

CITY OF ST. JOSEPH
BERRIEN COUNTY, MICHIGAN
FINANCIAL REPORT
June 30, 2005

**CITY OF ST. JOSEPH
BERRIEN COUNTY, MICHIGAN**

FINANCIAL REPORT

June 30, 2005

CONTENTS

	<u>Page</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS	I-IX
INDEPENDENT AUDITOR'S REPORT	1-2
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets	3
Statement of Activities	4
Governmental Funds - Balance Sheet.....	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	6
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances.....	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	9
Street Improvement Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual.....	10
Proprietary Funds - Statement of Net Assets	11
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Net Assets	12
Proprietary Funds - Combining Statement of Cash Flows	13-14
Fiduciary Funds - Statement of Fiduciary Net Assets	15
Fiduciary Funds- Statement of Changes in Fiduciary Net Assets	16
Notes to Financial Statements	17-36

CONTENTS

	<u>Page</u>
SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds:	
Description of Funds	37-38
Combining Balance Sheet	39
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	40
General Fund:	
Statement of Revenues, Compared to Budget	41
Statement of Expenditures, Compared to Budget	42-47
Statement of Other Financing Sources and Uses, Compared to Budget	48
Special Revenue Funds:	
Combining Balance Sheet	49-50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	51-55
Component Units:	
Combining Statement of Net Assets	56
Combining Statement of Revenues, Expenditures, and Changes in Net Assets - Budget and Actual	57
Internal Service Funds:	
Combining Statement of Net Assets	58
Combining Statement of Revenues, Expenses, and Changes in Net Assets	59
Combining Statement of Cash Flows	60-61
Pension Trust Funds:	
Combining Statement of Net Assets	62
Combining Statement of Changes in Net Assets	63
Agency Funds - Combining Statement of Changes in Assets and Liabilities	64
Permanent Funds:	
Combining Balance Sheet	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	66
Schedule of 2003 Installment Note - Fifth Third Bank	67
Schedule of 2004 State Revolving Fund Bonds	68
Schedule of Capital Improvement Note - Berrien County Revolving Loan Fund	69

CONTENTS

	<u>Page</u>
Schedule of 2002 Improvement and Refunding Bonds	70
Schedule of 2003 State Revolving Fund Bonds	71
Schedule of 2004 Installment Note - JP Morgan Chase Bank	72
Schedule of Brownfield Lien Note - Michigan Department of Environmental Quality	73
Federal Programs:	
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	74

Management Discussion and Analysis

As management of the City of St. Joseph, we offer the readers of these financial statements this narrative overview and analysis of the financial activities of the City of St. Joseph for the fiscal year ended June 30, 2005. We encourage readers to consider the overview presented here in conjunction with the additional information that our auditors have provided within this report.

Financial Highlights

- The assets of the City of St. Joseph exceeded its liabilities at the close of the most recent fiscal year by \$40,403,992. Of this amount, \$10,783,374 may be used to meet the ongoing obligations to our citizens and creditors.
- The City's total net assets increased by \$2,395,503.
- At the close of the current fiscal year, the City of St. Joseph's Governmental Funds reported combined ending fund balances of \$9,351,623 a decrease of \$311,292 in comparison with the prior year. Approximately \$8,313,451 of this total amount is available for spending at the government's discretion.
- At the end of the current fiscal year, the general fund unreserved fund balance was \$2,546,578 or 48 percent of total general fund expenditures. The City Commission has allocated \$528,460 to be transferred to the Capital project fund in 2005-2006 to fund future capital projects.
- The City of St. Joseph's total debt increased by \$1,017,326 during the current fiscal year. The key factor in this increase was the issuance of \$1,832,624 in improvement bonds for the combined sewer overflow project.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of St. Joseph's basic financial statements. The City of St. Joseph'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 of St. Joseph's finances, in a manner similar to a private-sector business.

- The Statement of Net Assets presents information on all of the City of St. Joseph's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of St. Joseph is improving or deteriorating.
- The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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 functions that are intended to recover all or a significant portion of their costs through user fees and charges for services. The governmental activities of the City of St. Joseph include general government, public safety, highways and streets, sanitation, health and welfare, recreation and culture, community and economic development and debt service. The business-type activities of the City of St. Joseph include Water, Sewer, and Marina Operations.

The Government-Wide Financial Statements include not only the City of St. Joseph itself, but also a legally separate Downtown Development Authority and a legally separate Tax Increment Finance Authority for which the City is financially accountable. Financial information for these component units is 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 of St. Joseph, 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 of St. Joseph 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. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and Governmental Activities.

The City of St. Joseph maintains 23 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 Balances for the general fund, the capital project fund, the library capital improvement fund, the combined sewer overflow capital project fund, the street improvement fund and the water/sewer capital project fund, all of which are considered to be major funds. Data from the other 17 government funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of St. Joseph adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds

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

Proprietary funds provide the same type of information as the Government-Wide Financial Statements, only in more detail. The Proprietary Fund Financial Statements provide separate information for the water and sewer operations and for the marina operation, all of which are considered to be major funds of the City of St. Joseph. Conversely, both 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 elsewhere in this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of those funds are not available to support the City of St. Joseph'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 of St. Joseph's progress in funding its obligation to provide pension benefits to its employees.

The Combining Statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statements.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of City of St. Joseph, assets exceeded liabilities by \$40,506,143 at the close of the 2004-2005 fiscal year.

By far the largest portion of the City of St. Joseph's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City of St. Joseph uses these capital assets to provide services to citizens; and consequently, these assets are not available for future spending. Although the City of St. Joseph'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.

City of St. Joseph Net Assets					
	Governmental Activities	Business Type Activities	Component Units	Current Year Total	Prior Year Total
Current and Other Assets	\$ 10,745,152	\$ 2,189,134	\$ 102,151	\$ 13,036,437	\$ 13,376,693
Capital Assets	\$ 28,324,453	\$ 9,964,023	\$ -	\$ 38,288,476	\$ 34,154,215
Total Assets	\$ 39,069,605	\$ 12,153,157	\$ 102,151	\$ 51,324,913	\$ 47,530,908
Long-Term Liabilities Outstanding	\$ 10,015,151	\$ -	\$ -	\$ 10,015,151	\$ 8,553,178
Other Liabilities	\$ 160,584	\$ 643,014	\$ -	\$ 803,598	\$ 878,529
Total Liabilities	\$ 10,175,735	\$ 643,014	\$ -	\$ 10,818,749	\$ 9,431,707
Invested in Capital Assets, Net of Related Debt	\$ 18,645,597	\$ 9,964,023	\$ -	\$ 28,609,620	\$ 25,925,009
Restricted	\$ 1,010,998	\$ -	\$ -	\$ 1,010,998	\$ 1,168,735
Unrestricted	\$ 9,237,275	\$ 1,546,099	\$ 102,151	\$ 10,885,525	\$ 11,005,457
Total Net Assets	\$ 28,893,870	\$ 11,510,122	\$ 102,151	\$ 40,506,143	\$ 38,099,201

A portion of the City of St. Joseph's net assets (2.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$10,885,525) may be used to meet the government's ongoing obligations to citizens and creditors.

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

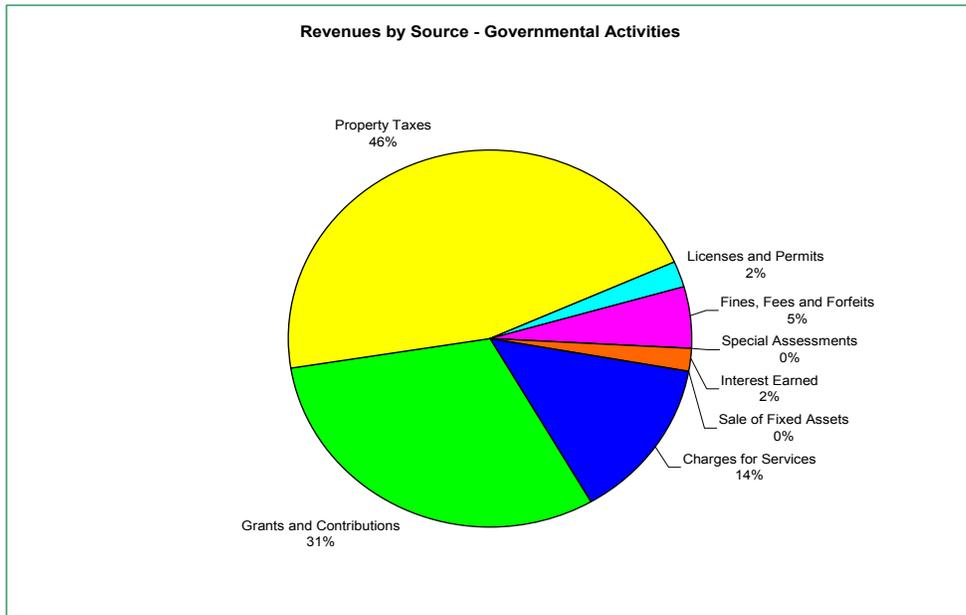
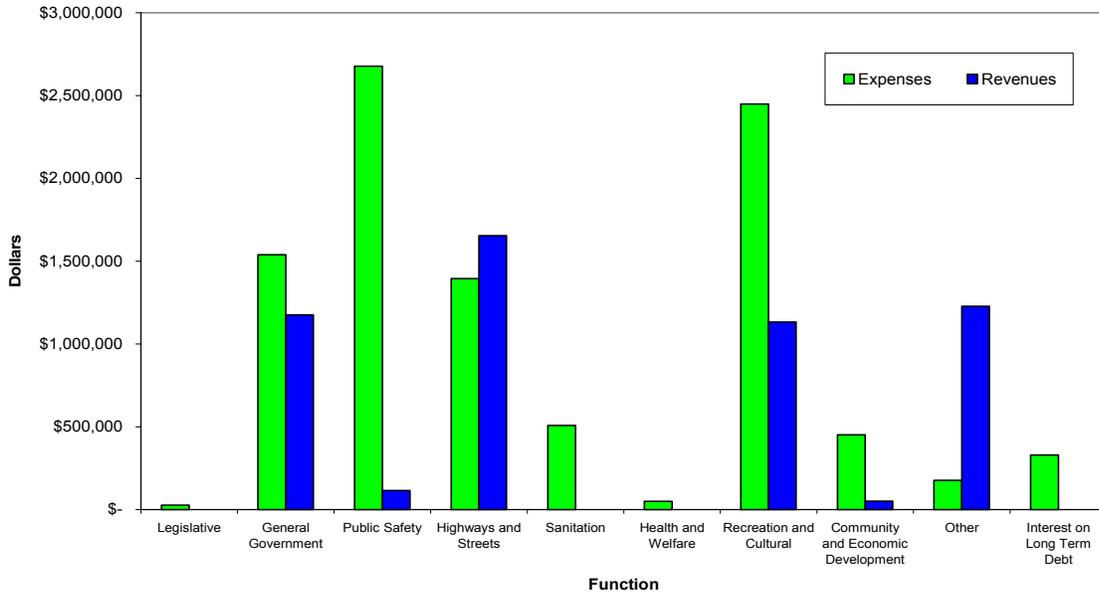
City of St. Joseph
Changes in Net Assets

	Governmental Activities	Business Type Activities	Component Units	Current Year Total	Prior Year Total
Revenues					
Program Revenues					
Charges for Services	\$ 1,661,308	\$ 4,251,349	\$ -	\$ 5,912,657	\$ 5,586,008
Grants and Contributions	3,696,837	-	-	3,696,837	2,857,442
General Revenues					
Property Taxes	5,486,169	-	38,528	5,524,697	5,269,857
Licenses and Permits	271,567	-	-	271,567	228,322
Fines, Fees and Forfeits	625,739	-	-	625,739	495,332
Special Assessments	2,502	-	-	2,502	27,829
Interest Earned	214,665	24,398	1,648	240,711	165,677
Sale of Fixed Assets	15,039	-	-	15,039	34,328
Total Revenues	\$ 11,973,826	\$ 4,275,747	\$ 40,176	\$ 16,289,749	\$ 14,664,795
Expenses					
Legislative	\$ 27,137	\$ -	\$ -	\$ 27,137	\$ 32,446
General Government	1,539,078	-	-	1,539,078	1,888,809
Public Safety	2,677,275	-	-	2,677,275	2,576,889
Highways and Streets	1,394,521	-	-	1,394,521	1,549,323
Sanitation	508,670	-	-	508,670	400,338
Health and Welfare	50,537	-	-	50,537	45,044
Recreation and Cultural	2,445,730	-	-	2,445,730	2,327,992
Community and Economic Development	452,068	-	-	452,068	565,629
Other	177,394	-	-	177,394	122,149
Interest on Long-Term Debt	330,216	-	-	330,216	300,329
Sewer Fund	-	1,116,893	-	1,116,893	955,919
Water Fund	-	2,783,345	-	2,783,345	2,246,061
Marina Fund	-	351,206	-	351,206	290,357
Downtown Development Authority	-	-	28,737	28,737	39,541
Tax Increment Finance Authority	-	-	-	-	495
Total Expenses	\$ 9,602,626	\$ 4,251,444	\$ 28,737	\$ 13,882,807	\$ 13,341,321
Increase (Decrease) in Net Assets before Transfers	\$ 2,371,200	\$ 24,303	\$ 11,439	\$ 2,406,942	\$ 1,323,474
Transfers	(822,959)	822,959	-	-	100
Changes in net assets	\$ 1,548,241	\$ 847,262	\$ 11,439	\$ 2,406,942	\$ 1,323,574
Net Assets Beginning of Year	27,345,629	10,662,860	90,712	38,099,201	36,775,627
Net Assets End of Year	\$ 28,893,870	\$ 11,510,122	\$ 102,151	\$ 40,506,143	\$ 38,099,201

Governmental Activities

Governmental Activities increased the City of St. Joseph's net assets by \$1,548,241, accounting for 64% of the total growth in the net assets of the City of St. Joseph. Property taxes were \$5,486,169 or 46% of the total governmental revenues. Grants and contributions were \$3,696,837 or 31% of the total governmental revenues. The remaining 23% is mostly composed of various charges for services and interest revenue. Public safety expenditures totaled \$2,677,275 or 28% of the governmental expenses. General government and Recreation and cultural expenditures totaled 41% of the governmental expenses.

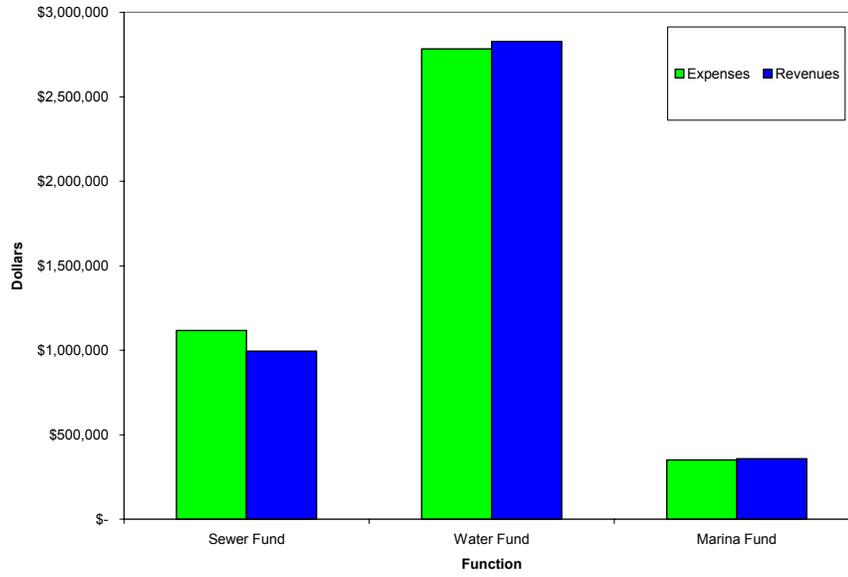
Program Revenues and Expenses - Governmental Activities



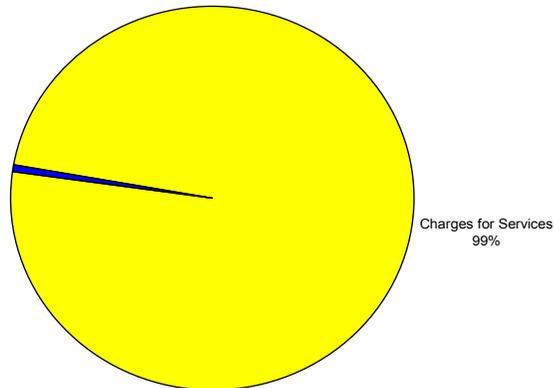
Business-Type Activities

Business-type Activities increased the City of St. Joseph’s net assets by \$847,262, accounting for 35% of the total growth in the net assets of the City of St. Joseph. Charges for services were \$4,251,349 or 99% of the total business-type revenues. The remaining 1% is mostly composed of various fees and interest revenue. Business-type expenditures decreased overall by \$759,107.

Program Revenue and Expenses - Business Type Activities



Revenue by Source - Business Type Activities



Financial Analysis of the City of St. Joseph's Funds

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

Governmental Funds

The focus of the City of St. Joseph'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 of St. Joseph'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 of St. Joseph's Governmental Funds reported combined ending fund balances of \$9,351,623, a decrease of \$311,292 in comparison with the prior year. Approximately 89% of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for certain activities in special revenue funds, 2) to spend on certain library activities, or 3) to generate income to pay for the perpetual care of the city cemeteries.

The General Fund is the chief operating fund of the City of St. Joseph. At the end of the current fiscal year, the fund balance of the General Fund was \$2,563,460 which represents roughly 49% of total General Fund expenditures. 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 of St. Joseph's General Fund has increased by \$53,657 from the previous year; \$528,460 of this fund balance will be transferred to the Capital Project Fund.

Proprietary Funds

The City of St. Joseph's proprietary funds provide the same type of information found in the Government-Wide Financial Statements, but in more detail.

Unrestricted net assets of the Water Fund at the end of the year amounted to \$1,045,253, and the Sewer Fund \$194,965, and those for the Marina Fund amounted to \$305,880. The Water Fund increased net assets by \$295,356. The Sewer Fund increased net assets by \$545,134 and the Marina Fund increased net assets by \$6,772. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of St. Joseph's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor and resulted in a net decrease in budgeted expenditures of \$113,800 and can be briefly summarized as follows:

- \$2,900 decrease in miscellaneous expenses in legislative activities
- \$43,900 decrease allocated to general government activities
- \$12,700 decrease allocated to public safety activities
- \$20,100 decrease allocated to miscellaneous expenses in highways and streets activities
- \$1,000 decrease in health and welfare activities
- \$33,200 decrease in recreation and cultural activities
- \$10,200 increase in debt service due to change in note
- \$10,200 decrease in other activities

During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance.

Capital Asset and Debt Administration

The City of St. Joseph's investment in capital assets for its governmental and business-type activities as of June 30, 2005 amounts to \$38,288,476 (net of depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, library books, roads, and utility systems.

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

- Construction continued on several CSO projects.
- Construction continued on Edgewater Drive Phase II.

- Street reconstruction and repaving projects including Old Lakeshore Road, Midway Avenue and Ship Street
- A major renovation project to the Howard Band Shell.

Long-Term Debt

At the end of the current fiscal year, the City of St. Joseph had total debt outstanding of \$9,678,856. The City's total debt increased due to the issuance of \$1,832,624 in improvement bonds for the Combined Sewer Overflow project.

State statutes limit the amount of general obligation bond debt governmental entities may issue to 10% of its total taxable valuation and the amount of general obligation installment note debt to 1.25% of its total taxable valuation, exclusive of interest. The current debt limitation for the City of St. Joseph is \$33,704,312 for bond debt and \$4,213,039 for note debt, which is significantly in excess of the City of St. Joseph's outstanding general obligation debt.

Next Year's Budget and Rates

The City of St. Joseph anticipates revenue over expenditures in the general fund will result in a \$225,000 surplus. This surplus has been budgeted as a transfer to the Capital project fund to pay for capital projects planned for the 2005-2006 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of St. Joseph'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 of St. Joseph, 700 Broad Street, St. Joseph, Michigan, 49085.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

September 14, 2005

INDEPENDENT AUDITOR'S REPORT

To the Commission
City of St. Joseph, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Joseph, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Joseph, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued our report dated September 14, 2005, on our consideration of the City of St. Joseph, Michigan's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages I through IX and page 9, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Right. On time.

INDEPENDENT AUDITOR'S REPORT - Continued

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Joseph, Michigan's, financial statements. The combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

CITY OF ST. JOSEPH
Statement of Net Assets
For the Year June 30, 2005

	Primary Government		
Assets	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 7,287,085	\$ 1,525,437	\$ 8,812,522
Investments	2,466,472	-	2,466,472
Receivables	859,315	549,612	1,408,927
Due from other funds	18,325	5,384	23,709
Due from other governments	35,438	-	35,438
Prepaid expenses	39,000	-	39,000
Inventory	39,517	108,681	148,198
Capital assets (net of related depreciation):			
Land	3,787,097	613,862	4,400,959
Buildings and improvements	11,378,404	4,328,028	15,706,432
Furniture and equipment	2,102,571	434,329	2,536,900
Books	205,914	-	205,914
Infrastructure	9,519,248	-	9,519,248
Utility systems	-	3,806,461	3,806,461
Construction in progress	1,331,219	781,343	2,112,562
Total Assets	\$ 39,069,605	\$ 12,153,137	\$ 51,222,742
Liabilities			
Accounts payable	\$ 82,816	\$ 53,457	\$ 136,273
Accrued liabilities	-	57,249	57,249
Accrued interest	56,098	-	56,098
Deferred revenue	21,204	-	21,204
Due to other governments	125	511,499	511,624
Due to other funds	341	20,809	21,150
Noncurrent liabilities:			
Due within one year	934,675	-	934,675
Due in more than one year	9,080,476	-	9,080,476
Total Liabilities	\$ 10,175,735	\$ 643,014	\$ 10,818,749
Net Assets			
Invested in capital assets, net of related debt	\$ 18,645,597	\$ 9,964,023	\$ 28,609,620
Restricted for employee benefits	1,010,998	-	1,010,998
Unrestricted	9,237,275	1,546,099	10,783,374
TOTAL NET ASSETS	\$ 28,893,870	\$ 11,510,122	\$ 40,403,992

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

Component Units

<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>
\$ 70,751	\$ 31,400
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
<u>70,751</u>	<u>31,400</u>
<u>\$ 70,751</u>	<u>\$ 31,400</u>
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>
-	-
-	-
<u>70,751</u>	<u>31,400</u>
<u>\$ 70,751</u>	<u>\$ 31,400</u>

CITY OF ST. JOSEPH
Statement of Activities
For the Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
Legislative	\$ 27,137	\$ -	\$ -	\$ -
General government	1,539,078	168,911	1,006,921	-
Public safety	2,677,275	7,149	108,943	-
Highways and streets	1,394,521	15,665	1,638,246	-
Sanitation	508,670	449	-	-
Health and welfare	50,537	-	-	-
Recreation and cultural	2,445,730	241,883	891,399	-
Community and economic development	452,068	-	51,328	-
Other	177,394	1,227,251	-	-
Interest on long-term debt	330,216	-	-	-
Total Governmental Activities	<u>\$ 9,602,626</u>	<u>\$ 1,661,308</u>	<u>\$ 3,696,837</u>	<u>\$ -</u>
Business-type Activities:				
Sewer Fund	\$ 1,116,893	\$ 1,047,678	\$ -	\$ -
Water Fund	2,783,345	2,849,629	-	-
Marina Fund	351,206	354,042	-	-
Total Business-type Activities	<u>\$ 4,251,444</u>	<u>\$ 4,251,349</u>	<u>\$ -</u>	<u>\$ -</u>
Total Primary Government	<u>\$ 13,854,070</u>	<u>\$ 5,912,657</u>	<u>\$ 3,696,837</u>	<u>\$ -</u>
Component Units:				
Downtown Development	\$ 28,737	\$ -	\$ -	\$ -
Tax Increment Finance	-	-	-	-
Total Component Units	<u>\$ 28,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Property taxes
Licenses and permits
Fines, fees, and forfeits
Special assessments
Interest
Sale of fixed assets

Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

NET ASSETS - END OF YEAR

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Tax Increment Finance Authority
\$ (27,137)	\$ -	\$ (27,137)	\$ -	\$ -
(363,246)	-	(363,246)	-	-
(2,561,183)	-	(2,561,183)	-	-
259,390	-	259,390	-	-
(508,221)	-	(508,221)	-	-
(50,537)	-	(50,537)	-	-
(1,312,448)	-	(1,312,448)	-	-
(400,740)	-	(400,740)	-	-
1,049,857	-	1,049,857	-	-
(330,216)	-	(330,216)	-	-
<u>\$ (4,244,481)</u>	<u>\$ -</u>	<u>\$ (4,244,481)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (69,215)	\$ (69,215)	\$ -	\$ -
-	66,284	66,284	-	-
-	2,836	2,836	-	-
<u>\$ -</u>	<u>\$ (95)</u>	<u>\$ (95)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (4,244,481)</u>	<u>\$ (95)</u>	<u>\$ (4,244,576)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (28,737)	\$ -
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (28,737)</u>	<u>\$ -</u>
\$ 5,486,169	\$ -	\$ 5,486,169	\$ 38,528	\$ -
271,567	-	271,567	-	-
625,739	-	625,739	-	-
2,502	-	2,502	-	-
214,665	24,398	239,063	1,160	488
15,039	-	15,039	-	-
(822,959)	822,959	-	-	-
<u>\$ 5,792,722</u>	<u>\$ 847,357</u>	<u>\$ 6,640,079</u>	<u>\$ 39,688</u>	<u>\$ 488</u>
\$ 1,548,241	\$ 847,262	\$ 2,395,503	\$ 10,951	\$ 488
27,345,629	10,662,860	38,008,489	59,800	30,912
<u>\$ 28,893,870</u>	<u>\$ 11,510,122</u>	<u>\$ 40,403,992</u>	<u>\$ 70,751</u>	<u>\$ 31,400</u>

**CITY OF ST. JOSEPH
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2005**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Library Capital Improvement Fund</u>
Assets			
Current Assets:			
Cash and cash equivalents	\$ 1,342,692	\$ 636,988	\$ -
Investments	514,302	-	-
Receivables	652,002	20,073	-
Due from other funds	16,749	-	-
Due from other governments	1,747	-	-
Prepaid expense	39,000	-	-
Inventory	16,883	-	-
	<u>2,583,375</u>	<u>657,061</u>	<u>-</u>
Total Current Assets	\$ 2,583,375	\$ 657,061	\$ -
TOTAL ASSETS	<u>\$ 2,583,375</u>	<u>\$ 657,061</u>	<u>\$ -</u>
Liabilities and Fund Balances			
Current Liabilities:			
Accounts payable	\$ 19,789	\$ 12,000	\$ -
Due to other funds	-	5,814	175,237
Due to other governments	125	-	-
Deferred revenue	-	20,073	-
	<u>19,914</u>	<u>37,887</u>	<u>175,237</u>
Total Current Liabilities	\$ 19,914	\$ 37,887	\$ 175,237
Total Liabilities	<u>\$ 19,914</u>	<u>\$ 37,887</u>	<u>\$ 175,237</u>
Fund Balances:			
Reserved for:			
Restricted purposes	\$ 16,883	\$ -	\$ -
Unreserved, reported in			
General Fund	2,546,578	-	-
Special Revenue	-	-	-
Debt Service	-	-	-
Capital Projects	-	619,174	(175,237)
	<u>2,563,461</u>	<u>619,174</u>	<u>(175,237)</u>
Total Fund Balances	\$ 2,563,461	\$ 619,174	\$ (175,237)
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,583,375</u>	<u>\$ 657,061</u>	<u>\$ -</u>

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

CSO Capital Project Fund	Water/Sewer Capital Projects Fund	Street Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 449,357	\$ 776,278	\$ 1,318,865	\$ 2,066,716	\$ 6,590,896
-	306,757	308,581	797,258	1,926,898
1,200	143,138	-	42,756	859,169
-	-	-	175,691	192,440
-	-	-	33,691	35,438
-	-	-	-	39,000
-	-	-	-	16,883
<u>\$ 450,557</u>	<u>\$ 1,226,173</u>	<u>\$ 1,627,446</u>	<u>\$ 3,116,112</u>	<u>\$ 9,660,724</u>
<u>\$ 450,557</u>	<u>\$ 1,226,173</u>	<u>\$ 1,627,446</u>	<u>\$ 3,116,112</u>	<u>\$ 9,660,724</u>
\$ 46,837	\$ -	\$ -	\$ 4,190	\$ 82,816
500	-	-	23,405	204,956
-	-	-	-	125
-	-	-	1,131	21,204
<u>\$ 47,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,726</u>	<u>\$ 309,101</u>
<u>\$ 47,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,726</u>	<u>\$ 309,101</u>
\$ -	\$ -	\$ -	\$ 1,021,289	\$ 1,038,172
-	-	-	-	2,546,578
-	-	1,627,446	1,751,362	3,378,808
-	-	-	314,735	314,735
<u>403,220</u>	<u>1,226,173</u>	<u>-</u>	<u>-</u>	<u>2,073,330</u>
<u>\$ 403,220</u>	<u>\$ 1,226,173</u>	<u>\$ 1,627,446</u>	<u>\$ 3,087,386</u>	<u>\$ 9,351,623</u>
<u>\$ 450,557</u>	<u>\$ 1,226,173</u>	<u>\$ 1,627,446</u>	<u>\$ 3,116,112</u>	<u>\$ 9,660,724</u>

CITY OF ST. JOSEPH
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
For the Year Ended June 30, 2005

Fund balances of governmental funds	\$ 9,351,623
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.	27,515,604
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(10,015,151)
Internal service funds are used by management to charge the cost of fleet services and employee benefits to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	2,097,892
Governmental funds do not report accrued interest.	<u>(56,098)</u>
Net assets of governmental activities	<u>\$ 28,893,870</u>

**CITY OF ST. JOSEPH
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2005**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Library Capital Improvement Fund</u>
Revenues:			
Taxes	\$ 4,114,862	\$ -	\$ -
Federal revenues	2,616	-	-
State revenues	1,014,639	44,901	-
Charges for services	885,420	-	-
Licenses and permits	5,429	-	-
Fines, fees, and forfeits	105,932	-	-
Special assessments	-	2,502	-
Contributions	-	524,549	-
Interest	73,705	11,759	-
Other	128,662	42,788	-
	<u>\$ 6,331,265</u>	<u>\$ 626,499</u>	<u>\$ -</u>
Total Revenues			
Expenditures:			
Current:			
Legislative	\$ 27,137	\$ -	\$ -
General government	960,449	5,036	-
Public safety	2,662,108	11,510	-
Highways and streets	335,354	-	-
Sanitation	-	-	-
Health and welfare	50,537	-	-
Recreation and cultural	770,700	182,465	-
Community and economic development	70,710	38,954	-
Other	177,394	-	-
Debt service:			
Principal retirement	163,914	183,299	-
Interest	24,248	7,745	-
Capital outlay	8,223	567,541	-
	<u>\$ 5,250,774</u>	<u>\$ 996,550</u>	<u>\$ -</u>
Total Expenditures			
Revenues Over (Under) Expenditures	<u>\$ 1,080,491</u>	<u>\$ (370,051)</u>	<u>\$ -</u>
Other Financing Sources (Uses):			
Operating transfers in	\$ 21,600	\$ 509,804	\$ 19,443
Operating transfers out	(1,048,434)	(21,000)	-
	<u>\$ (1,026,834)</u>	<u>\$ 488,804</u>	<u>\$ 19,443</u>
Total Other Financing Sources (Uses)			
Net Changes in Fund Balance	\$ 53,657	\$ 118,753	\$ 19,443
Fund Balances - Beginning of year	<u>2,509,804</u>	<u>500,421</u>	<u>(194,680)</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 2,563,461</u></u>	<u><u>\$ 619,174</u></u>	<u><u>\$ (175,237)</u></u>

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

CSO Capital Project Fund	Water/Sewer Capital Projects Fund	Street Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,371,306	\$ 5,486,168
383,395	-	-	-	386,011
1,825,508	-	89,650	705,055	3,679,753
-	561,043	-	-	1,446,463
-	-	-	262,765	268,194
-	-	-	519,807	625,739
-	-	-	-	2,502
-	-	550,600	388,597	1,463,746
7,248	8,544	25,334	68,911	195,501
2,775	-	-	43,993	218,218
<u>\$ 2,218,926</u>	<u>\$ 569,587</u>	<u>\$ 665,584</u>	<u>\$ 3,360,434</u>	<u>\$ 13,772,295</u>
\$ -	\$ -	\$ -	\$ -	\$ 27,137
-	-	-	215,334	1,180,819
-	-	-	3,657	2,677,275
58,143	11,599	-	989,425	1,394,521
-	-	-	508,670	508,670
-	-	-	-	50,537
-	-	-	620,314	1,573,479
-	-	-	342,404	452,068
-	-	-	-	177,394
-	-	-	234,616	581,829
-	-	-	287,554	319,547
2,628,559	-	903,538	192,861	4,300,722
<u>\$ 2,686,702</u>	<u>\$ 11,599</u>	<u>\$ 903,538</u>	<u>\$ 3,394,835</u>	<u>\$ 13,243,998</u>
<u>\$ (467,776)</u>	<u>\$ 557,988</u>	<u>\$ (237,954)</u>	<u>\$ (34,401)</u>	<u>\$ 528,297</u>
\$ 347,000	\$ -	\$ 1,020,200	\$ 496,072	\$ 2,414,119
(822,959)	(512,000)	-	(849,315)	(3,253,708)
<u>\$ (475,959)</u>	<u>\$ (512,000)</u>	<u>\$ 1,020,200</u>	<u>\$ (353,243)</u>	<u>\$ (839,589)</u>
\$ (943,735)	\$ 45,988	\$ 782,246	\$ (387,644)	\$ (311,292)
1,346,955	1,180,185	845,200	3,475,030	9,662,915
<u>\$ 403,220</u>	<u>\$ 1,226,173</u>	<u>\$ 1,627,446</u>	<u>\$ 3,087,386</u>	<u>\$ 9,351,623</u>

CITY OF ST. JOSEPH
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2005

Net change in fund balances - total governmental funds	\$	(311,292)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures, but they are recorded as capital assets in the government-wide statements and depreciated over their useful lives.		3,979,869
Governmental funds report payments on long-term liabilities as expenditures. They are reflected as reductions to debt in the statement of net assets.		581,829
Internal service funds are used by management to charge the cost of fleet services and employee benefits to individual funds. The expenses of internal service funds are included in governmental activities in the statement of activities.		(872,251)
Internal service funds are used by management to charge the cost of fleet services and employee benefits to individual funds. The interest income of internal service funds is included in governmental activities in the statement of net assets.		19,164
Transfers from governmental funds to the Motor Pool Fund were reported as expenditures in the governmental funds. The transfers into the Motor Pool Fund are not reported in the statement of activities.		16,630
Governmental funds do not report accrued interest.		(10,669)
Governmental funds report proceeds from debt as revenues. They are reflected as increases to debt in the statement of net assets.		(1,832,672)
Increase to the liability for compensated absences are not reported in governmental funds.		<u>(22,367)</u>
Changes in net assets of governmental activities	\$	<u>1,548,241</u>

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 4,067,000	\$ 4,089,000	\$ 4,114,862	\$ 25,862
Federal revenues	-	-	2,616	2,616
State revenues	909,000	1,010,600	1,014,639	4,039
Charges for services	877,500	848,900	885,420	36,520
Licenses and permits	2,600	3,100	5,429	2,329
Fines, fees, and forfeits	107,000	106,000	105,932	(68)
Interest	30,000	48,000	73,705	25,705
Other	109,600	104,300	128,662	24,362
	<u>\$ 6,102,700</u>	<u>\$ 6,209,900</u>	<u>\$ 6,331,265</u>	<u>\$ 121,365</u>
Total Revenues				
Expenditures:				
Current:				
Legislative	\$ 33,600	\$ 30,700	\$ 27,137	\$ 3,563
General government	1,026,609	982,709	960,449	22,260
Public safety	2,693,000	2,680,300	2,662,108	18,192
Highways and streets	359,100	339,000	335,354	3,646
Health and welfare	52,000	51,000	50,537	463
Recreation and cultural	835,200	802,000	778,923	23,077
Community and economic development	70,000	70,000	70,710	(710)
Other	187,500	177,300	177,394	(94)
Debt service:				
Principal retirement	150,991	163,991	163,914	77
Interest	27,100	24,300	24,248	52
	<u>\$ 5,435,100</u>	<u>\$ 5,321,300</u>	<u>\$ 5,250,774</u>	<u>\$ 70,526</u>
Total Expenditures				
Revenues Over (Under) Expenditures	<u>\$ 667,600</u>	<u>\$ 888,600</u>	<u>\$ 1,080,491</u>	<u>\$ 191,891</u>
Other Financing Sources (Uses):				
Operating transfers in	\$ 21,600	\$ 21,600	\$ 21,600	\$ -
Operating transfers out	(689,100)	(1,035,800)	(1,048,434)	(12,634)
	<u>\$ (667,500)</u>	<u>\$ (1,014,200)</u>	<u>\$ (1,026,834)</u>	<u>\$ (12,634)</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	\$ 100	\$ (125,600)	\$ 53,657	\$ 179,257
Fund Balances - Beginning of Year	<u>2,509,804</u>	<u>2,509,804</u>	<u>2,509,804</u>	<u>-</u>
FUND BALANCES- END OF YEAR	<u>\$ 2,509,904</u>	<u>\$ 2,384,204</u>	<u>\$ 2,563,461</u>	<u>\$ 179,257</u>

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

**CITY OF ST. JOSEPH
STREET IMPROVEMENT FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
State revenues	\$ -	\$ 89,600	\$ 89,650	\$ 50
Contributions	-	550,600	550,600	-
Interest	<u>1,000</u>	<u>8,500</u>	<u>25,334</u>	<u>16,834</u>
Total Revenues	<u>\$ 1,000</u>	<u>\$ 648,700</u>	<u>\$ 665,584</u>	<u>\$ 16,884</u>
Expenditures:				
Capital outlay	<u>\$ 969,700</u>	<u>\$ 1,430,800</u>	<u>\$ 903,538</u>	<u>\$ 527,262</u>
Total Expenditures	<u>\$ 969,700</u>	<u>\$ 1,430,800</u>	<u>\$ 903,538</u>	<u>\$ 527,262</u>
Revenues Over (Under) Expenditures	<u>\$ (968,700)</u>	<u>\$ (782,100)</u>	<u>\$ (237,954)</u>	<u>\$ 544,146</u>
Other Financing Sources (Uses):				
Operating transfers in	<u>\$ 1,050,200</u>	<u>\$ 1,020,200</u>	<u>\$ 1,020,200</u>	<u>\$ -</u>
Total Other Financing Sources (Uses)	<u>\$ 1,050,200</u>	<u>\$ 1,020,200</u>	<u>\$ 1,020,200</u>	<u>\$ -</u>
Net Changes in Fund Balances	\$ 81,500	\$ 238,100	\$ 782,246	\$ 544,146
Fund Balances - Beginning of Year	<u>845,200</u>	<u>845,200</u>	<u>845,200</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 926,700</u>	<u>\$ 1,083,300</u>	<u>\$ 1,627,446</u>	<u>\$ 544,146</u>

**CITY OF ST. JOSEPH
 PROPRIETARY FUNDS
 Statement of Net Assets
 For the Year Ended June 30, 2005**

Business - Type Activities -

Assets	<u>Sewer Fund</u>	<u>Water Fund</u>
Current Assets:		
Cash and cash equivalents	\$ 323,614	\$ 909,215
Investments	-	-
Receivables	328,986	220,626
Due from other funds	5,384	-
Inventory	<u>570</u>	<u>91,826</u>
Total Current Assets	<u>\$ 658,554</u>	<u>\$ 1,221,667</u>
Noncurrent Assets:		
Land	\$ -	\$ 609,073
Property, plant, and improvements	646,238	13,403,637
Furniture and equipment	100,252	604,631
Construction in progress	507,873	273,470
Accumulated depreciation	<u>(255,311)</u>	<u>(6,908,841)</u>
Total Noncurrent Assets	<u>\$ 999,052</u>	<u>\$ 7,981,970</u>
Total Assets	<u>\$ 1,657,606</u>	<u>\$ 9,203,637</u>
Liabilities		
Current Liabilities:		
Accounts payable	\$ 50,799	\$ 2,658
Accrued liabilities	6,150	48,196
Due to other funds	2,700	18,109
Due to other governments	<u>403,940</u>	<u>107,451</u>
Total Current Liabilities	<u>\$ 463,589</u>	<u>\$ 176,414</u>
Total Liabilities	<u>\$ 463,589</u>	<u>\$ 176,414</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 999,052	\$ 7,981,970
Unrestricted	<u>194,965</u>	<u>1,045,253</u>
TOTAL NET ASSETS	<u><u>\$ 1,194,017</u></u>	<u><u>\$ 9,027,223</u></u>

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

Enterprise Funds

<u>Marina Fund</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 292,604	\$ 1,525,433	\$ 696,188
-	-	539,574
-	549,612	146
-	5,384	32,256
<u>16,286</u>	<u>108,682</u>	<u>22,634</u>
<u>\$ 308,890</u>	<u>\$ 2,189,111</u>	<u>\$ 1,290,798</u>
\$ 4,789	\$ 613,862	\$ -
2,049,360	16,099,235	-
157,378	862,261	3,017,061
-	781,343	-
<u>(1,228,525)</u>	<u>(8,392,677)</u>	<u>(2,208,222)</u>
-	-	-
<u>\$ 983,002</u>	<u>\$ 9,964,024</u>	<u>\$ 808,839</u>
<u>\$ 1,291,892</u>	<u>\$ 12,153,135</u>	<u>\$ 2,099,637</u>
\$ -	\$ 53,457	\$ -
2,902	57,248	-
-	20,809	1,745
<u>108</u>	<u>511,499</u>	<u>-</u>
<u>\$ 3,010</u>	<u>\$ 643,013</u>	<u>\$ 1,745</u>
<u>\$ 3,010</u>	<u>\$ 643,013</u>	<u>\$ 1,745</u>
\$ 983,002	\$ 9,964,024	\$ 808,839
<u>305,880</u>	<u>1,546,098</u>	<u>1,289,053</u>
<u>\$ 1,288,882</u>	<u>\$ 11,510,122</u>	<u>\$ 2,097,892</u>

**CITY OF ST. JOSEPH
 PROPRIETARY FUNDS
 Statement of Revenues, Expenses, and
 Changes in Net Assets
 For the Year Ended June 30, 2005**

	Business - Type Activities -	
	Sewer Fund	Water Fund
Operating Revenues:		
Charges for services	\$ 1,021,622	\$ 2,793,713
Fines, fees, and forfeits	26,056	50,183
Fuel sales	-	-
Other	-	5,733
Total Operating Revenues	\$ 1,047,678	\$ 2,849,629
Operating Expenses:		
Water distribution system	\$ -	\$ 634,037
Water plant operations	-	1,245,809
Water administration	-	652,466
Sewer	1,104,781	-
Marina	-	-
Operations	-	-
Depreciation	12,112	251,033
Total Operating Expenses	\$ 1,116,893	\$ 2,783,345
Operating Income (Loss)	\$ (69,215)	\$ 66,284
Nonoperating Revenues (Expenses):		
Interest income	\$ 5,059	\$ 15,404
Gain (loss) on disposition of assets	-	-
Total Nonoperating Revenues (Expenses)	\$ 5,059	\$ 15,404
Income (Loss) Before Transfers	\$ (64,156)	\$ 81,688
Operating transfers in	609,290	213,668
Change in Net Assets	\$ 545,134	\$ 295,356
Total Net Assets - Beginning of Year	648,883	8,731,867
TOTAL NET ASSETS - END OF YEAR	\$ 1,194,017	\$ 9,027,223

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

Enterprise Funds

Marina Fund	Total Enterprise Funds	Governmental Activities Internal Service Funds
\$ 281,069	\$ 4,096,404	\$ 646,562
-	76,239	-
72,908	72,908	-
<u>65</u>	<u>5,798</u>	<u>101,470</u>
<u>\$ 354,042</u>	<u>\$ 4,251,349</u>	<u>\$ 748,032</u>
\$ -	\$ 634,037	\$ -
-	1,245,809	-
-	652,466	-
-	1,104,781	-
294,618	294,618	-
-	-	693,737
<u>56,587</u>	<u>319,732</u>	<u>178,514</u>
<u>\$ 351,205</u>	<u>\$ 4,251,443</u>	<u>\$ 872,251</u>
<u>\$ 2,837</u>	<u>\$ (94)</u>	<u>\$ (124,219)</u>
\$ 3,935	\$ 24,398	\$ 19,164
<u>-</u>	<u>-</u>	<u>15,039</u>
<u>\$ 3,935</u>	<u>\$ 24,398</u>	<u>\$ 34,203</u>
\$ 6,772	\$ 24,304	\$ (90,016)
<u>-</u>	<u>822,958</u>	<u>16,630</u>
\$ 6,772	\$ 847,262	\$ (73,386)
<u>1,282,110</u>	<u>10,662,860</u>	<u>2,171,278</u>
<u>\$ 1,288,882</u>	<u>\$ 11,510,122</u>	<u>\$ 2,097,892</u>

**CITY OF ST. JOSEPH
PROPRIETARY FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2005**

Business - Type Activities -

	Sewer Fund	Water Fund
Cash Flows From Operating Activities:		
Cash receipts for interfund services provided	\$ -	\$ -
Cash receipts from customers	1,071,256	2,861,922
Other payments	(906,881)	(848,071)
Payments to employees	(109,780)	(998,038)
Payments for interfund services provided	(32,261)	(485,439)
Payments to suppliers	<u>(35,967)</u>	<u>(279,162)</u>
Net cash provided (used) by operating activities	<u>\$ (13,633)</u>	<u>\$ 251,212</u>
Cash Flows From Noncapital Financing Activities:		
Transfer from other funds	<u>\$ 609,290</u>	<u>\$ 213,668</u>
Net cash provided (used) by noncapital financing activities	<u>\$ 609,290</u>	<u>\$ 213,668</u>
Cash Flows From Capital and Related Financing Activities:		
Principal paid on capital debt	\$ -	\$ -
Proceeds from sale of capital assets	-	-
Purchase of capital assets	<u>(630,290)</u>	<u>(258,297)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (630,290)</u>	<u>\$ (258,297)</u>
Cash Flows From Investing Activities:		
Purchase of securities	\$ -	\$ -
Interest and dividends received	<u>5,059</u>	<u>15,404</u>
Net cash provided (used) by investing activities	<u>\$ 5,059</u>	<u>\$ 15,404</u>
Net increase (decrease) in cash and cash equivalents	\$ (29,574)	\$ 221,987
Balances - Beginning of Year	<u>353,188</u>	<u>687,228</u>
BALANCES - END OF YEAR	<u>\$ 323,614</u>	<u>\$ 909,215</u>

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

Enterprise Funds

Marina Fund	Total Enterprise Funds	Governmental Activities Internal Service Funds
\$ -	\$ -	\$ 646,562
354,042	4,287,220	101,470
(98,876)	(1,853,828)	(404,439)
(100,718)	(1,208,536)	(132,386)
(3,992)	(521,692)	-
<u>(108,888)</u>	<u>(424,017)</u>	<u>(208,769)</u>
<u>\$ 41,568</u>	<u>\$ 279,147</u>	<u>\$ 2,438</u>
<u>\$ -</u>	<u>\$ 822,958</u>	<u>\$ 16,630</u>
<u>\$ -</u>	<u>\$ 822,958</u>	<u>\$ 16,630</u>
\$ -	\$ -	\$ -
-	-	26,118
<u>-</u>	<u>(888,587)</u>	<u>(326,856)</u>
<u>\$ -</u>	<u>\$ (888,587)</u>	<u>\$ (300,738)</u>
\$ -	\$ -	\$ (7,934)
<u>3,935</u>	<u>24,398</u>	<u>19,164</u>
<u>\$ 3,935</u>	<u>\$ 24,398</u>	<u>\$ 11,230</u>
\$ 45,503	\$ 237,916	\$ (270,440)
<u>247,101</u>	<u>1,287,517</u>	<u>966,628</u>
<u>\$ 292,604</u>	<u>\$ 1,525,433</u>	<u>\$ 696,188</u>

**CITY OF ST. JOSEPH
 PROPRIETARY FUNDS
 Combining Statement of Cash Flows - Continued
 For the Year Ended June 30, 2005**

	Business - Type Activities -	
	<u>Sewer Fund</u>	<u>Water Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (69,215)	\$ 66,284
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Deprecation expense	\$ 12,112	\$ 251,033
(Increase) decrease in:		
Prepaid expense	-	-
Accounts receivable	23,577	12,293
Due from other funds	(462)	31,828
Inventories	116	(5,974)
Increase (decrease) in:		
Accounts payable	(29,751)	(1,700)
Accrued liabilities	(176)	(9,945)
Due to other funds	600	(50,813)
Due to other governments	49,568	(41,794)
Total Adjustments	\$ 55,584	\$ 184,928
Net cash provided (used) by operating activities	\$ (13,631)	\$ 251,212

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

<u>Enterprise Funds</u>			Governmental
Marina	Total		Activities
Fund	Enterprise		Internal Service
	Funds		Funds
\$ 2,837	\$ (94)	\$	(124,219)
\$ 56,587	\$ 319,732	\$	178,514
-	-		8,577
-	35,870		1,459
-	31,366		24,245
(16,286)	(22,144)		(22,634)
-	(31,451)		-
(1,678)	(11,799)		-
-	(50,213)		(58,734)
108	7,882		(4,770)
<u>\$ 38,731</u>	<u>\$ 279,243</u>	<u>\$</u>	<u>126,657</u>
<u>\$ 41,568</u>	<u>\$ 279,149</u>	<u>\$</u>	<u>2,438</u>

**CITY OF ST. JOSEPH
FIDUCIARY FUNDS
Statement of Fiduciary Net Assets
For the Year Ended June 30, 2005**

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 73,768	\$ 2,911
Receivables		
Interest receivable	178,998	-
Due from employer	<u>6,848</u>	<u>71</u>
Total Receivables	<u>\$ 185,846</u>	<u>\$ 71</u>
Investments at fair value:		
Stock	\$ 26,959,072	\$ -
Bonds	4,109,032	-
Government obligations	12,204,063	-
Other	<u>4,202,404</u>	<u>-</u>
Total Investments	<u>\$ 47,474,571</u>	<u>\$ -</u>
Other Current Assets:		
Due from other funds	<u>\$ 1,580</u>	<u>\$ -</u>
Total Other Current Assets	<u>\$ 1,580</u>	<u>\$ -</u>
Total Assets	<u>\$ 47,735,765</u>	<u>\$ 2,982</u>
Liabilities		
Accounts payable	\$ 17,212	\$ -
Due to employees	3,384	-
Due to other funds	<u>10</u>	<u>2,982</u>
Total Liabilities	<u>\$ 20,606</u>	<u>\$ 2,982</u>
Net Assets		
Held in trust for pension benefits and other purposes	<u>\$ 47,715,159</u>	

**CITY OF ST. JOSEPH
FIDUCIARY FUNDS
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2005**

	<u>Pension Trust Funds</u>
Additions	
Contributions:	
Plan members	\$ <u>286,508</u>
Total Contributions	\$ <u>286,508</u>
Investment Earnings:	
Net increase, FMV investments	\$ 2,227,442
Interest	1,044,201
Dividends	<u>336,090</u>
Total Investment Earnings	\$ 3,607,733
Less investment expense	<u>(94,607)</u>
Net Investment Earnings	\$ <u>3,513,126</u>
Total Additions	\$ <u>3,799,634</u>
Deductions	
Benefits	\$ 1,868,654
Refunds of contributions	22,551
Administrative expense	<u>17,217</u>
Total Deductions	\$ <u>1,908,422</u>
Income (Loss)	\$ <u>1,891,212</u>
Change in Net Assets	\$ 1,891,212
Net Assets - Beginning of Year	<u>45,823,947</u>
NET ASSETS - END OF YEAR	<u>\$ 47,715,159</u>

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of St. Joseph adopted its city charter on July 31, 1928 and operates under a council-manager form of government. Services provided for its citizens include: public safety (fire and police), water-sewer services, highways and streets, rubbish and trash disposal, planning and zoning, public improvements, culture, recreation and general administrative services.

The financial statements of the City of St. Joseph are prepared in accordance with accounting principles generally accepted in the United States of America. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. Scope of Reporting Entity

The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Copies of component unit reports may be obtained from the City's Finance Department.

In accordance with the provisions of the Governmental Accounting Standards Board, the financial statements of the City of St. Joseph contain all of the City funds, account groups and authorities that are controlled by or dependent on the City's executive or legislative branches. Control by or dependence on the City was determined on the basis of appointment or governing authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, receipt of significant subsidies from the City, disposition of surplus funds, and scope of public service.

Based on the foregoing criteria, the following organizations are included in the City's financial statements as discretely presented component units for the reasons stated.

**City of St. Joseph Tax Increment Finance Authority and
City of St. Joseph Downtown Development Authority:**

- City appoints governing board
- City approves budget of Authority
- City must approve any tax levy of the Authority
- Surplus funds existing at termination of Authority vest to the City

The following organization is not part of the City of St. Joseph and is excluded from the accompanying financial statements for the reasons stated.

City of St. Joseph Housing Commission

Authoritative interpretations of Governmental Accounting Standards Board Statements exclude public housing commissions from the reporting entity. The financial statements of the St. Joseph Housing Commission are separately audited for their fiscal year ending March 31, 2005.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Scope of Reporting Entity - Continued

Joint Venture - Southwest Michigan Regional Airport Authority

In 1944, the Cities of Benton Harbor and St. Joseph, Michigan entered into a joint venture to form the Southwest Michigan Regional Airport Board. The purpose of the Board was to control and manage the Southwest Michigan Regional Airport. Title of the lands upon which the airport and aviation facilities are located are held by the Cities of Benton Harbor and St. Joseph as follows: an undivided 27/43 interest in the City of Benton Harbor and an undivided 16/43 interest in the City of St. Joseph.

In 1997 the Southwest Michigan Regional Airport Authority was created to take over control and management of the airport. The Authority is made up of the cities of Benton Harbor and St. Joseph and the Charter Townships of St. Joseph and Lincoln. Each member of the Authority appoints one person to the board and supports the airport through a millage of .25 mills. Ownership of airport assets prior to creation of the Authority remains with the cities of St. Joseph and Benton Harbor. The Authority assumed control of the airport on August 1, 1998.

In accordance with Statement on Michigan Governmental Accounting and Auditing No. 5, the financial statements of the Southwest Michigan Regional Airport Authority are not included within the body of the financial statements of the City of St. Joseph. Financial statements are available from the Southwest Michigan Regional Airport Authority. The following is audited summary financial information on the Southwest Michigan Regional Airport Authority as of and for the year June 30, 2005, with a report thereto dated July 15, 2005.

Assets	\$1,753,028	Operating revenues	\$1,536,887
Liabilities	651,724	Operating expenses	1,309,520
Equity	1,101,304	Nonoperating income	4,610
		Net income	231,977

Joint Venture - Benton Harbor - St. Joseph Joint Wastewater Treatment Board

In 1951, the Cities of Benton Harbor and St. Joseph, Michigan entered into a joint venture to form the Benton Harbor - St. Joseph Joint Wastewater Treatment Board. The purpose of the Board is to control and manage the Joint Wastewater Treatment Plant. Title of the land upon which the plant is located and the facility itself is held as equal, undivided interests by the City of Benton Harbor and the City of St. Joseph.

The administrative board consists of six appointed members and the City Managers of Benton Harbor and St. Joseph. Two members are appointed by Benton Harbor, two members are appointed by St. Joseph, one member is appointed by Benton Charter Township and one member is appointed by the Lake Michigan Shoreline Water and Sewage Treatment Authority.

In accordance with Statement on Michigan Governmental Accounting and Auditing No. 5, the financial statements of the Benton Harbor - St. Joseph Joint Wastewater Treatment Board are not included within the body of the financial statements of the City of St. Joseph. Financial statements are available from the Benton Harbor - St. Joseph Joint Wastewater Treatment Plant. The following is audited summary financial information on the Benton Harbor - St. Joseph Joint Wastewater Treatment Board as of and for the year ended June 30, 2005, with a report thereto dated August 10, 2005.

Assets	\$ 18,480,897
Liabilities	505,199
Net assets	17,975,698
Operating revenues	3,563,918
Operating expenses	2,895,429
Nonoperating revenues	136,501
Net earnings	804,990

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the City of St. Joseph and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The primary government of the City of St. Joseph is reported separately from certain legally separate component units for which the City of St. Joseph, the primary government, is financially accountable.

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City of St. Joseph reports the following major governmental funds:

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

The **Capital Improvement Fund** is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued

The **CSO Capital Projects Fund** is used to account for the construction and administration of the combined sewer overflow project.

The **Library Capital Improvement Fund** is used to account for the capital improvements to the public library.

The **Water/Sewer Capital Projects Fund** is used to account for the capital improvements to the water and sewer distribution and collection systems within the City limits.

The **Street Improvement Fund** is used to account for revenues collected and monies expended for the purpose of improving City streets.

The City of St. Joseph reports the following major proprietary funds:

The **Water Fund** accounts for the activities related to water production, purification, distribution and billing.

The **Sewer Fund** accounts for the sanitary collections system and pays for the treatment of wastewater.

The **Marina Fund** accounts for operations of the municipal marina.

Additionally, the City of St. Joseph reports the following fund types:

Internal Service Funds are used to account for fleet maintenance, workers compensation, unemployment, and other employee benefits provided to other departments on a cost reimbursement basis.

The **Pension Trust Funds** account for the activities of the St. Joseph Employees' Retirement System, which accumulates resources for pension benefit payments to qualified City employees. The funds also account for the activities of the Section 125 Plan the City offers to qualified employees.

The **Agency Funds** are used to collect and distribute State of Michigan, Berrien County, Lake Michigan College, Southwest Michigan Regional Airport Authority, St. Joseph Public Schools, Benton Harbor Public Schools, and Berrien County Intermediate School District property tax monies, to receive and disburse payroll in the imprest payroll fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City of St. Joseph has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Water Fund, Sewer Fund, and the Marina Fund and other functions and segments. Elimination of these charges would distort the direct costs and program revenues for the functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general taxes.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued

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

When both restricted and unrestricted resources are available for use, it is the City of St. Joseph's policy to use restricted resources first. Unrestricted resources are used as they are needed.

D. Budgets and Budgetary Accounting

Under the City Charter, the following budget procedures must be followed:

1. The fiscal year shall begin on July 1 and end on June 30 of each year.
2. At an April meeting, the City Manager shall submit to the City Commission a proposed operating budget.
3. A public hearing must be held before the budget is adopted.
4. The City Commission must adopt the budget by resolution prior to June 30.

Formal budgetary integration is employed as a management control device for all funds except the Agency Fund, Permanent Funds, and Pension Trust Funds. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriation budgets are adopted for the General, Special Revenue, Enterprise and Internal Service Funds. All annual appropriations lapse at fiscal year-end. In addition, the City Commission approves budgets for two component units: the Lakefront TIFA and the Downtown Development Authority.

Michigan Public Act 621 governs adoption and amendment of all budgets used by the City. The City was in compliance with Public Act 621 in fiscal year 2003-2004. Any amendments to the original budget must meet the requirements of Public Act 621. The City Commission must approve any revisions that alter the total expenditures of any fund. The budget for the General Fund is adopted at the department level. All other budgets are approved at the fund level. The City Commission must approve any revision that alters the total expenditures above the legal level. For management purposes, the City develops a more detailed budget. The City Manager, or his designee, is authorized to transfer budgeted amounts within these functional areas.

Budgeted amounts are as originally adopted or as amended by the City Commission on June 27, 2005.

E. Encumbrances

Encumbrances represent commitments to unperformed contracts for goods and services. Encumbrances outstanding at year-end lapse and are generally reappropriated as part of the following year's budget.

F. Receivables

Receivables have been recognized for all significant amounts due the City. No allowances have been made for uncollectible amounts because, if they remain unpaid, most delinquent receivables can be added to the tax roll and become a lien against the property.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

G. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories of governmental funds are reported as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City of St. Joseph as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

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

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statements of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

<u>Asset Class</u>	<u>Depreciable Life</u>
Land	N/A
Buildings and Improvements	20-50 years
Equipment	5-15 years
Vehicles	5-30 years
Utility Systems	10-40 years
Infrastructure	25-60 years
Library Books	5-10 years

I. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight-line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Long-Term Liabilities - Continued

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. Bond discounts are reported as other financing uses. Issuances costs, whether or not withheld from the actual debt received, are reported as debt service.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

K. Property Taxes

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 Treasurer is responsible for collecting delinquent personal property taxes, delinquent industrial facilities taxes, and delinquent commercial facilities property taxes. 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 acts as a collection agent for Berrien County, Lake Michigan College, Southwest Michigan Regional Airport Authority, St. Joseph Public Schools, Benton Harbor Public Schools, and Berrien County Intermediate School District property taxes. Taxes collected on behalf of other units are remitted to the units following collection. The tax collections are received and distributed from an agency fund, the Treasurer's Tax Fund.

The City collects a 1% property tax administration fee.

L. Compensated Absences

Sick leave is paid upon illness while in the employment of the City or upon retirement as limited by various employment contracts and agreements. Earned vacation time can be accrued up to a maximum of one and one-half times the employee's annual leave. Earned vacation time is paid upon termination. Accumulated unpaid sick and vacation pay is accrued when incurred in the government-wide financial statements and in proprietary fund financial statements. Governmental funds record a liability only if they have matured as a result of employee resignations or retirements.

NOTE 2 - CASH AND INVESTMENTS

The City of St. Joseph operates common checking accounts for several of the operating funds. Each fund's share of the cash balance is reported separately. Surplus funds are invested throughout the year. The City allocates interest earnings to the participating funds in relation to the average cash balance of each fund. Investments are carried at cost as declines in fair values are considered temporary except for investments where the term is for more than twelve months or in the case of mutual funds. Investments in long-term investments (i.e. more than twelve months) and mutual funds are recorded at fair value.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 2 - CASH AND INVESTMENTS - Continued

A. Deposits

Following an Attorney General Opinion, the City restricts its deposits to banks, savings and loan associations or credit unions having their principal office in the State of Michigan.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy for custodial credit risk is to minimize the risk by using those financial institutions meeting specific qualifications. As of June 30, 2005 \$9,351,623 of the government's bank balance of \$9,451,623 was exposed to custodial credit risk.

B. Investments

The City retirement system has investments in a bank-administered trust account. Investments are carried at fair market value. Act 314, PA 1965, as amended by Act 31, PA 1980, and Act 55, PA 1982, authorizes the City to invest in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types. The City's investments are in accordance with statutory authority. All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are defined as cash equivalents. All investments for both the primary government and all the component units are reported at fair value.

C. Year End Deposits

At year-end, the deposits consisted of the following components:

	<u>Carrying Amount</u>			
	<u>Primary</u>	<u>Component</u>	<u>Fiduciary</u>	
	<u>Government</u>	<u>Units</u>	<u>Funds</u>	<u>Total</u>
Bank deposits	\$ 8,810,122	\$ 102,151	\$ 76,679	\$ 8,988,952
Imprest cash	<u>2,400</u>	<u>-</u>	<u>-</u>	<u>2,400</u>
Cash and Cash Equivalents as reported in statements	\$ 8,812,522	\$ 102,151	\$ 76,679	\$ 8,991,352
Less: Imprest Cash	<u>(2,400)</u>	<u>-</u>	<u>-</u>	<u>(2,400)</u>
Total Deposits	<u>\$ 8,810,122</u>	<u>\$ 102,151</u>	<u>\$ 76,679</u>	<u>\$ 8,988,952</u>

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 2 - CASH AND INVESTMENTS - Continued

C. Year End Deposits - Continued

	<u>Carrying Amount</u>	<u>Bank Balances</u>
Primary Government		
Amount insured by the FDIC	\$ 98,011	\$ 97,242
Uncollateralized and uninsured	<u>8,714,511</u>	<u>9,093,705</u>
Total Primary Government	<u>\$ 8,812,522</u>	<u>\$ 9,190,947</u>
Component Units		
Amount insured by the FDIC	\$ 1,136	\$ 1,061
Uncollateralized and uninsured	<u>101,015</u>	<u>101,090</u>
Total Component Units	<u>\$ 102,151</u>	<u>\$ 102,151</u>
Fiduciary Funds		
Amount insured by the FDIC	\$ 853	\$ 1,677
Uncollateralized and uninsured	<u>75,826</u>	<u>156,848</u>
Total Fiduciary Funds	<u>\$ 76,679</u>	<u>\$ 158,525</u>
Total Reporting Entity	<u>\$ 8,991,352</u>	<u>\$ 9,451,623</u>

D. Year End Investments

It is the policy of the City Commission of the City of St. Joseph to invest its funds in a manner that will provide the highest investment return, with the maximum security, while meeting the daily cash flow needs of the City, and complying with all state statutes governing the investment of public funds.

The City's investments are categorized to give an indication of the level of risk assumed by City of St. Joseph at June 30, 2005.

Category 1 Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.

Category 3 Uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent but not in the City's name.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 2 - CASH AND INVESTMENTS - Continued

D. Year End Investments - Continued

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Primary Government					
Cash and equivalents	\$ 1,059,578	\$ -	\$ -	\$ 1,059,578	\$ 1,059,578
Municipal bonds	-	-	-	-	-
Government and agency bonds	-	-	1,406,894	1,406,894	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Primary Government	\$ 1,059,578	\$ -	\$ 1,406,894	\$ 2,466,472	\$ 1,059,578
Fiduciary Funds					
Cash and equivalents	\$ -	\$ -	\$ 4,202,404	\$ 4,202,404	\$ 4,202,404
T - bonds	-	-	12,204,063	12,204,063	12,204,063
Corporate bonds	-	-	3,916,258	3,916,258	3,916,258
Foreign bonds	-	-	192,773	192,773	192,773
Common stock	-	-	16,720,678	16,720,678	16,720,678
Mutual funds	-	-	8,531,600	8,531,600	8,531,600
Foreign stocks	-	-	1,706,794	1,706,794	1,706,794
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fiduciary Funds	\$ -	\$ -	\$ 47,474,570	\$ 47,474,570	\$ 47,474,570
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Reporting Entity	\$ 1,059,578	\$ -	\$ 48,881,464	\$ 49,941,042	\$ 48,534,148
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Investments as Reported in Statements					
Primary government	\$ 1,059,578	\$ -	\$ 1,406,894	\$ 2,466,472	\$ 1,059,578
Fiduciary funds	-	-	47,474,570	47,474,570	47,474,570
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Investments Reported in Statements	<u>\$ 1,059,578</u>	<u>\$ -</u>	<u>\$ 48,881,464</u>	<u>\$ 49,941,042</u>	<u>\$ 48,534,148</u>

Of the primary government's \$2,466,471 of investments, \$1,406,894 is invested in U.S. Government agency bonds rated AAA by Standard & Poor's ratings. The remaining \$1,059,578 is invested in long-term certificates of deposit.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 3 - PENSION PLAN

A. Plan Description

The City sponsors and administers the City of St. Joseph Employees' Retirement System, a cost-sharing multiple-employer public employee retirement system (PERS). The system covers substantially all full-time employees of the City, as well as all full-time employees of the Benton Harbor-St. Joseph Joint Wastewater Treatment Plant. The PERS is accounted for as a separate Pension Trust Fund and is included as part of the City's reporting entity.

B. Basis of Accounting

The system uses the accrual method of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer had made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

C. Method Used to Value Investments

Investments are reported at fair value. Short-term investments are recorded at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price.

D. Contributions

Employees of the City are required to contribute to the pension plan as follows:

- General - 4.0% of annual compensation
- Communication Specialists - 3.25% of annual compensation
- Police - 6.5% of annual compensation
- Fire - 6.5% of annual compensation
- Public Works - 3.25% of annual compensation

The City makes periodic contributions to the pension plan based upon recommendations of the actuary and the board of trustees of the retirement system with approval by the City Commission. Administrative costs of the plan are financed through investment earnings.

CITY OF ST. JOSEPH EMPLOYEES RETIREMENT SYSTEM
Required Supplementary Information
Schedule of Funding Progress
(Dollar Amounts in Millions)

Actuarial Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll <u>(b) - (a)</u> (c)
1998	\$ 37.5	\$ 29.8	\$ (7.7)	125.8%	\$ 4.5	(171.1)%
1999	40.9	28.9	(12.0)	141.5%	4.8	(250.0)%
2000	44.6	31.7	(12.9)	140.7%	5.0	(258.0)%
2001	47.3	33.1	(14.2)	142.9%	5.2	(273.1)%
2002	48.3	34.4	(13.9)	140.4%	5.3	(262.3)%
2003	48.3	36.5	(11.8)	132.3%	5.5	(214.5)%
2004	48.5	38.2	(10.3)	127.0%	5.7	(180.7)%

Required Supplementary Information
Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Recommended Contribution	Actual Contributions	Percent Contributed
1998	\$ 246,164	\$ 251,544	102%
1999	293,337	283,586	97%
2000	-	-	N/A
2001	-	-	N/A
2002	-	-	N/A
2003	-	-	N/A
2004	-	-	N/A

**CITY OF ST. JOSEPH RETIREMENT SYSTEM
Required Supplementary Information
Summary of Actuarial Methods and Assumptions**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2004
Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll
Remaining amortization period	Schedule
Assets valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.0%
Projected salary increases*	4.7-8.5%
Total payroll growth	4.5%
Population growth	0%
Cost-of-living adjustments General, Public Works, Police Command, Fire	2.5% Compound

*Includes wage inflation at 4.5%

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 4 - CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2005 were as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Governmental Activities				
Land	\$ 3,787,097	\$ -	\$ -	\$ 3,787,097
Buildings and Improvements	\$ 13,526,854	\$ 448,728	\$ -	\$ 13,975,582
Infrastructure	11,087,169	2,970,442	-	14,057,611
Books	910,131	40,044	-	950,175
Furniture and Equipment	<u>5,101,028</u>	<u>339,529</u>	<u>(283,414)</u>	<u>5,157,143</u>
Subtotal	\$ 30,625,182	\$ 3,798,743	\$ (283,414)	\$ 34,140,511
Less: Accumulated Depreciation	<u>(9,990,330)</u>	<u>(1,216,377)</u>	<u>272,333</u>	<u>(10,934,374)</u>
Subtotal	\$ 20,634,852	\$ 2,582,366	\$ (11,081)	\$ 23,206,137
Construction in Progress	<u>771,168</u>	<u>1,072,174</u>	<u>(512,123)</u>	<u>1,331,219</u>
Total Capital Assets Other Than Land	<u>\$ 21,406,020</u>	<u>\$ 3,654,540</u>	<u>\$ (523,204)</u>	<u>\$ 24,537,356</u>
	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Business Activities				
Land	\$ 613,862	\$ -	\$ -	\$ 613,862
Buildings and Improvements	\$ 11,588,378	\$ 6,195	\$ -	\$ 11,594,573
Furniture and Equipment	823,828	38,433	-	862,261
Utility Systems	<u>3,967,256</u>	<u>537,406</u>	<u>-</u>	<u>4,504,662</u>
Subtotal	\$ 16,379,462	\$ 582,034	\$ -	\$ 16,961,496
Less: Accumulated Depreciation	<u>(8,072,946)</u>	<u>(319,732)</u>	<u>-</u>	<u>(8,392,678)</u>
Subtotal	\$ 8,306,516	\$ 262,302	\$ -	\$ 8,568,818
Construction in Progress	<u>474,790</u>	<u>462,461</u>	<u>(155,908)</u>	<u>781,343</u>
Total Capital Assets Other Than Land	<u>\$ 8,781,306</u>	<u>\$ 724,763</u>	<u>\$ (155,908)</u>	<u>\$ 9,350,161</u>

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 4 - CAPITAL ASSETS - Continued

Depreciation expense was charged in the following functions in the statement of activities:

Governmental functions:

General government	\$	121,775
Public safety		132,523
Highways and streets		657,786
Sanitation		20,877
Recreation and cultural		<u>285,993</u>
Total	\$	<u><u>1,218,954</u></u>

Business-type functions:

Water	\$	251,033
Sewer		12,112
Marina		<u>56,587</u>
Total	\$	<u><u>319,732</u></u>

NOTE 5 - CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the primary government for the year ended June 30, 2005:

	<u>General Obligation Bonds</u>	<u>Notes Payable</u>	<u>Equipment Lease</u>	<u>Compensated Absences</u>
As of July 1, 2004	\$ 6,214,056	\$ 2,203,911	\$ 10,044	\$ 382,217
Additions	1,832,674	-	-	22,367
(Reductions)	<u>(135,000)</u>	<u>(440,838)</u>	<u>(5,991)</u>	<u>(5,886)</u>
As of June 30, 2005	<u><u>\$ 7,911,730</u></u>	<u><u>\$ 1,763,073</u></u>	<u><u>\$ 4,053</u></u>	<u><u>\$ 398,698</u></u>

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 5 - CHANGES IN LONG-TERM DEBT - Continued

Long-term debt at June 30, 2005 is comprised of the following individual issues:

Governmental Activities	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
\$4,300,000 2002 Improvement and Refunding Bonds due in annual installments of \$60,000 to \$375,000 through May 1, 2027; interest from 4.00% to 5.10% - Debt Service Fund	\$ 4,185,000	\$ -	\$ (55,000)	\$ 4,130,000	\$ 60,000
\$2,040,000 2003 State Revolving Fund Bonds due in annual installments of \$72,000 to \$119,525 through October 1, 2023; interest at 2.50% - Debt Service Fund	1,846,525	-	(80,000)	1,766,525	72,000
\$2,015,205 2004 State Revolving Fund Bonds due in annual installments of \$90,000 to \$125,000 through April 1, 2024; interest at 2.125% - Debt Service Fund	182,531	1,832,674	-	2,015,205	90,000
\$1,900,000 1996 installment note to Fifth Third Bank due in semi-annual installments of \$80,445 to \$89,961 through May 1, 2010; interest at 2.50% - General Fund	1,009,164	-	(157,923)	851,241	161,896
\$425,000 2004 installment note to Bank One due in semi-annual installments of \$40,537 to \$45,090 through September 5, 2008; interest at 2.679% - Public Improvement Fund	384,999	-	(81,616)	303,383	83,817
\$550,000 2003 installment note to Bank One due in semi-annual installments of \$93,289 to \$94,399 through June 4, 2006; interest at 2.38% - Capital Improvement Fund	370,987	-	(183,299)	187,688	187,688
\$250,000 interest-free loan from Berrien County Revolving Loan Fund due in annual installments of \$25,000 beginning on January 1, 2011, through January 1, 2020 - Capital Improvement Fund	250,000	-	-	250,000	-

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 5 - CHANGES IN LONG-TERM DEBT - Continued

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities - Continued					
\$220,000 Michigan Department of Environmental Quality note due in annual installments of \$23,000 to \$52,761 through December 11, 2009; interest of \$20,308 due at maturity - Brownfield Fund	188,761	-	(18,000)	170,761	23,000
\$17,819 equipment lease to Fifth Third Bank due in monthly installments of \$483 to \$511 through February 1, 2006; interest at 2.34% - General Fund	10,044	-	(5,991)	4,053	4,053
Compensated Absences - General Fund, Major Street, Local Street, Building Inspection, CSO Capital Projects, Motor Pool	313,928	22,367	-	336,295	252,221
Total Primary Government	\$ 8,741,939	\$ 1,855,041	\$ (581,829)	\$ 10,015,151	\$ 934,675
Business Activities					
\$4,700,000 1973 Berrien County Water Supply System No. 4 (City of St. Joseph) serial bonds due in annual installments of \$250,000 through November 1, 2003; interest at 4.5% - Water Fund	\$ 250,000	\$ -	\$ (250,000)	\$ -	\$ -
Compensated Absences - Water Fund, Sewer Fund, Marina Fund	68,289	-	(5,886)	62,403	46,802
Total Business Activities	\$ 318,289	\$ -	\$ (255,886)	\$ 62,403	\$ 46,802

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 934,675	\$ 309,895	\$ 46,802	\$ -
2007	605,619	293,795	15,601	-
2008	531,042	280,260	-	-
2009	516,514	266,496	-	-
2010	502,571	274,038	-	-
2011-2015	1,691,500	1,118,745	-	-
2016-2020	2,145,000	817,591	-	-
2021-2025	2,358,230	436,849	-	-
2026-2030	730,000	56,355	-	-
Total	\$ 10,015,151	\$ 3,854,024	\$ 62,403	\$ -

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the year, the following transfers were made between funds:

From General Fund	
To Public Improvement Fund - For operations	\$ 26,000
To Local Street Fund - For operations	400,000
To Capital Improvement Fund - For operations	509,804
To Motor Pool - For operations	12,630
To Street Improvement Fund - For operations	100,000
From Capital Improvement Fund	
To CSO Capital Project Fund - For operations	17,000
To Motor Pool Fund - For operations	4,000
From Library Fund	
To Library Capital Improvement Fund - For operations	19,443
From Local Street Fund	
To Street Improvement Fund - For operations	296,200
From Library Endowment Fund	
To Library Fund - For operations	29,177
From CSO Capital Project Fund	
To Water Fund - To transfer construction in progress	213,668
To Sewer Fund - To transfer construction in progress	609,291
From Major Street Fund	
To Street Improvement Fund - For operations	442,000
From Water/Sewer Capital Projects Fund	
To Street Improvement Fund - For operations	182,000
To CSO Capital Project Fund - For operations	330,000
From Brownfield Authority Fund	
To General Fund - For operations	21,600
From Public Improvement Fund	
To Cemetery Fund - For operations	<u>40,895</u>
Total Transfers Between Funds	<u><u>\$ 3,253,708</u></u>

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - Continued

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Treasurer's Tax	\$ 2,822
	Imprest Payroll	77
	Water	1,053
	Major Street	965
	Local Street	1,161
	Building Inspection	3,896
	Capital Improvement	5,814
	Flex Spending	10
	Motor Pool	950
Sewer	Water	5,384
Motor Pool	Garbage and Rubbish	2,000
	Major Street	14,358
	Water	11,673
	Building Inspection	475
	CSO Capital Improvement	500
	Sewer	2,700
	Cemetery	550
Nonmajor Governmental Funds	Motor Pool	454
	Library Capital Improvement	175,237
	Self Insurance	<u>341</u>
	Total	<u>\$ 230,420</u>

NOTE 7 - RISK MANAGEMENT

The City of St. Joseph carries insurance for risks of loss, including torts; theft of, damage to, and destruction of assets; error and omissions; workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in the past fiscal year.

NOTE 8 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the City. In the opinion of management and legal counsel, all such matters are covered by insurance or if not so covered, are without merit and, in any event, their ultimate resolution will not have a material effect on the City's financial position or operations.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 9 - EMPLOYEES' DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with the provisions of the Internal Revenue Code Section 457. As a result of federal legislation with regard to Internal Revenue Code Section 457, the City has no rights to the assets of the deferred compensation plan. The assets of the plan have been transferred into individual trust accounts of the employees and are not subject to the claims of the general creditors of the City. Therefore, the City is not required to account for the deferred compensation plan.

NOTE 10 - FUND BALANCE DEFICITS

The City has incurred an accumulated deficit of \$175,237 in the Library Capital Improvement Fund, primarily due to expenditures occurring prior to the receipt of contributions that will be used to cover the project.

NOTE 11 - EXPENDITURES OVER BUDGET

P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved General Fund budget of the City was adopted at the department level. During the year ended June 30, 2005, the City incurred expenditures in certain budgetary functions, which were in excess of the amount appropriated as follows:

	<u>Activity</u> <u>Appropriation</u>	<u>Activity</u> <u>Expenditures</u>	<u>Unfavorable</u> <u>Budget Activity</u>
General Fund			
Memorial Hall	\$ 1,500	\$ 1,792	\$ (292)
City Hall	157,500	161,439	(3,939)
Personnel	68,100	68,191	(91)
Fire	986,700	988,296	(1,596)
Fire Dive Team	3,900	3,974	(74)
Other	157,600	163,284	(5,684)

NOTE 12 - USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 13 - ST JOSEPH DEVELOPMENT FUND

The St. Joseph Development Fund (Fund) is an autonomous entity functioning as an affiliate of the Cornerstone Alliance, a 501(c)(3) nonprofit organization, and St. Joseph Improvement Association. The purpose of the Fund is to financially assist in the retention and attraction of customer-focused business entities to help grow the retail base of the region. To date the City has contributed a total of \$600,000 to the Fund. In the event of dissolution of the Fund, the City would be entitled to its pro-rata share of the assets of the Fund based upon its contributions.

**CITY OF ST. JOSEPH
NONMAJOR GOVERNMENTAL FUNDS
Description of Funds**

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Major Street Fund - This fund is used to account for revenues collected (including Act 51 revenue received from the State of Michigan Department of Transportation) and monies expended for capital improvements and routine maintenance of streets designated as major streets.

Local Street Fund - This fund is used to account for revenues collected (including Act 51 revenue received from the State of Michigan Department of Transportation) and monies expended for capital improvements and routine maintenance of streets designated as local streets.

Band Fund - This fund is used to account for revenues collected and monies expended in the operation of the municipal band.

Public Library Fund - This fund is used to account for revenues collected and monies expended in the operation of the public library.

Depot Fund - This fund is used to account for revenues collected and monies expended in the operation of the train depot.

Building Inspection Fund - This fund is used to account for revenues collected and monies expended for the purpose of funding planning, zoning and inspection functions.

Brownfield Authority Fund - This fund is used to account for revenues captured and monies expended for environmental clean up and economic development of specific areas within the city limits.

Public Improvement Fund - This fund is used to account for revenues collected and set aside for capital improvements within specific government functions.

Drug Forfeiture Fund - This fund is used to account for revenues collected and monies expended under specific forfeiture laws.

Criminal Forfeiture Fund - This fund is used to account for revenues collected and monies expended under specific forfeiture laws.

Justice Training Fund - This fund is used to account for revenues collected and monies expended for the purpose of police officer training as provided by the Federal Government.

Cemetery Fund - This fund is used to account for revenues collected and monies expended in the operation of the cemeteries.

Garbage and Rubbish Collection Fund - This fund is used to account for revenues collected and monies expended for the purpose of garbage and rubbish collection functions.

**CITY OF ST. JOSEPH
NONMAJOR GOVERNMENTAL FUNDS
Description of Funds**

Debt Service Fund

Debt Service Fund - This fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery Perpetual Care Fund - This fund is used to account for principal trust amounts and related interest income. The interest portion of the trust can be used for future expenses related to the maintenance of the community cemeteries.

Library Endowment Fund - This fund is used to account for principal trust amounts and related interest income. The interest portion of the trust can only be used for the purchase of library books.

**CITY OF ST. JOSEPH
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2005**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,721,465	\$ 314,735	\$ 30,516	\$ 2,066,716
Investments	-	-	797,258	797,258
Receivables	42,756	-	-	42,756
Due from other funds	454	-	175,237	175,691
Due from other governments	<u>33,691</u>	<u>-</u>	<u>-</u>	<u>33,691</u>
 Total Current Assets	 <u>\$ 1,798,366</u>	 <u>\$ 314,735</u>	 <u>\$ 1,003,011</u>	 <u>\$ 3,116,112</u>
 TOTAL ASSETS	 <u>\$ 1,798,366</u>	 <u>\$ 314,735</u>	 <u>\$ 1,003,011</u>	 <u>\$ 3,116,112</u>
 Liabilities and Fund Balances				
Current Liabilities:				
Accounts payable	\$ 4,190	\$ -	\$ -	\$ 4,190
Due to other funds	23,405	-	-	23,405
Deferred revenue	<u>1,131</u>	<u>-</u>	<u>-</u>	<u>1,131</u>
 Total Current Liabilities	 <u>\$ 28,726</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 28,726</u>
 Total Liabilities	 <u>\$ 28,726</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 28,726</u>
 Fund Balances:				
Reserved for:				
Restricted fund balance	\$ 18,278	\$ -	\$ 1,003,011	\$ 1,021,289
Unreserved, reported in				
Special Revenue	1,751,362	-	-	1,751,362
Debt Service	<u>-</u>	<u>314,735</u>	<u>-</u>	<u>314,735</u>
 Total Fund Balances	 <u>\$ 1,769,640</u>	 <u>\$ 314,735</u>	 <u>\$ 1,003,011</u>	 <u>\$ 3,087,386</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 1,798,366</u>	 <u>\$ 314,735</u>	 <u>\$ 1,003,011</u>	 <u>\$ 3,116,112</u>

CITY OF ST. JOSEPH
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2005

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:				
Taxes	\$ 963,843	\$ 407,463	\$ -	\$ 1,371,306
State revenues	705,055	-	-	705,055
Licenses and permits	262,765	-	-	262,765
Fines, fees, and forfeits	519,807	-	-	519,807
Contributions	388,497	-	100	388,597
Interest	34,532	5,213	29,166	68,911
Other	43,993	-	-	43,993
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 2,918,492	\$ 412,676	\$ 29,266	\$ 3,360,434
Expenditures:				
Current:				
General government	\$ 215,084	\$ 250	\$ -	\$ 215,334
Public safety	3,657	-	-	3,657
Highways and streets	989,425	-	-	989,425
Recreation and cultural	620,314	-	-	620,314
Sanitation	508,670	-	-	508,670
Community and economic development	342,404	-	-	342,404
Debt service:				
Principal retirement	99,616	135,000	-	234,616
Interest	19,505	268,049	-	287,554
Capital outlay	192,861	-	-	192,861
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 2,991,536	\$ 403,299	\$ -	\$ 3,394,835
Revenues Over (Under) Expenditures	\$ (73,044)	\$ 9,377	\$ 29,266	\$ (34,401)
Other Financing Sources (Uses):				
Operating transfers in	\$ 496,072	\$ -	\$ -	\$ 496,072
Operating transfers out	(820,138)	-	(29,177)	(849,315)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	\$ (324,066)	\$ -	\$ (29,177)	\$ (353,243)
Net Change in Fund Balances	\$ (397,110)	\$ 9,377	\$ 89	\$ (387,644)
Fund Balances - Beginning of Year	<u>2,166,750</u>	<u>305,358</u>	<u>1,002,922</u>	<u>3,475,030</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,769,640</u>	<u>\$ 314,735</u>	<u>\$ 1,003,011</u>	<u>\$ 3,087,386</u>

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Revenues, Compared to Budget
For the Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Taxes:			
General		\$ 3,946,941	
Industrial and commercial facilities tax		29,928	
Penalty and interest on taxes		22,801	
Property tax administration fees		<u>115,192</u>	
Total Taxes	<u>\$ 4,089,000</u>	<u>\$ 4,114,862</u>	<u>\$ 25,862</u>
Federal Revenues:			
Federal Grant	<u>\$ -</u>	<u>\$ 2,616</u>	<u>\$ 2,616</u>
State Revenues:			
State taxes		\$ 1,003,855	
Other		<u>10,784</u>	
Total State Revenues	<u>\$ 1,010,600</u>	<u>\$ 1,014,639</u>	<u>\$ 4,039</u>
Charges for Services:			
Administrative reimbursement		\$ 620,000	
Park fees		61,756	
Photocopies		1,922	
Maintenance fees		26,964	
Boat launch		15,703	
Community service		13,071	
Ice arena		<u>146,004</u>	
Total Charges for Services	<u>\$ 848,900</u>	<u>\$ 885,420</u>	<u>\$ 36,520</u>
Licenses and Permits:			
Licenses	<u>\$ 3,100</u>	<u>\$ 5,429</u>	<u>\$ 2,329</u>
Fines and Forfeits:			
District Court		\$ 45,455	
Parking fines		<u>60,477</u>	
Total Fines and Forfeits	<u>\$ 106,000</u>	<u>\$ 105,932</u>	<u>\$ (68)</u>
Interest	<u>\$ 48,000</u>	<u>\$ 73,705</u>	<u>\$ 25,705</u>
Miscellaneous	<u>\$ 104,300</u>	<u>\$ 128,662</u>	<u>\$ 24,362</u>
TOTAL REVENUES	<u>\$ 6,209,900</u>	<u>\$ 6,331,265</u>	<u>\$ 121,365</u>

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Legislative:			
Commission:			
Salaries and wages		\$ 15,500	
Employment related costs		1,186	
Contractual services		4,452	
Miscellaneous		<u>5,999</u>	
Total Legislative	<u>\$ 30,700</u>	<u>\$ 27,137</u>	<u>\$ 3,563</u>
General Government:			
City Manager:			
Salaries and wages		\$ 156,226	
Employment related costs		63,985	
Supplies		638	
Contractual services		5,788	
Miscellaneous		<u>1,555</u>	
Total City Manager	<u>\$ 231,400</u>	<u>\$ 228,192</u>	<u>\$ 3,208</u>
Elections:			
Salaries and wages		\$ 2,835	
Employment related costs		256	
Supplies		6,758	
Contractual services		9,823	
Miscellaneous		<u>1,670</u>	
Total Elections	<u>\$ 23,300</u>	<u>\$ 21,342</u>	<u>\$ 1,958</u>
City Assessor:			
Salaries and wages		\$ 47,175	
Employment related costs		10,204	
Supplies		932	
Contractual services		2,540	
Miscellaneous		<u>1,135</u>	
Total City Assessor	<u>\$ 63,900</u>	<u>\$ 61,986</u>	<u>\$ 1,914</u>
City Attorney:			
Professional services		\$ 42,749	
Contractual services		<u>553</u>	
Total City Attorney	<u>\$ 48,600</u>	<u>\$ 43,302</u>	<u>\$ 5,298</u>

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government (continued):			
Clerk:			
Salaries and wages		\$ 61,022	
Employment related costs		13,870	
Supplies		3,067	
Contractual services		550	
Miscellaneous		<u>250</u>	
Total Clerk	<u>\$ 79,000</u>	<u>\$ 78,759</u>	<u>\$ 241</u>
Treasurer:			
Salaries and wages		\$ 129,133	
Employment related costs		16,917	
Supplies		5,520	
Contractual services		30,749	
Repairs and maintenance		2,370	
Miscellaneous		<u>229</u>	
Total Treasurer	<u>\$ 191,600</u>	<u>\$ 184,918</u>	<u>\$ 6,682</u>
Personnel:			
Salaries and wages		\$ 39,869	
Employment related costs		13,605	
Supplies		1,374	
Contractual services		2,475	
Employee recognition		9,680	
Miscellaneous		<u>1,188</u>	
Total Personnel	<u>\$ 68,100</u>	<u>\$ 68,191</u>	<u>\$ (91)</u>
Memorial Hall:			
Repairs and maintenance		\$ 1,647	
Miscellaneous		<u>145</u>	
Total Memorial Hall	<u>\$ 1,500</u>	<u>\$ 1,792</u>	<u>\$ (292)</u>

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government (continued):			
City Hall:			
Supplies		\$ 29,479	
Contractual services		47,381	
Utilities		52,195	
Repairs and maintenance		24,207	
Rent		<u>2,186</u>	
Total City Hall	<u>\$ 151,509</u>	<u>\$ 155,448</u>	<u>\$ (3,939)</u>
General Administration:			
Salaries and wages		\$ 63,856	
Employment related costs		17,665	
Supplies		1,537	
Contractual services		33,370	
Miscellaneous		<u>91</u>	
Total General Administration	<u>\$ 123,800</u>	<u>\$ 116,519</u>	<u>\$ 7,281</u>
Total General Government	<u>\$ 982,709</u>	<u>\$ 960,449</u>	<u>\$ 22,260</u>
Public Safety:			
Police:			
Salaries and wages		\$ 1,240,615	
Employment related costs		254,709	
Supplies		40,904	
Contractual services		23,243	
Repairs and maintenance		9,538	
Rent		96,900	
Miscellaneous		<u>3,929</u>	
Total Police	<u>\$ 1,689,700</u>	<u>\$ 1,669,838</u>	<u>\$ 19,862</u>

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Safety - Continued:			
Fire:			
Salaries and wages		\$ 734,814	
Employment related costs		186,617	
Supplies		28,433	
Contractual services		6,215	
Utilities		15,412	
Repairs and maintenance		12,430	
Rent		3,600	
Miscellaneous		<u>775</u>	
Total Fire	<u>\$ 986,700</u>	<u>\$ 988,296</u>	<u>\$ (1,596)</u>
Fire Dive Team:			
Supplies		\$ 3,200	
Repairs and maintenance		<u>774</u>	
Total Fire Dive Team	<u>\$ 3,900</u>	<u>\$ 3,974</u>	<u>\$ (74)</u>
Total Public Safety	<u>\$ 2,680,300</u>	<u>\$ 2,662,108</u>	<u>\$ 18,192</u>
Highways and Streets:			
Engineer:			
Salaries and wages		\$ 31,787	
Employment related costs		13,215	
Supplies		2,185	
Contractual services		5,018	
Miscellaneous		<u>101</u>	
Total Engineer	<u>\$ 56,400</u>	<u>\$ 52,306</u>	<u>\$ 4,094</u>
Street lighting	<u>\$ 125,000</u>	<u>\$ 119,764</u>	<u>\$ 5,236</u>
Other	<u>\$ 157,600</u>	<u>\$ 163,284</u>	<u>\$ (5,684)</u>
Total Highways and Streets	<u>\$ 339,000</u>	<u>\$ 335,354</u>	<u>\$ 3,646</u>
Health and Welfare:			
Ambulance:			
Contractual services	<u>\$ 51,000</u>	<u>\$ 50,537</u>	<u>\$ 463</u>
Total Health and Welfare	<u>\$ 51,000</u>	<u>\$ 50,537</u>	<u>\$ 463</u>

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Recreation and Cultural:			
Parks:			
Salaries and wages		\$ 311,025	
Employment related costs		104,598	
Supplies		36,676	
Contractual services		3,882	
Utilities		9,814	
Repairs and maintenance		12,653	
Rent		60,365	
Miscellaneous		<u>654</u>	
Total Parks	<u>\$ 556,500</u>	<u>\$ 539,667</u>	<u>\$ 16,833</u>
Welcome Center:			
Salaries and wages		\$ 26,943	
Employment related costs		6,727	
Supplies		<u>770</u>	
Total Welcome Center	<u>\$ 36,700</u>	<u>\$ 34,440</u>	<u>\$ 2,260</u>
City Recreation Program:			
Salaries and wages		\$ 17,157	
Employment related costs		1,313	
Supplies		2,931	
Contractual services		<u>3,100</u>	
Total City Recreation Program	<u>\$ 25,300</u>	<u>\$ 24,501</u>	<u>\$ 799</u>
Ice Arena:			
Salaries and wages		\$ 46,018	
Employment related costs		3,466	
Supplies		18,202	
Contractual services		4,844	
Utilities		43,499	
Repairs and maintenance		10,944	
Rent		1,387	
Miscellaneous		<u>160</u>	
Total Ice Arena	<u>\$ 129,900</u>	<u>\$ 128,520</u>	<u>\$ 1,380</u>
Community Activities	<u>\$ 53,600</u>	<u>\$ 51,795</u>	<u>\$ 1,805</u>
Total Recreation and Cultural	<u>\$ 802,000</u>	<u>\$ 778,923</u>	<u>\$ 23,077</u>

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Community and Economic Development:			
Cornerstone Alliance contribution	\$ 70,000	\$ 70,710	\$ (710)
Other:			
Insurance and bonds		\$ 162,303	
Contingencies and miscellaneous expenditures		<u>15,091</u>	
Total Other	<u>\$ 177,300</u>	<u>\$ 177,394</u>	<u>\$ (94)</u>
Debt Service:			
Principal retirement		\$ 163,914	
Interest expense		<u>24,248</u>	
Total Debt Service	<u>\$ 188,291</u>	<u>\$ 188,162</u>	<u>\$ 129</u>
TOTAL EXPENDITURES	<u>\$ 5,321,300</u>	<u>\$ 5,250,774</u>	<u>\$ 70,526</u>

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Other Financing Sources and Uses,
Compared to Budget
For the Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating Transfers In:			
Brownfield Authority Fund		\$ 21,600	\$ -
Total Operating Transfers In	\$ 21,600	\$ 21,600	\$ -
Operating Transfers Out:			
Local Street Fund		\$ (400,000)	
Street Improvement Fund		(100,000)	
Public Improvement Fund		(26,000)	
Motor Pool Fund		(12,630)	
Capital Improvement Fund		<u>(509,804)</u>	
Total Operating Transfers Out	\$ (1,035,800)	\$ (1,048,434)	\$ (12,634)
Total Other Financing Sources (Uses)	<u>\$ (1,014,200)</u>	<u>\$ (1,026,834)</u>	<u>\$ (12,634)</u>

**CITY OF ST. JOSEPH
SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2005**

	<u>Cemetery</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Band</u>
Assets				
Cash and cash equivalents	\$ 9,507	\$ 391,568	\$ 408,869	\$ 16,336
Receivables	-	29,725	12,071	-
Due from other funds	-	-	454	-
Due from other governments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 9,507</u>	<u>\$ 421,293</u>	<u>\$ 421,394</u>	<u>\$ 16,336</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	550	15,323	1,161	-
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 550</u>	<u>\$ 15,323</u>	<u>\$ 1,161</u>	<u>\$ -</u>
Fund Balances:				
Reserved for restricted purposes	\$ -	\$ -	\$ -	\$ -
Unreserved:				
Designated for subsequent year's expenditures	<u>8,957</u>	<u>405,970</u>	<u>420,233</u>	<u>16,336</u>
Total Fund Balances	<u>\$ 8,957</u>	<u>\$ 405,970</u>	<u>\$ 420,233</u>	<u>\$ 16,336</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,507</u>	<u>\$ 421,293</u>	<u>\$ 421,394</u>	<u>\$ 16,336</u>

<u>Public Library</u>	<u>Depot</u>	<u>Building Inspection</u>	<u>Brownfield Authority</u>	<u>Garbage and Rubbish Collection</u>	<u>Public Improvement</u>	<u>Drug Forfeiture</u>
\$ 267,358	\$ 36,411	\$ 228,943	\$ 96,779	\$ 59,743	\$ 196,772	\$ 738
-	400	460	-	100	-	-
-	-	-	-	-	-	-
-	-	33,691	-	-	-	-
<u>\$ 267,358</u>	<u>\$ 36,811</u>	<u>\$ 263,094</u>	<u>\$ 96,779</u>	<u>\$ 59,843</u>	<u>\$ 196,772</u>	<u>\$ 738</u>
\$ -	\$ 4,190	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	4,371	-	2,000	-	-
-	1,131	-	-	-	-	-
<u>\$ -</u>	<u>\$ 5,321</u>	<u>\$ 4,371</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 18,278	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>249,080</u>	<u>31,490</u>	<u>258,723</u>	<u>96,779</u>	<u>57,843</u>	<u>196,772</u>	<u>738</u>
<u>\$ 267,358</u>	<u>\$ 31,490</u>	<u>\$ 258,723</u>	<u>\$ 96,779</u>	<u>\$ 57,843</u>	<u>\$ 196,772</u>	<u>\$ 738</u>
<u>\$ 267,358</u>	<u>\$ 36,811</u>	<u>\$ 263,094</u>	<u>\$ 96,779</u>	<u>\$ 59,843</u>	<u>\$ 196,772</u>	<u>\$ 738</u>

**CITY OF ST. JOSEPH
SPECIAL REVENUE FUNDS
Combining Balance Sheet - Continued
June 30, 2005**

	<u>Criminal Forfeiture</u>	<u>Justice Training</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,471	\$ 6,970	\$ 1,721,465
Receivables	-	-	42,756
Due from other funds	-	-	454
Due from other governments	-	-	33,691
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,471</u>	<u>\$ 6,970</u>	<u>\$ 1,798,366</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 4,190
Due to other funds	-	-	23,405
Deferred revenue	-	-	1,131
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,726</u>
Fund Balances:			
Reserved for restricted purposes	\$ -	\$ -	\$ 18,278
Unreserved:			
Designated for subsequent year's expenditures	1,471	6,970	1,751,362
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>\$ 1,471</u>	<u>\$ 6,970</u>	<u>\$ 1,769,640</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,471</u>	<u>\$ 6,970</u>	<u>\$ 1,798,366</u>

**CITY OF ST. JOSEPH
SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005**

	<u>Cemetery</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Taxes	\$ -	\$ -	\$ -
State revenue	-	-	-
Licenses and permits	-	-	-
Fines and fees	189,900	195,389	5,489
Contributions	100	300	200
Interest	500	281	(219)
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>\$ 190,500</u>	<u>\$ 195,970</u>	<u>\$ 5,470</u>
Expenditures:			
General government	\$ 210,800	\$ 208,113	\$ 2,687
Public safety	-	-	-
Highways and streets	-	-	-
Recreation and cultural	-	-	-
Sanitation	-	-	-
Community and economic development	-	-	-
Debt service	-	-	-
Capital outlay	20,000	19,795	205
	<u>20,000</u>	<u>19,795</u>	<u>205</u>
Total Expenditures	<u>\$ 230,800</u>	<u>\$ 227,908</u>	<u>\$ 2,892</u>
Revenues Over (Under) Expenditures	<u>\$ (40,300)</u>	<u>\$ (31,938)</u>	<u>\$ 8,362</u>
Other Financing Sources (Uses):			
Operating transfers in	\$ 40,900	\$ 40,895	\$ (5)
Operating transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ 40,900</u>	<u>\$ 40,895</u>	<u>\$ (5)</u>
Net Change in Fund Balances	\$ 600	\$ 8,957	\$ 8,357
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 600</u>	<u>\$ 8,957</u>	<u>\$ 8,357</u>

Major Street			Local Street		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
435,000	461,485	26,485	155,000	160,281	5,281
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,500	13,226	11,726	1,000	6,813	5,813
-	-	-	-	10,103	10,103
<u>\$ 436,500</u>	<u>\$ 474,711</u>	<u>\$ 38,211</u>	<u>\$ 156,000</u>	<u>\$ 177,197</u>	<u>\$ 21,197</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
624,100	675,954	(51,854)	320,000	299,195	20,805
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 624,100</u>	<u>\$ 675,954</u>	<u>\$ (51,854)</u>	<u>\$ 320,000</u>	<u>\$ 299,195</u>	<u>\$ 20,805</u>
<u>\$ (187,600)</u>	<u>\$ (201,243)</u>	<u>\$ (13,643)</u>	<u>\$ (164,000)</u>	<u>\$ (121,998)</u>	<u>\$ 42,002</u>
\$ -	\$ -	\$ -	\$ 400,000	\$ 400,000	\$ -
(442,000)	(442,000)	-	(296,200)	(296,200)	-
<u>\$ (442,000)</u>	<u>\$ (442,000)</u>	<u>\$ -</u>	<u>\$ 103,800</u>	<u>\$ 103,800</u>	<u>\$ -</u>
\$ (629,600)	\$ (643,243)	\$ (13,643)	\$ (60,200)	\$ (18,198)	\$ 42,002
1,049,213	1,049,213	-	438,431	438,431	-
<u>\$ 419,613</u>	<u>\$ 405,970</u>	<u>\$ (13,643)</u>	<u>\$ 378,231</u>	<u>\$ 420,233</u>	<u>\$ 42,002</u>

**CITY OF ST. JOSEPH
SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005**

	<u>Band</u>		<u>Variance Positive (Negative)</u>
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Taxes	\$ 74,700	\$ 74,835	\$ 135
State revenue	-	-	-
Licenses and permits	-	-	-
Fines and fees	400	525	125
Contributions	-	-	-
Interest	100	242	142
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>\$ 75,200</u>	<u>\$ 75,602</u>	<u>\$ 402</u>
Expenditures:			
General government	\$ -	\$ -	\$ -
Public safety	-	-	-
Highways and streets	-	-	-
Recreation and cultural	74,800	74,713	87
Sanitation	-	-	-
Community and economic development	-	-	-
Debt service	-	-	-
Capital outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 74,800</u>	<u>\$ 74,713</u>	<u>\$ 87</u>
Revenues Over (Under) Expenditures	<u>\$ 400</u>	<u>\$ 889</u>	<u>\$ 489</u>
Other Financing Sources (Uses):			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 400</u>	<u>\$ 889</u>	<u>\$ 489</u>
Fund Balances - Beginning of Year	<u>15,447</u>	<u>15,447</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 15,847</u></u>	<u><u>\$ 16,336</u></u>	<u><u>\$ 489</u></u>

Public Library			Depot		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$ 203,500	\$ 203,590	\$ 90	\$ -	\$ -	\$ -
34,800	27,002	(7,798)	-	-	-
-	-	-	-	-	-
209,800	211,461	1,661	-	-	-
213,400	285,031	71,631	-	-	-
3,600	3,663	63	600	842	242
<u>10,400</u>	<u>10,606</u>	<u>206</u>	<u>17,500</u>	<u>17,569</u>	<u>69</u>
<u>\$ 675,500</u>	<u>\$ 741,353</u>	<u>\$ 65,853</u>	<u>\$ 18,100</u>	<u>\$ 18,411</u>	<u>\$ 311</u>
\$ -	\$ -	\$ -	\$ 7,700	\$ 6,971	\$ 729
-	-	-	-	-	-
-	-	-	-	-	-
563,100	545,601	17,499	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,800	9,734	66	-	-	-
<u>79,500</u>	<u>83,929</u>	<u>(4,429)</u>	<u>28,000</u>	<u>27,905</u>	<u>95</u>
<u>\$ 652,400</u>	<u>\$ 639,264</u>	<u>\$ 13,136</u>	<u>\$ 35,700</u>	<u>\$ 34,876</u>	<u>\$ 824</u>
<u>\$ 23,100</u>	<u>\$ 102,089</u>	<u>\$ 78,989</u>	<u>\$ (17,600)</u>	<u>\$ (16,465)</u>	<u>\$ 1,135</u>
\$ 29,100	\$ 29,177	\$ 77	\$ -	\$ -	\$ -
<u>(19,500)</u>	<u>(19,443)</u>	<u>57</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 9,600</u>	<u>\$ 9,734</u>	<u>\$ 134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 32,700	\$ 111,823	\$ 79,123	\$ (17,600)	\$ (16,465)	\$ 1,135
<u>155,535</u>	<u>155,535</u>	<u>-</u>	<u>47,955</u>	<u>47,955</u>	<u>-</u>
<u>\$ 188,235</u>	<u>\$ 267,358</u>	<u>\$ 79,123</u>	<u>\$ 30,355</u>	<u>\$ 31,490</u>	<u>\$ 1,135</u>

CITY OF ST. JOSEPH
SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005

	<u>Building Inspection</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Taxes	\$ -	\$ -	\$ -
State revenue	26,600	51,328	24,728
Licenses and permits	236,200	266,138	29,938
Fines and fees	91,900	109,503	17,603
Contributions	100	50	(50)
Interest	1,200	1,792	592
Other	<u>1,100</u>	<u>1,753</u>	<u>653</u>
 Total Revenues	 <u>\$ 357,100</u>	 <u>\$ 430,564</u>	 <u>\$ 73,464</u>
 Expenditures:			
General government	\$ -	\$ -	\$ -
Public safety	-	-	-
Highways and streets	-	-	-
Recreation and cultural	-	-	-
Sanitation	-	-	-
Community and economic development	354,700	342,404	12,296
Debt service	-	-	-
Capital outlay	<u>61,500</u>	<u>61,232</u>	<u>268</u>
 Total Expenditures	 <u>\$ 416,200</u>	 <u>\$ 403,636</u>	 <u>\$ 12,564</u>
 Revenues Over (Under) Expenditures	 <u>\$ (59,100)</u>	 <u>\$ 26,928</u>	 <u>\$ 86,028</u>
 Other Financing Sources (Uses):			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
 Total Other Financing Sources (Uses)	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>
 Net Change in Fund Balances	 <u>\$ (59,100)</u>	 <u>\$ 26,928</u>	 <u>\$ 86,028</u>
 Fund Balances - Beginning of Year	 <u>231,795</u>	 <u>231,795</u>	 <u>-</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 172,695</u>	 <u>\$ 258,723</u>	 <u>\$ 86,028</u>

<u>Brownfield Authority</u>			<u>Garbage and Rubbish Collection</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ 125,400	\$ 125,408	\$ 8	\$ 559,800	\$ 560,010	\$ 210
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,600	2,929	329
-	-	-	-	-	-
900	1,386	486	2,500	3,125	625
-	-	-	500	449	(51)
<u>\$ 126,300</u>	<u>\$ 126,794</u>	<u>\$ 494</u>	<u>\$ 565,400</u>	<u>\$ 566,513</u>	<u>\$ 1,113</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	546,300	508,670	37,630
-	-	-	-	-	-
18,000	18,000	-	-	-	-
-	-	-	-	-	-
<u>\$ 18,000</u>	<u>\$ 18,000</u>	<u>\$ -</u>	<u>\$ 546,300</u>	<u>\$ 508,670</u>	<u>\$ 37,630</u>
\$ 108,300	\$ 108,794	\$ 494	\$ 19,100	\$ 57,843	\$ 38,743
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(21,600)	(21,600)	-	-	-	-
<u>\$ (21,600)</u>	<u>\$ (21,600)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 86,700	\$ 87,194	\$ 494	\$ 19,100	\$ 57,843	\$ 38,743
9,585	9,585	-	-	-	-
<u>\$ 96,285</u>	<u>\$ 96,779</u>	<u>\$ 494</u>	<u>\$ 19,100</u>	<u>\$ 57,843</u>	<u>\$ 38,743</u>

**CITY OF ST. JOSEPH
SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005**

	<u>Public Improvement</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Taxes	\$ -	\$ -	\$ -
State revenue	-	-	-
Licenses and permits	-	-	-
Fines and fees	-	-	-
Contributions	69,200	103,116	33,916
Interest	2,300	3,053	753
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>\$ 71,500</u>	<u>\$ 106,169</u>	<u>\$ 34,669</u>
Expenditures:			
General government	\$ -	\$ -	\$ -
Public safety	-	-	-
Highways and streets	6,800	14,276	(7,476)
Recreation and cultural	-	-	-
Sanitation	-	-	-
Community and economic development	-	-	-
Debt service	92,600	91,387	1,213
Capital outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 99,400</u>	<u>\$ 105,663</u>	<u>\$ (6,263)</u>
Revenues Over (Under) Expenditures	<u>\$ (27,900)</u>	<u>\$ 506</u>	<u>\$ 28,406</u>
Other Financing Sources (Uses):			
Operating transfers in	\$ 26,000	\$ 26,000	\$ -
Operating transfers out	<u>(40,900)</u>	<u>(40,895)</u>	<u>5</u>
Total Other Financing Sources (Uses)	<u>\$ (14,900)</u>	<u>\$ (14,895)</u>	<u>\$ 5</u>
Net Change in Fund Balances	<u>\$ (42,800)</u>	<u>\$ (14,389)</u>	<u>\$ 28,411</u>
Fund Balances - Beginning of Year	<u>211,161</u>	<u>211,161</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 168,361</u>	<u>\$ 196,772</u>	<u>\$ 28,411</u>

Drug Forfeiture		
Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	11	11
<u>100</u>	<u>140</u>	<u>40</u>
\$ 100	\$ 151	\$ 51
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ -	\$ -
\$ 100	\$ 151	\$ 51
\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ -	\$ -
\$ 100	\$ 151	\$ 51
<u>587</u>	<u>587</u>	<u>-</u>
\$ 687	\$ 738	\$ 51

Criminal Forfeiture		
Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	23	23
<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ 23	\$ 23
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ -	\$ -
\$ -	\$ 23	\$ 23
\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ -	\$ -
\$ -	\$ 23	\$ 23
<u>1,448</u>	<u>1,448</u>	<u>-</u>
\$ 1,448	\$ 1,471	\$ 23

**CITY OF ST. JOSEPH
SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005**

	<u>Justice Training</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Taxes	\$ -	\$ -	\$ -
State revenue	2,100	4,959	2,859
Licenses and permits	-	-	-
Fines and fees	-	-	-
Contributions	-	-	-
Interest	-	75	75
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>\$ 2,100</u>	<u>\$ 5,034</u>	<u>\$ 2,934</u>
Expenditures:			
General government	\$ -	\$ -	\$ -
Public safety	3,700	3,657	43
Highways and streets	-	-	-
Recreation and cultural	-	-	-
Sanitation	-	-	-
Community and economic development	-	-	-
Debt service	-	-	-
Capital outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 3,700</u>	<u>\$ 3,657</u>	<u>\$ 43</u>
Revenues Over (Under) Expenditures	<u>\$ (1,600)</u>	<u>\$ 1,377</u>	<u>\$ 2,977</u>
Other Financing Sources (Uses):			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ (1,600)</u>	<u>\$ 1,377</u>	<u>\$ 2,977</u>
Fund Balances - Beginning of Year	<u>5,593</u>	<u>5,593</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,993</u>	<u>\$ 6,970</u>	<u>\$ 2,977</u>

Total		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ 963,400	\$ 963,843	\$ 443
653,500	705,055	51,555
236,200	266,138	29,938
494,600	519,807	25,207
282,800	388,497	105,697
14,200	34,532	20,332
<u>29,600</u>	<u>40,620</u>	<u>11,020</u>
<u>\$ 2,674,300</u>	<u>\$ 2,918,492</u>	<u>\$ 244,192</u>
\$ 218,500	\$ 215,084	\$ 3,416
3,700	3,657	43
950,900	989,425	(38,525)
637,900	620,314	17,586
546,300	508,670	37,630
354,700	342,404	12,296
120,400	119,121	1,279
<u>189,000</u>	<u>192,861</u>	<u>(3,861)</u>
<u>\$ 3,021,400</u>	<u>\$ 2,991,536</u>	<u>\$ 29,864</u>
<u>\$ (347,100)</u>	<u>\$ (73,044)</u>	<u>\$ 274,056</u>
\$ 496,000	\$ 496,072	\$ 72
<u>(820,200)</u>	<u>(820,138)</u>	<u>62</u>
<u>\$ (324,200)</u>	<u>\$ (324,066)</u>	<u>\$ 134</u>
\$ (671,300)	\$ (397,110)	\$ 274,190
<u>2,166,750</u>	<u>2,166,750</u>	<u>-</u>
<u>\$ 1,495,450</u>	<u>\$ 1,769,640</u>	<u>\$ 274,190</u>

**CITY OF ST. JOSEPH
 COMPONENT UNITS
 Combining Statement of Net Assets
 June 30, 2005**

	<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 70,751	\$ 31,400	\$ 102,151
TOTAL ASSETS	<u>\$ 70,751</u>	<u>\$ 31,400</u>	<u>\$ 102,151</u>
Net Assets			
Unrestricted	\$ 70,751	\$ 31,400	\$ 102,151
TOTAL NET ASSETS	<u>\$ 70,751</u>	<u>\$ 31,400</u>	<u>\$ 102,151</u>

**CITY OF ST. JOSEPH
COMPONENT UNITS
Combining Statement of Revenues, Expenditures, and Changes
in Net Assets - Budget and Actual
For the Year Ended June 30, 2005**

	<u>Downtown Development Authority</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Taxes	\$ 38,400	\$ 38,528	\$ 128
Interest	900	1,160	260
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 39,300	\$ 39,688	\$ 388
	<u> </u>	<u> </u>	<u> </u>
Expenditures:			
General government	\$ 31,200	\$ 28,737	\$ 2,463
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 31,200	\$ 28,737	\$ 2,463
	<u> </u>	<u> </u>	<u> </u>
Change in Net Assets	\$ 8,100	\$ 10,951	\$ 2,851
Total Net Assets - Beginning of Year	<u>59,800</u>	<u>59,800</u>	<u>-</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 67,900</u>	<u>\$ 70,751</u>	<u>\$ 2,851</u>

<u>Tax Increment Finance Authority</u>			<u>Total</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ 38,400	\$ 38,528	\$ 128
<u>300</u>	<u>488</u>	<u>188</u>	<u>1,200</u>	<u>1,648</u>	<u>448</u>
\$ 300	\$ 488	\$ 188	\$ 39,600	\$ 40,176	\$ 576
\$ -	\$ -	\$ -	\$ 31,200	\$ 28,737	\$ 2,463
\$ -	\$ -	\$ -	\$ 31,200	\$ 28,737	\$ 2,463
\$ 300	\$ 488	\$ 188	\$ 8,400	\$ 11,439	\$ 3,039
<u>30,912</u>	<u>30,912</u>	<u>-</u>	<u>90,712</u>	<u>90,712</u>	<u>-</u>
<u>\$ 31,212</u>	<u>\$ 31,400</u>	<u>\$ 188</u>	<u>\$ 99,112</u>	<u>\$ 102,151</u>	<u>\$ 3,039</u>

**CITY OF ST. JOSEPH
INTERNAL SERVICE FUNDS
Combining Statement of Net Assets
June 30, 2005**

	<u>Self Insurance</u>	<u>Motor Pool</u>	<u>Total</u>
Assets			
Current Assets:			
Cash	\$ 471,765	\$ 224,423	\$ 696,188
Investments	539,574	-	539,574
Receivables	-	146	146
Due from other funds	-	32,256	32,256
Inventory	-	22,634	22,634
	<u> </u>	<u> </u>	<u> </u>
Total Current Assets	\$ 1,011,339	\$ 279,459	\$ 1,290,798
Noncurrent Assets:			
Equipment	\$ -	\$ 3,017,061	\$ 3,017,061
Less: Accumulated depreciation	<u> </u>	<u>(2,208,222)</u>	<u>(2,208,222)</u>
Total Noncurrent Assets	\$ -	\$ 808,839	\$ 808,839
TOTAL ASSETS	<u>\$ 1,011,339</u>	<u>\$ 1,088,298</u>	<u>\$ 2,099,637</u>
Liabilities			
Current Liabilities:			
Due to employees	\$ 341	\$ -	\$ 341
Due to other funds	-	1,404	1,404
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	\$ 341	\$ 1,404	\$ 1,745
Net Assets			
Invested in capital assets, net of related debt	\$ -	\$ 808,839	\$ 808,839
Unrestricted	<u>1,010,998</u>	<u>278,055</u>	<u>1,289,053</u>
TOTAL NET ASSETS	<u>\$ 1,010,998</u>	<u>\$ 1,086,894</u>	<u>\$ 2,097,892</u>

**CITY OF ST. JOSEPH
INTERNAL SERVICE FUNDS
Combining Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended June 30, 2005**

	<u>Self Insurance</u>	<u>Motor Pool</u>	<u>Total</u>
Operating Revenues:			
Rents	\$ -	\$ 646,562	\$ 646,562
Miscellaneous	<u>64,550</u>	<u>36,920</u>	<u>101,470</u>
Total Operating Revenues	<u>\$ 64,550</u>	<u>\$ 683,482</u>	<u>\$ 748,032</u>
Operating Expenses:			
Salaries and wages	\$ 58,581	\$ 73,805	\$ 132,386
Employment related costs	3,013	22,063	25,076
Professional fees	3,188	9,810	12,998
Depreciation	-	178,514	178,514
Supplies	-	208,769	208,769
Repairs and maintenance	-	61,118	61,118
Insurance	171,219	71,322	242,541
Miscellaneous	<u>2,794</u>	<u>8,055</u>	<u>10,849</u>
Total Operating Expenses	<u>\$ 238,795</u>	<u>\$ 633,456</u>	<u>\$ 872,251</u>
Operating Income (Loss)	<u>\$ (174,245)</u>	<u>\$ 50,026</u>	<u>\$ (124,219)</u>
Nonoperating Revenues:			
Interest income	\$ 16,508	\$ 2,656	\$ 19,164
Gain on disposition of assets	<u>-</u>	<u>15,039</u>	<u>15,039</u>
Total Nonoperating Revenues	<u>\$ 16,508</u>	<u>\$ 17,695</u>	<u>\$ 34,203</u>
Income (Loss) Before Operating Transfers	<u>\$ (157,737)</u>	<u>\$ 67,721</u>	<u>\$ (90,016)</u>
Other Financing Sources (Uses):			
Operating transfers in	<u>\$ -</u>	<u>\$ 16,630</u>	<u>\$ 16,630</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 16,630</u>	<u>\$ 16,630</u>
Change in Net Assets	\$ (157,737)	\$ 84,351	\$ (73,386)
Total Net Assets - Beginning of Year	<u>1,168,735</u>	<u>1,002,543</u>	<u>2,171,278</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 1,010,998</u>	<u>\$ 1,086,894</u>	<u>\$ 2,097,892</u>

**CITY OF ST. JOSEPH
INTERNAL SERVICE FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2005**

	<u>Self Insurance</u>	<u>Motor Pool</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash receipts for interfund services provided	\$ -	\$ 646,562	\$ 646,562
Cash receipts from customers	64,550	36,920	101,470
Other payments	(197,418)	(207,021)	(404,439)
Payments to employees	(58,581)	(73,805)	(132,386)
Payments to suppliers	-	(208,769)	(208,769)
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	\$ (191,449)	\$ 193,887	\$ 2,438
Cash Flows From Noncapital Financing Activities:			
Transfers from other funds	\$ -	\$ 16,630	\$ 16,630
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by noncapital financing activities	\$ -	\$ 16,630	\$ 16,630
Cash Flows From Capital and Related Financing Activities:			
Purchase of capital assets	\$ -	\$ (326,856)	\$ (326,856)
Proceeds from sale of capital assets	-	26,118	26,118
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by capital and related financing activities	\$ -	\$ (300,738)	\$ (300,738)
Cash Flows From Investing Activities:			
Purchase of securities	\$ (7,934)	\$ -	\$ (7,934)
Interest and dividends received	16,508	2,656	19,164
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by investing activities	\$ 8,574	\$ 2,656	\$ 11,230
Net increase (decrease) in cash and cash equivalents	\$ (182,875)	\$ (87,565)	\$ (270,440)
Balances - Beginning of Year	<u>654,640</u>	<u>311,988</u>	<u>966,628</u>
BALANCES - END OF YEAR	<u>\$ 471,765</u>	<u>\$ 224,423</u>	<u>\$ 696,188</u>

**CITY OF ST. JOSEPH
INTERNAL SERVICE FUNDS
Combining Statement of Cash Flows - Continued
For the Year Ended June 30, 2005**

	<u>Self Insurance</u>	<u>Motor Pool</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (174,245)	\$ 50,026	\$ (124,219)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	\$ -	\$ 178,514	\$ 178,514
(Increase) decrease in:			-
Accounts receivable	-	1,459	1,459
Inventory	-	(22,634)	(22,634)
Prepaid expense	-	8,577	8,577
Due from other funds	-	24,245	24,245
Increase (decrease) in:			
Due to other funds	(12,434)	(46,300)	(58,734)
Due to employees	(4,770)	-	(4,770)
	<u> </u>	<u> </u>	<u> </u>
Total Adjustments	\$ (17,204)	\$ 143,861	\$ 126,657
Net cash provided (used) by operating activities	<u>\$ (191,449)</u>	<u>\$ 193,887</u>	<u>\$ 2,438</u>

**CITY OF ST. JOSEPH
PENSION TRUST FUNDS
Combining Statement of Net Assets
For the Year Ended June 30, 2005**

	<u>Employee Retirement Trust</u>	<u>Flex Spending Trust</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 70,374	\$ 3,394	\$ 73,768
Receivables			
Interest receivable	\$ 178,998	\$ -	\$ 178,998
Due from employer	<u>6,848</u>	<u>-</u>	<u>6,848</u>
Total Receivables	<u>\$ 185,846</u>	<u>\$ -</u>	<u>\$ 185,846</u>
Investments, at fair value			
Stock	\$ 26,959,072	\$ -	\$ 26,959,072
Bonds	4,109,032	-	4,109,032
Governmental obligations	12,204,063	-	12,204,063
Other	<u>4,202,404</u>	<u>-</u>	<u>4,202,404</u>
Total Investments	<u>\$ 47,474,571</u>	<u>\$ -</u>	<u>\$ 47,474,571</u>
Other Current Assets:			
Due from other funds	\$ 1,580	\$ -	\$ 1,580
Total Assets	<u>\$ 47,732,371</u>	<u>\$ 3,394</u>	<u>\$ 47,735,765</u>
Liabilities			
Accounts payable	\$ 17,212	\$ -	\$ 17,212
Due to employees	-	3,384	3,384
Due to other funds	<u>-</u>	<u>10</u>	<u>10</u>
Total Liabilities	<u>\$ 17,212</u>	<u>\$ 3,394</u>	<u>\$ 20,606</u>
Net Assets			
Held in trust for pension benefits and other purposes	<u>\$ 47,715,159</u>	<u>\$ -</u>	<u>\$ 47,715,159</u>

**CITY OF ST. JOSEPH
PENSION TRUST FUNDS
Combining Statement of Changes in Net Assets
For the Year Ended June 30, 2005**

	<u>Employee Retirement Trust</u>	<u>Flex Spending Trust</u>	<u>Total</u>
Additions:			
Contributions:			
Plan members	\$ 264,077	\$ 22,431	\$ 286,508
Total Contributions	<u>\$ 264,077</u>	<u>\$ 22,431</u>	<u>\$ 286,508</u>
Investment Earnings:			
Net increase, FMV investments	\$ 2,227,443	\$ -	\$ 2,227,443
Interest	1,044,200	-	1,044,200
Dividends	<u>336,090</u>	<u>-</u>	<u>336,090</u>
Total Investment Earnings	\$ 3,607,733	\$ -	\$ 3,607,733
Less: investment expense	<u>(94,607)</u>	<u>-</u>	<u>(94,607)</u>
Net Investment Earnings	<u>\$ 3,513,126</u>	<u>\$ -</u>	<u>\$ 3,513,126</u>
Total Additions	<u>\$ 3,777,203</u>	<u>\$ 22,431</u>	<u>\$ 3,799,634</u>
Deductions:			
Benefits	\$ 1,846,223	\$ 22,431	\$ 1,868,654
Refund of contributions	22,551	-	22,551
Administrative expense	<u>17,217</u>	<u>-</u>	<u>17,217</u>
Total Deductions	<u>\$ 1,885,991</u>	<u>\$ 22,431</u>	<u>\$ 1,908,422</u>
Change in Net Assets	\$ 1,891,212	\$ -	\$ 1,891,212
Net Assets - Beginning of Year	<u>45,823,947</u>	<u>-</u>	<u>45,823,947</u>
NET ASSETS - END OF YEAR	<u>\$ 47,715,159</u>	<u>\$ -</u>	<u>\$ 47,715,159</u>

**CITY OF ST. JOSEPH
AGENCY FUNDS
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2005**

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Assets				
Cash - Treasurer's Tax Fund	\$ 988	\$ 17,414,011	\$ (17,412,094)	\$ 2,905
Cash - Imprest Payroll Fund	-	7,515,196	(7,515,190)	6
Receivables - Imprest Payroll Fund	<u>880</u>	<u>71</u>	<u>(880)</u>	<u>71</u>
TOTAL ASSETS	<u>\$ 1,868</u>	<u>\$ 24,929,278</u>	<u>\$ (24,928,164)</u>	<u>\$ 2,982</u>
Liabilities				
Bank overdraft - Imprest Payroll Fund	\$ 503	\$ -	\$ (503)	\$ -
Due to other funds - Treasurer's Tax Fund	988	2,905	(988)	2,905
Due to other funds - Imprest Payroll Fund	<u>377</u>	<u>77</u>	<u>(377)</u>	<u>77</u>
TOTAL LIABILITIES	<u>\$ 1,868</u>	<u>\$ 2,982</u>	<u>\$ (1,868)</u>	<u>\$ 2,982</u>

**CITY OF ST. JOSEPH
PERMANENT FUNDS
Combining Balance Sheet
June 30, 2005**

	Cemetery Perpetual Care	Library Endowment	Total
Assets			
Cash	\$ -	\$ 30,516	\$ 30,516
Investments	297,258	500,000	797,258
Due from other funds	-	175,237	175,237
	<u>-</u>	<u>175,237</u>	<u>175,237</u>
TOTAL ASSETS	<u>\$ 297,258</u>	<u>\$ 705,753</u>	<u>\$ 1,003,011</u>
Fund Balances			
Reserved for restricted purposes	\$ 297,258	\$ 225,441	\$ 522,699
Reserved for endowment	-	480,312	480,312
	<u>-</u>	<u>480,312</u>	<u>480,312</u>
TOTAL FUND BALANCES	<u>\$ 297,258</u>	<u>\$ 705,753</u>	<u>\$ 1,003,011</u>

**CITY OF ST. JOSEPH
PERMANENT FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2005**

	Cemetery Perpetual Care	Library Endowment	Total
Revenues:			
Contributions	\$ -	\$ 100	\$ 100
Interest	<u>11,660</u>	<u>17,506</u>	<u>29,166</u>
 Total Revenues	 <u>\$ 11,660</u>	 <u>\$ 17,606</u>	 <u>\$ 29,266</u>
 Other Financing Sources (Uses):			
Operating transfers out	<u>\$ -</u>	<u>\$ (29,177)</u>	<u>\$ (29,177)</u>
 Net Changes in Fund Balances	 \$ 11,660	 \$ (11,571)	 \$ 89
 Fund Balances - Beginning of Year	 <u>285,598</u>	 <u>717,324</u>	 <u>\$ 1,002,922</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 297,258</u>	 <u>\$ 705,753</u>	 <u>\$ 1,003,011</u>

CITY OF ST. JOSEPH
Schedule of 2003 Installment Note
Fifth Third Bank
June 30, 2005

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest		Principal		Balance
			November 1	May 1	November 1	May 1	
2006	2.50%	\$ 182,171	\$ 10,640	\$ 9,635	\$ 80,445	\$ 81,451	\$ 689,345
2007	2.50%	182,171	8,617	7,586	82,469	83,499	523,377
2008	2.50%	182,171	6,542	5,486	84,543	85,600	353,234
2009	2.50%	182,171	4,415	3,332	86,670	87,754	178,810
2010	2.50%	<u>182,170</u>	<u>2,235</u>	<u>1,125</u>	<u>88,850</u>	<u>89,960</u>	-
		<u>\$ 910,854</u>	<u>\$ 32,449</u>	<u>\$ 27,164</u>	<u>\$ 422,977</u>	<u>\$ 428,264</u>	

Purpose:

To finance construction of City Hall.

Terms:

Principal and interest due semi-annually May 1 and November 1.

CITY OF ST. JOSEPH
Schedule of 2004 State Revolving Fund Bonds
June 30, 2005

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest		Principal October 1	Balance
			October 1	April 1		
2006	2.125%	\$ 132,823	\$ 21,412	\$ 21,411	\$ 90,000	\$ 1,925,205
2007	2.125%	130,911	20,455	20,456	90,000	1,835,205
2008	2.125%	128,998	19,499	19,499	90,000	1,745,205
2009	2.125%	132,085	18,543	18,542	95,000	1,650,205
2010	2.125%	130,067	17,533	17,534	95,000	1,555,205
2011	2.125%	128,048	16,524	16,524	95,000	1,460,205
2012	2.125%	131,029	15,515	15,514	100,000	1,360,205
2013	2.125%	128,904	14,452	14,452	100,000	1,260,205
2014	2.125%	131,779	13,389	13,390	105,000	1,155,205
2015	2.125%	129,548	12,274	12,274	105,000	1,050,205
2016	2.125%	132,317	11,159	11,158	110,000	940,205
2017	2.125%	129,979	9,989	9,990	110,000	830,205
2018	2.125%	132,642	8,821	8,821	115,000	715,205
2019	2.125%	130,198	7,599	7,599	115,000	600,205
2020	2.125%	132,754	6,377	6,377	120,000	480,205
2021	2.125%	130,204	5,102	5,102	120,000	360,205
2022	2.125%	132,654	3,827	3,827	125,000	235,205
2023	2.125%	129,998	2,499	2,499	125,000	110,205
2024	2.125%	112,547	1,171	1,171	110,205	-
		<u>\$ 2,467,485</u>	<u>\$ 226,140</u>	<u>\$ 226,140</u>	<u>\$ 2,015,205</u>	

Purpose:

To finance the City's combined sewer overflow project.

Terms:

Principal is due annually. Interest is due semi-annually April 1 and October 1.

CITY OF ST. JOSEPH
Schedule of Capital Improvement Note
Berrien County Revolving Loan Fund
June 30, 2005

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest	Principal January 1	Balance
2006	-	\$ -	\$ -	-	\$ 250,000
2007	-	-	-	-	250,000
2008	-	-	-	-	250,000
2009	-	-	-	-	250,000
2010	-	-	-	-	250,000
2011	-	25,000	-	25,000	225,000
2012	-	25,000	-	25,000	200,000
2013	-	25,000	-	25,000	175,000
2014	-	25,000	-	25,000	150,000
2015	-	25,000	-	25,000	125,000
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	-
		<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>	

Purpose:

To finance construction of Momany/Renaissance Drive.

Terms:

Principal due annually January 1.

CITY OF ST. JOSEPH
Schedule of 2002 Improvement and Refunding Bonds
June 30, 2005

<u>Year Ended June 30,</u>	<u>Interest Rate</u>	<u>Annual Debt Service</u>	<u>Interest</u>		<u>Principal May 1</u>	<u>Balance</u>
			<u>November 1</u>	<u>May 1</u>		
2006	4.000%	\$ 258,306	\$ 99,153	\$ 99,153	\$ 60,000	\$ 4,070,000
2007	4.000%	270,907	97,954	97,953	75,000	3,995,000
2008	4.000%	267,906	96,453	96,453	75,000	3,920,000
2009	4.125%	274,906	94,953	94,953	85,000	3,835,000
2010	4.125%	281,400	93,200	93,200	95,000	3,740,000
2011	4.375%	282,481	91,241	91,240	100,000	3,640,000
2012	4.375%	293,106	89,053	89,053	115,000	3,525,000
2013	4.500%	298,075	86,537	86,538	125,000	3,400,000
2014	4.500%	302,450	83,725	83,725	135,000	3,265,000
2015	4.750%	311,375	80,688	80,687	150,000	3,115,000
2016	4.875%	314,250	77,125	77,125	160,000	2,955,000
2017	5.000%	321,450	73,225	73,225	175,000	2,780,000
2018	5.000%	327,700	68,850	68,850	190,000	2,590,000
2019	4.750%	333,200	64,100	64,100	205,000	2,385,000
2020	4.750%	343,463	59,231	59,232	225,000	2,160,000
2021	4.750%	352,775	53,888	53,887	245,000	1,915,000
2022	4.800%	361,138	48,069	48,069	265,000	1,650,000
2023	4.950%	368,418	41,709	41,709	285,000	1,365,000
2024	5.000%	374,310	34,655	34,655	305,000	1,060,000
2025	5.100%	384,060	27,030	27,030	330,000	730,000
2026	5.100%	392,230	18,615	18,615	355,000	375,000
2027	5.100%	<u>394,125</u>	<u>9,562</u>	<u>9,563</u>	<u>375,000</u>	-
		<u>\$ 7,108,031</u>	<u>\$ 1,489,016</u>	<u>\$ 1,489,015</u>	<u>\$ 4,130,000</u>	

Purpose:

To finance the City's combined sewer overflow project.

Terms:

Principal is due annually. Interest is due semi-annually May 1 and November 1.

CITY OF ST. JOSEPH
Schedule of 2003 State Revolving Fund Bonds
June 30, 2005

<u>Year Ended June 30,</u>	<u>Interest Rate</u>	<u>Annual Debt Service</u>	<u>Interest</u>		<u>Principal October 1</u>	<u>Balance</u>
			<u>October 1</u>	<u>April 1</u>		
2006	2.50%	\$ 109,528	\$ 19,264	\$ 18,264	\$ 72,000	\$ 1,694,525
2007	2.50%	111,965	18,264	17,201	76,500	1,618,025
2008	2.50%	109,840	17,201	16,139	76,500	1,541,525
2009	2.50%	112,153	16,139	15,014	81,000	1,460,525
2010	2.50%	109,903	15,014	13,889	81,000	1,379,525
2011	2.50%	112,090	13,889	12,701	85,500	1,294,025
2012	2.50%	109,715	12,701	11,514	85,500	1,208,525
2013	2.50%	107,340	11,514	10,326	85,500	1,123,025
2014	2.50%	109,402	10,326	9,076	90,000	1,033,025
2015	2.50%	106,902	9,076	7,826	90,000	943,025
2016	2.50%	108,840	7,826	6,514	94,500	848,525
2017	2.50%	106,215	6,514	5,201	94,500	754,025
2018	2.50%	108,027	5,201	3,826	99,000	655,025
2019	2.50%	109,715	3,826	2,389	103,500	551,525
2020	2.50%	106,840	2,389	951	103,500	448,025
2021	2.50%	108,951	951	-	108,000	340,025
2022	2.50%	108,000	-	-	108,000	232,025
2023	2.50%	112,500	-	-	112,500	119,525
2024	2.50%	119,525	-	-	119,525	-
		<u>\$ 2,087,451</u>	<u>\$ 170,095</u>	<u>\$ 150,831</u>	<u>\$ 1,766,525</u>	

Purpose:

To finance the City's combined sewer overflow project.

Terms:

Principal is due annually. Interest is due semi-annually April 1 and October 1.

CITY OF ST. JOSEPH
Schedule of 2004 Installment Note
J.P. Morgan Chase Bank
June 30, 2005

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest		Principal		Balance
			Spetember 5	March 5	September 5	March 5	
2006	2.679%	\$ 91,387	\$ 4,064	\$ 3,506	\$ 41,630	\$ 42,187	\$ 219,566
2007	2.679%	91,387	2,941	2,369	42,752	43,325	133,489
2008	2.679%	91,387	1,788	1,200	43,905	44,494	45,090
2009	2.679%	45,694	604	-	45,090	-	-
		<u>\$ 319,855</u>	<u>\$ 9,397</u>	<u>\$ 7,075</u>	<u>\$ 173,377</u>	<u>\$ 130,006</u>	

Purpose:

To finance the purchase of a fire truck.

Terms:

Principal and interest due semi-annually March 5 and September 5.

CITY OF ST. JOSEPH
Schedule of Brownfield Lien Note
Michigan Department of Environmental Quality
June 30, 2005

Year Ended <u>June 30,</u>	Interest <u>December 11</u>	Principal <u>December 11</u>	Total <u>Payment</u>
2006	-	\$ 23,000	\$ 23,000
2007	-	28,000	28,000
2008	-	31,000	31,000
2009	-	36,000	36,000
2010	20,308	52,761	73,069
	<u>\$ 20,308</u>	<u>\$ 170,761</u>	<u>\$ 191,069</u>

September 14, 2005

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 the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Joseph as of and for the year ending June 30, 2005, which collectively comprise the City of St. Joseph's financial statements and have issued our report thereon dated September 14, 2005. 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 of America.

Compliance

As part of obtaining reasonable assurance about whether the City of St. Joseph's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under **Government Auditing Standards**.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of St. Joseph's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters that we reported to management of the City of St. Joseph in a separate letter dated September 14, 2005.

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