAL REVENUES	414,385	211,917	591,323	198,765	23,121
EXPENDITURES					
Current					
General government	-	-	-	148,953	10,374
Public safety	-	-	-	-	-
Public works	416,494	374,235	256,967	-	-
Recreation and culture	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fees	-	-	-	-	-
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	416,494	374,235	256,967	148,953	10,374
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,109)	(162,318)	334,356	49,812	12,747
OTHER FINANCING SOURCES (USES)					
Transfers in	179,481	141,537	-	2,236	-
Transfers out	(95,000)	-	(334,907)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	84,481	141,537	(334,907)	2,236	-0-
NET CHANGE IN FUND BALANCES	82,372	(20,781)	(551)	52,048	12,747
Fund balances, beginning of year	856,652	217,961	1,451,815	119,524	121,592
Fund balances, end of year	<u>\$ 939,024</u>	<u>\$ 197,180</u>	<u>\$ 1,451,264</u>	<u>\$ 171,572</u>	<u>\$ 134,339</u>

Special Revenue Funds

Garbage and Rubbish Collection	Brownfield Authority	Building Inspection	Drug Forfeiture	Criminal Forfeiture	Band	Public Library	Justice Training
\$ 770,299	\$ -	\$ -	\$ -	\$ -	\$ 108,175	\$ 294,259	\$ -
3,500	-	-	-	-	-	192,960	1,131
-	-	252,824	-	-	-	-	-
2,566	-	19,528	-	-	6,895	8,782	-
-	-	-	276	-	-	179,234	-
214	39	215	25	8	115	2,025	-
-	-	-	-	-	-	40,468	-
3,924	-	4,346	-	-	-	9,128	-
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780,503	39	276,913	301	8	115,185	726,856	1,131
-	-	-	-	-	-	-	-
-	-	226,851	7,495	1,955	-	-	-
991,794	-	-	-	-	-	-	-
-	-	-	-	-	90,313	721,791	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
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991,794	-0-	226,851	7,495	1,955	90,313	721,791	-0-
(211,291)	39	50,062	(7,194)	(1,947)	24,872	5,065	1,131
25,000	-	-	-	-	-	5,800	-
-	-	(218,749)	(1,650)	-	-	-	-
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25,000	-0-	(218,749)	(1,650)	-0-	-0-	5,800	-0-
(186,291)	39	(168,687)	(8,844)	(1,947)	24,872	10,865	1,131
197,507	33,530	168,687	14,165	2,047	141,196	221,700	5,063
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\$ 11,216	\$ 33,569	\$ -0-	\$ 5,321	\$ 100	\$ 166,068	\$ 232,565	\$ 6,194

City of St. Joseph

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended June 30, 2015

	Debt Service Fund	Permanent Funds	
		Cemetery Perpetual Care	Library Endowment
REVENUES			
Taxes	\$ 602,920	\$ -	\$ -
Intergovernmental	-	-	-
Licenses and permits	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest	671	244	6,168
Contributions	-	-	1,025
Other	-	-	-
TOTAL REVENUES	603,591	244	7,193
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	11,865	-	-
Recreation and culture	-	-	-
Debt service			
Principal	370,000	-	-
Interest and fees	171,082	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	552,947	-0-	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	50,644	244	7,193
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	(5,800)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	(5,800)
NET CHANGE IN FUND BALANCES	50,644	244	1,393
Fund balances, beginning of year	611,714	167,849	717,950
Fund balances, end of year	\$ 662,358	\$ 168,093	\$ 719,343

Capital Projects Funds

SAW Grant Project	Library Capital Improvement	Lighthouse Improvement	Total
\$ -	\$ -	\$ -	\$ 2,208,406
6,750	-	-	919,160
-	-	-	252,824
-	-	-	234,358
-	-	-	179,510
-	-	-	34,946
-	5,740	-	48,983
-	-	483,787	569,565
6,750	5,740	483,787	4,447,752
-	-	-	159,327
-	-	-	236,301
-	-	-	2,051,355
-	-	172,728	984,832
-	-	-	370,000
-	-	-	171,082
18,300	5,237	-	23,537
18,300	5,237	172,728	3,996,434
(11,550)	503	311,059	451,318
78,800	-	25,000	457,854
-	-	-	(656,106)
78,800	-0-	25,000	(198,252)
67,250	503	336,059	253,066
-	8,758	56,944	5,114,654
<u>\$ 67,250</u>	<u>\$ 9,261</u>	<u>\$ 393,003</u>	<u>\$ 5,367,720</u>

City of St. Joseph

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION

June 30, 2015

	Enterprise Funds		Total
	Ice Arena	Marina	
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ 357,435	\$ 357,435
Accounts receivable	-	20	20
Inventory	-	52,631	52,631
Total current assets	-0-	410,086	410,086
Noncurrent assets			
Long-term investment			
Capital assets not being depreciated	-	129,789	129,789
Capital assets, net of accumulated depreciation	-	2,158,134	2,158,134
Total noncurrent assets	-0-	2,287,923	2,287,923
TOTAL ASSETS	-0-	2,698,009	2,698,009
LIABILITIES			
Current liabilities			
Accounts payable	-	76,199	76,199
Accrued wages	-	7,895	7,895
Other accrued liabilities	-	279	279
Current portion of compensated absences	-	1,419	1,419
Current portion of long-term debt	-	13,889	13,889
Total current liabilities	-0-	99,681	99,681
Noncurrent liabilities			
Noncurrent portion of compensated absences	-	665	665
Noncurrent portion of long-term debt	-	69,444	69,444
Total noncurrent liabilities	-0-	70,109	70,109
TOTAL LIABILITIES	-0-	169,790	169,790
NET POSITION			
Net investment in capital assets	-	2,204,590	2,204,590
Unrestricted	-	323,629	323,629
TOTAL NET POSITION	\$ -0-	\$ 2,528,219	\$ 2,528,219

City of St. Joseph

Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

Year Ended June 30, 2015

	Enterprise Funds		Total
	Ice Arena	Marina	
OPERATING REVENUES			
Charges for services	\$ 180,644	\$ 593,361	\$ 774,005
Other	74	631	705
TOTAL OPERATING REVENUES	180,718	593,992	774,710
OPERATING EXPENSES			
Salaries and wages	60,806	85,566	146,372
Fringe benefits	9,399	47,302	56,701
Contractual services	5,180	33,791	38,971
Supplies	22,308	112,871	135,179
Utilities	37,453	22,119	59,572
Insurance	-	9,679	9,679
Communications	4,174	3,977	8,151
Printing and publishing	129	-	129
Repairs	14,237	6,685	20,922
Other	717	12,298	13,015
Depreciation	76,953	55,389	132,342
TOTAL OPERATING EXPENSES	231,356	389,677	621,033
OPERATING INCOME (LOSS)	(50,638)	204,315	153,677
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	-	301	301
Interest expense	-	(537)	(537)
TOTAL NONOPERATING REVENUES (EXPENSES)	-0-	(236)	(236)
NET INCOME (LOSS) BEFORE TRANSFERS	(50,638)	204,079	153,441
TRANSFERS OUT	(2,200,003)	-	(2,200,003)
CHANGE IN NET POSITION	(2,250,641)	204,079	(2,046,562)
Net position, beginning of year	2,250,641	2,324,140	4,574,781
Net position, end of year	\$ -0-	\$ 2,528,219	\$ 2,528,219

City of St. Joseph

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

	Enterprise Funds		Total
	Ice Arena	Marina	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 180,718	\$ 600,557	\$ 781,275
Cash paid to suppliers	(93,597)	(213,814)	(307,411)
Cash paid to employees	(60,806)	(84,109)	(144,915)
	<u>26,315</u>	<u>302,634</u>	<u>328,949</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES			
	26,315	302,634	328,949
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipt/payment of interfund balances	2,500	-	2,500
Transfers out	(117,001)	-	(117,001)
	<u>(114,501)</u>	<u>-</u>	<u>(114,501)</u>
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES			
	(114,501)	-0-	(114,501)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	-	(125,781)	(125,781)
Principal paid on debt	-	(46,201)	(46,201)
Interest paid on debt	-	(537)	(537)
	<u>-</u>	<u>(172,519)</u>	<u>(172,519)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
	-0-	(172,519)	(172,519)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	301	301
	<u>-</u>	<u>301</u>	<u>301</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(88,186)	130,416	42,230
Cash and cash equivalents, beginning of year	<u>88,186</u>	<u>227,019</u>	<u>315,205</u>
Cash and cash equivalents, end of year	<u>\$ -0-</u>	<u>\$ 357,435</u>	<u>\$ 357,435</u>

City of St. Joseph

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2015

	Enterprise Funds		Total
	Ice Arena	Marina	
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (50,638)	\$ 204,315	\$ 153,677
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	76,953	55,389	132,342
(Increase) decrease in:			
Accounts receivable	-	6,565	6,565
Inventory	-	(27,207)	(27,207)
Increase (decrease) in:			
Accounts payable	-	61,950	61,950
Accrued wages	-	2,132	2,132
Other accrued liabilities	-	165	165
Compensated absences	-	(675)	(675)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 26,315	\$ 302,634	\$ 328,949

City of St. Joseph

Internal Service Funds

COMBINING STATEMENT OF NET POSITION

June 30, 2015

	Self Insurance	Motor Pool	Employee Health Care	Public Works	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 225,126	\$ 578,833	\$ 347,884	\$ 48,660	\$ 1,200,503
Due from other funds	-	-	-	79,192	79,192
Inventory	-	38,454	-	-	38,454
Prepays	-	-	35,486	-	35,486
Total current assets	225,126	617,287	383,370	127,852	1,353,635
Noncurrent assets					
Capital assets, net of accumulated depreciation	-	1,138,438	-	-	1,138,438
TOTAL ASSETS	225,126	1,755,725	383,370	127,852	2,492,073
LIABILITIES					
Current liabilities					
Accounts payable	-	1,927	-	-	1,927
Accrued wages	-	-	-	41,937	41,937
Other accrued liabilities	-	-	-	45,331	45,331
Due to other funds	-	3,684	-	9	3,693
TOTAL LIABILITIES	-0-	5,611	-0-	87,277	92,888
NET POSITION					
Unrestricted	<u>\$ 225,126</u>	<u>\$ 1,750,114</u>	<u>\$ 383,370</u>	<u>\$ 40,575</u>	<u>\$ 2,399,185</u>

City of St. Joseph

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

Year Ended June 30, 2015

	<u>Self Insurance</u>	<u>Motor Pool</u>	<u>Employee Health Care</u>	<u>Public Works</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$ -	\$ -	\$ -	\$ 1,028,562	\$ 1,028,562
Rents	-	787,326	-	-	787,326
Other	233,714	57,223	1,282,684	29,696	1,603,317
TOTAL OPERATING REVENUES	233,714	844,549	1,282,684	1,058,258	3,419,205
OPERATING EXPENSES					
Personal services					
Salaries and wages	75,770	-	-	738,269	814,039
Fringe benefits	3,696	-	1,181,753	326,600	1,512,049
Building and equipment rental	-	-	-	12,513	12,513
Supplies	-	297,266	-	-	297,266
Contractual services	9,702	122,123	2,070	-	133,895
Transportation	-	20	-	-	20
Insurance	148,525	44,617	-	-	193,142
Repairs and maintenance	-	55,051	-	-	55,051
Miscellaneous	-	1,102	10,031	-	11,133
Depreciation	-	241,448	-	-	241,448
TOTAL OPERATING EXPENSES	237,693	761,627	1,193,854	1,077,382	3,270,556
OPERATING INCOME (LOSS)	(3,979)	82,922	88,830	(19,124)	148,649
NONOPERATING REVENUE					
Interest Income	160	331	274	-	765
INCOME (LOSS) BEFORE TRANSFERS	(3,819)	83,253	89,104	(19,124)	149,414
TRANSFERS					
Transfers in	-	1,650	-	75,000	76,650
Transfers out	-	-	-	(15,301)	(15,301)
TOTAL TRANSFERS	-0-	1,650	-0-	59,699	61,349
CHANGE IN NET POSITION	(3,819)	84,903	89,104	40,575	210,763
Restated net position, beginning of year	228,945	1,665,211	294,266	-	2,188,422
Net position, end of year	\$ 225,126	\$ 1,750,114	\$ 383,370	\$ 40,575	\$ 2,399,185

City of St. Joseph

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

	Self Insurance	Motor Pool	Employee Health Care	Public Works	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	\$ 234,658	\$ 847,267	\$ 1,282,684	\$ 1,058,258	\$ 3,422,867
Cash paid to suppliers	(161,923)	(525,719)	(1,188,201)	(293,782)	(2,169,625)
Cash paid to employees	(75,770)	(3,693)	-	(696,332)	(775,795)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(3,035)	317,855	94,483	68,144	477,447
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipt/payment of interfund balances	-	50,315	-	(79,183)	(28,868)
Transfers in	-	1,650	-	75,000	76,650
Transfers out	-	-	-	(15,301)	(15,301)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-0-	51,965	-0-	(19,484)	32,481
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Purchase of capital assets	-	(185,425)	-	-	(185,425)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	160	331	274	-	765
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,875)	184,726	94,757	48,660	325,268
Cash and cash equivalents, beginning of year	228,001	394,107	253,127	-	875,235
Cash and cash equivalents, end of year	<u>\$ 225,126</u>	<u>\$ 578,833</u>	<u>\$ 347,884</u>	<u>\$ 48,660</u>	<u>\$ 1,200,503</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (3,979)	\$ 82,922	\$ 88,830	\$ (19,124)	\$ 148,649
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities					
Depreciation expense	-	241,448	-	-	241,448
Decrease in:					
Accounts receivable	944	2,718	-	-	3,662
Prepaid insurance	-	-	5,653	-	5,653
Inventory	-	8,178	-	-	8,178
Increase (decrease) in:					
Accounts payable	-	(13,718)	-	-	(13,718)
Accrued wages	-	(2,516)	-	41,937	39,421
Other accrued liabilities	-	-	-	45,331	45,331
Compensated absences	-	(1,177)	-	-	(1,177)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (3,035)</u>	<u>\$ 317,855</u>	<u>\$ 94,483</u>	<u>\$ 68,144</u>	<u>\$ 477,447</u>

City of St. Joseph

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2015

ASSETS	
Cash and cash equivalents	\$ 59,474
Prepays	<u>5,500</u>
TOTAL ASSETS	<u>\$ 64,974</u>
LIABILITIES	
Accrued wages	\$ 517
FUND BALANCE	
Nonspendable	5,500
Unassigned	<u>58,957</u>
TOTAL FUND BALANCE	<u>64,457</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 64,974</u>

Note: Reconciliation of the governmental fund balance sheet to the statement of net position for this component unit is not required as the fund balance was equal to the net position as of June 30, 2015.

City of St. Joseph

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2015

REVENUES	
Taxes	\$ 52,411
Interest	87
	<hr/>
TOTAL REVENUES	52,498
EXPENDITURES	
Current	
Community and economic development	59,242
Capital outlay	3,829
	<hr/>
TOTAL EXPENDITURES	63,071
NET CHANGE IN FUND BALANCE	(10,573)
Fund balance, beginning of year	<hr/>
	75,030
Fund balance, end of year	<hr/> <hr/>
	\$ 64,457

Note: Reconciliation of the statement of revenues, expenditures, and change in fund balance of this component unit's governmental fund to the statement of activities is not required as the net change in fund balance was equal to the change in net position for the year ended June 30, 2015.

City of St. Joseph

SCHEDULE OF 2003 STATE REVOLVING FUND BONDS
PROJECT #5190-01

June 30, 2015

Year Ending June 30,	Interest Rate	Annual Debt Service	Interest		Principal October 1	Balance
			October 1	April 1		
2016	2.50%	\$ 114,998	\$ 10,593	\$ 9,405	\$ 95,000	\$ 752,410
2017	2.50%	112,623	9,405	8,218	95,000	657,410
2018	2.50%	110,248	8,218	7,030	95,000	562,410
2019	2.50%	107,873	7,030	5,843	95,000	467,410
2020	2.50%	105,498	5,843	4,655	95,000	372,410
2021	2.50%	103,123	4,655	3,468	95,000	277,410
2022	2.50%	100,748	3,468	2,280	95,000	182,410
2023	2.50%	98,373	2,280	1,093	95,000	87,410
2024	2.50%	88,503	1,093	-	87,410	-0-
		<u>\$ 941,987</u>	<u>\$ 52,585</u>	<u>\$ 41,992</u>	<u>\$ 847,410</u>	

City of St. Joseph

SCHEDULE OF 2004 STATE REVOLVING FUND BONDS
PROJECT #5190-02

June 30, 2015

Year Ending June 30,	Interest Rate	Annual Debt Service	Interest		Principal April 1	Balance
			October 1	April 1		
2016	2.125%	\$ 135,434	\$ 12,717	\$ 12,717	\$ 110,000	\$ 1,086,902
2017	2.125%	133,097	11,548	11,549	110,000	976,902
2018	2.125%	135,760	10,380	10,380	115,000	861,902
2019	2.125%	133,316	9,158	9,158	115,000	746,902
2020	2.125%	135,872	7,936	7,936	120,000	626,902
2021	2.125%	133,322	6,661	6,661	120,000	506,902
2022	2.125%	135,772	5,386	5,386	125,000	381,902
2023	2.125%	133,116	4,058	4,058	125,000	256,902
2024	2.125%	135,460	2,730	2,730	130,000	126,902
2025	2.125%	129,599	1,348	1,349	126,902	-0-
		<u>\$ 1,340,748</u>	<u>\$ 71,922</u>	<u>\$ 71,924</u>	<u>\$ 1,196,902</u>	

City of St. Joseph

SCHEDULE OF CAPITAL IMPROVEMENT NOTE
BERRIEN COUNTY REVOLVING LOAN FUND

June 30, 2015

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Annual Debt Service</u>	<u>Interest</u>	<u>Principal January 1</u>	<u>Balance</u>
2016	-	\$ 25,000	\$ -	\$ 25,000	\$ 100,000
2017	-	25,000	-	25,000	75,000
2018	-	25,000	-	25,000	50,000
2019	-	25,000	-	25,000	25,000
2020	-	25,000	-	25,000	-0-
		<u>\$ 125,000</u>	<u>\$ -0-</u>	<u>\$ 125,000</u>	

City of St. Joseph

SCHEDULE OF BLUFFSIDE INSTALLMENT LOAN

June 30, 2015

Year Ending June 30,	Interest Rate	Annual Debt Service	Interest		Principal		Balance
			August 8	February 8	August 8	February 8	
2016	4.350%	\$ 128,047	\$ 19,613	\$ 18,648	\$ 44,410	\$ 45,376	\$ 812,770
2017	4.350%	128,047	17,660	16,653	46,363	47,371	719,036
2018	4.350%	128,048	15,622	14,570	48,402	49,454	621,180
2019	4.350%	128,048	13,494	12,395	50,530	51,629	519,021
2020	4.350%	128,047	11,271	10,125	52,752	53,899	412,370
2021	4.350%	128,048	8,953	7,754	55,072	56,269	301,029
2022	4.350%	128,048	6,531	5,280	57,493	58,744	184,792
2023	4.350%	128,048	4,002	2,697	60,022	61,327	63,443
2024	4.350%	64,798	1,355	-	63,443	-	-0-
		<u>\$ 1,089,179</u>	<u>\$ 98,501</u>	<u>\$ 88,122</u>	<u>\$ 478,487</u>	<u>\$ 424,069</u>	

City of St. Joseph

SCHEDULE OF 2011 REFUNDING BONDS

June 30, 2015

Year Ending June 30,	Interest Rate	Annual Debt Service	Interest		Principal May 1	Balance
			November 1	May 1		
2016	2.500%	\$ 290,794	\$ 57,897	\$ 57,897	\$ 175,000	\$ 2,925,000
2017	3.000%	296,418	55,709	55,709	185,000	2,740,000
2018	3.000%	305,868	52,934	52,934	200,000	2,540,000
2019	3.500%	309,868	49,934	49,934	210,000	2,330,000
2020	3.500%	317,518	46,259	46,259	225,000	2,105,000
2021	4.000%	329,644	42,322	42,322	245,000	1,860,000
2022	4.000%	339,844	37,422	37,422	265,000	1,595,000
2023	4.000%	344,244	32,122	32,122	280,000	1,315,000
2024	4.000%	353,044	26,522	26,522	300,000	1,015,000
2025	4.000%	361,044	20,522	20,522	320,000	695,000
2026	4.000%	368,244	14,122	14,122	340,000	355,000
2027	4.125%	369,644	7,322	7,322	355,000	-0-
		<u>\$ 3,986,174</u>	<u>\$ 443,087</u>	<u>\$ 443,087</u>	<u>\$ 3,100,000</u>	

City of St. Joseph

SCHEDULE OF 2014 FIRE TRUCK INSTALLMENT LOAN

June 30, 2015

Year Ending June 30,	Interest Rate	Annual Debt Service	Interest		Principal		Balance
			November 1	May 1	November 1	May 1	
2016	1.190%	\$ 226,374	\$ 2,654	\$ 1,997	\$ 110,533	\$ 111,190	\$ 224,369
2017	1.190%	226,373	1,335	669	111,852	112,517	-0-
		<u>\$ 452,747</u>	<u>\$ 3,989</u>	<u>\$ 2,666</u>	<u>\$ 222,385</u>	<u>\$ 223,707</u>	

City of St. Joseph

SCHEDULE OF 2008 CAPITAL IMPROVEMENT BONDS
PROJECT #7236-01

June 30, 2015

Year Ending June 30,	Interest Rate	Annual Debt Service	Interest		Principal April 1	Balance
			October 1	April 1		
2016	2.500%	\$ 202,138	\$ 31,069	\$ 31,069	\$ 140,000	\$ 2,345,496
2017	2.500%	198,638	29,319	29,319	140,000	2,205,496
2018	2.500%	200,138	27,569	27,569	145,000	2,060,496
2019	2.500%	201,512	25,756	25,756	150,000	1,910,496
2020	2.500%	202,762	23,881	23,881	155,000	1,755,496
2021	2.500%	198,888	21,944	21,944	155,000	1,600,496
2022	2.500%	200,012	20,006	20,006	160,000	1,440,496
2023	2.500%	201,012	18,006	18,006	165,000	1,275,496
2024	2.500%	201,888	15,944	15,944	170,000	1,105,496
2025	2.500%	201,638	12,819	13,819	175,000	930,496
2026	2.500%	203,262	11,631	11,631	180,000	750,496
2027	2.500%	198,762	9,381	9,381	180,000	570,496
2028	2.500%	199,262	7,131	7,131	185,000	385,496
2029	2.500%	199,638	4,819	4,819	190,000	195,496
2030	2.500%	200,384	2,444	2,444	195,496	-0-
		<u>\$ 3,009,934</u>	<u>\$ 261,719</u>	<u>\$ 262,719</u>	<u>\$ 2,485,496</u>	

City of St. Joseph

SCHEDULE OF 2009 CLEAN WATER BONDS
PROJECT #5322-01

June 30, 2015

Year Ending June 30,	Interest Rate	Annual Debt Service	Interest		Principal April 1	Balance
			October 1	April 1		
2016	2.500%	\$ 14,525	\$ 2,262	\$ 2,263	\$ 10,000	\$ 171,000
2017	2.500%	14,275	2,137	2,138	10,000	161,000
2018	2.500%	14,025	2,012	2,013	10,000	151,000
2019	2.500%	13,775	1,887	1,888	10,000	141,000
2020	2.500%	13,525	1,762	1,763	10,000	131,000
2021	2.500%	13,275	1,637	1,638	10,000	121,000
2022	2.500%	13,025	1,512	1,513	10,000	111,000
2023	2.500%	12,775	1,387	1,388	10,000	101,000
2024	2.500%	13,525	1,262	1,263	11,000	90,000
2025	2.500%	17,250	1,125	1,125	15,000	75,000
2026	2.500%	16,875	937	938	15,000	60,000
2027	2.500%	16,500	750	750	15,000	45,000
2028	2.500%	16,125	562	563	15,000	30,000
2029	2.500%	15,750	375	375	15,000	15,000
2030	2.500%	15,375	187	188	15,000	-0-
		<u>\$ 220,600</u>	<u>\$ 19,794</u>	<u>\$ 19,806</u>	<u>\$ 181,000</u>	

City of St. Joseph

SCHEDULE OF 2009 CLEAN WATER BONDS
PROJECT #7237-01

June 30, 2015

Year Ending June 30,	Interest Rate	Annual Debt Service	Interest		Principal April 1	Balance
			October 1	April 1		
2016	2.500%	\$ 378,112	\$ 65,618	\$ 62,494	\$ 250,000	\$ 4,999,460
2017	2.500%	381,737	62,493	59,244	260,000	4,739,460
2018	2.500%	380,174	59,243	55,931	265,000	4,474,460
2019	2.500%	378,487	55,931	52,556	270,000	4,204,460
2020	2.500%	381,612	52,556	49,056	280,000	3,924,460
2021	2.500%	379,549	49,056	45,493	285,000	3,639,460
2022	2.500%	377,361	45,493	41,868	290,000	3,349,460
2023	2.500%	379,986	41,868	38,118	300,000	3,049,460
2024	2.500%	377,424	38,118	34,306	305,000	2,744,460
2025	2.500%	379,674	34,306	30,368	315,000	2,429,460
2026	2.500%	376,736	30,368	26,368	320,000	2,109,460
2027	2.500%	378,612	26,368	22,244	330,000	1,779,460
2028	2.500%	375,299	22,243	18,056	335,000	1,444,460
2029	2.500%	381,737	18,056	13,681	350,000	1,094,460
2030	2.500%	377,924	13,681	9,243	355,000	739,460
2031	2.500%	378,924	9,243	4,681	365,000	374,460
2032	2.500%	379,141	4,681	-	374,460	-0-
		<u>\$ 6,442,489</u>	<u>\$ 629,322</u>	<u>\$ 563,707</u>	<u>\$ 5,249,460</u>	

City of St. Joseph

SCHEDULE OF 2010 CLEAN WATER BONDS
PROJECT #7286-01

June 30, 2015

Year Ending June 30,	Interest Rate	Annual Debt Service	Interest		Principal April 1	Balance
			October 1	April 1		
2016	2.500%	\$ 82,813	\$ 14,250	\$ 13,563	\$ 55,000	\$ 1,085,000
2017	2.500%	81,438	13,562	12,876	55,000	1,030,000
2018	2.500%	80,063	12,875	12,188	55,000	975,000
2019	2.500%	83,625	12,187	11,438	60,000	915,000
2020	2.500%	82,125	11,437	10,688	60,000	855,000
2021	2.500%	80,625	10,687	9,938	60,000	795,000
2022	2.500%	84,063	9,937	9,126	65,000	730,000
2023	2.500%	82,438	9,125	8,313	65,000	665,000
2024	2.500%	80,812	8,312	7,500	65,000	600,000
2025	2.500%	84,125	7,500	6,625	70,000	530,000
2026	2.500%	82,375	6,625	5,750	70,000	460,000
2027	2.500%	80,625	5,750	4,875	70,000	390,000
2028	2.500%	83,813	4,875	3,938	75,000	315,000
2029	2.500%	81,937	3,937	3,000	75,000	240,000
2030	2.500%	80,063	3,000	2,063	75,000	165,000
2031	2.500%	83,125	2,062	1,063	80,000	85,000
2032	2.500%	86,063	1,063	-	85,000	-0-
		<u>\$ 1,400,128</u>	<u>\$ 137,184</u>	<u>\$ 122,944</u>	<u>\$ 1,140,000</u>	

City of St. Joseph

SCHEDULE OF 2010 MARINA INSTALLMENT LOAN

June 30, 2015

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Annual Debt Service</u>	<u>Interest</u>	<u>Principal December 31</u>	<u>Balance</u>
2016	-	\$ 13,889	\$ -	\$ 13,889	\$ 69,444
2017	-	13,889	-	13,889	55,555
2018	-	13,889	-	13,889	41,666
2019	-	13,889	-	13,889	27,777
2020	-	13,889	-	13,889	13,888
2021	-	13,888	-	13,888	-0-
		<u>\$ 83,333</u>	<u>\$ -0-</u>	<u>\$ 83,333</u>	

City of St. Joseph

SCHEDULE OF 2012 CLEAN WATER BONDS
PROJECT #5518-01

June 30, 2015

Year Ending June 30,	Interest Rate	Annual Debt Service	Interest		Principal April 1	Balance
			October 1	April 1		
2016	2.500%	\$ 14,500	\$ 2,250	\$ 2,250	\$ 10,000	\$ 170,000
2017	2.500%	14,250	2,125	2,125	10,000	160,000
2018	2.500%	14,000	2,000	2,000	10,000	150,000
2019	2.500%	13,750	1,875	1,875	10,000	140,000
2020	2.500%	13,500	1,750	1,750	10,000	130,000
2021	2.500%	13,250	1,625	1,625	10,000	120,000
2022	2.500%	13,000	1,500	1,500	10,000	110,000
2023	2.500%	12,750	1,375	1,375	10,000	100,000
2024	2.500%	12,500	1,250	1,250	10,000	90,000
2025	2.500%	12,250	1,125	1,125	10,000	80,000
2026	2.500%	12,000	1,000	1,000	10,000	70,000
2027	2.500%	11,750	875	875	10,000	60,000
2028	2.500%	11,500	750	750	10,000	50,000
2029	2.500%	11,250	625	625	10,000	40,000
2030	2.500%	11,000	500	500	10,000	30,000
2031	2.500%	15,750	375	375	15,000	15,000
2032	2.500%	15,375	188	187	15,000	-0-
		<u>\$ 222,375</u>	<u>\$ 21,188</u>	<u>\$ 21,187</u>	<u>\$ 180,000</u>	

City of St. Joseph

SCHEDULE OF GENERAL LIMITED TAX BONDS,
SERIES 2012

June 30, 2015

Year Ending June 30,	Interest Rate	Annual Debt Service	Interest		Principal May 1	Balance
			November 1	May 1		
2016	1.550%	\$ 84,475	\$ 7,509	\$ 6,966	\$ 70,000	\$ 530,000
2017	1.750%	83,320	6,966	6,354	70,000	460,000
2018	2.050%	81,990	6,354	5,636	70,000	390,000
2019	2.350%	85,391	5,636	4,755	75,000	315,000
2020	2.600%	83,535	4,755	3,780	75,000	240,000
2021	2.900%	86,400	3,780	2,620	80,000	160,000
2022	3.200%	83,960	2,620	1,340	80,000	80,000
2023	3.350%	81,340	1,340	-	80,000	-0-
		<u>\$ 670,411</u>	<u>\$ 38,960</u>	<u>\$ 31,451</u>	<u>\$ 600,000</u>	

City of St. Joseph

SCHEDULE OF 2013 CLEAN WATER BONDS
PROJECT #5518-02

June 30, 2015

Year Ending June 30,	Interest Rate	Annual Debt Service	Interest		Principal April 1	Balance
			October 1	April 1		
2016	2.000%	\$ 14,574	\$ 2,287	\$ 2,287	\$ 10,000	\$ 218,702
2017	2.000%	14,374	2,187	2,187	10,000	208,702
2018	2.000%	14,174	2,087	2,087	10,000	198,702
2019	2.000%	13,974	1,987	1,987	10,000	188,702
2020	2.000%	13,774	1,887	1,887	10,000	178,702
2021	2.000%	13,574	1,787	1,787	10,000	168,702
2022	2.000%	13,374	1,687	1,687	10,000	158,702
2023	2.000%	13,174	1,587	1,587	10,000	148,702
2024	2.000%	12,974	1,487	1,487	10,000	138,702
2025	2.000%	17,774	1,387	1,387	15,000	123,702
2026	2.000%	17,474	1,237	1,237	15,000	108,702
2027	2.000%	17,174	1,087	1,087	15,000	93,702
2028	2.000%	16,874	937	937	15,000	78,702
2029	2.000%	16,574	787	787	15,000	63,702
2030	2.000%	16,274	637	637	15,000	48,702
2031	2.000%	15,974	487	487	15,000	33,702
2032	2.000%	15,674	337	337	15,000	18,702
2033	2.000%	19,076	187	187	18,702	-0-
		<u>\$ 276,834</u>	<u>\$ 24,066</u>	<u>\$ 24,066</u>	<u>\$ 228,702</u>	

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
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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 City Commission
City of St. Joseph, 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 *Governmental 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 City of St. Joseph (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 26, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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'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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 26, 2015