

CITY OF ST. JOSEPH
BERRIEN COUNTY, MICHIGAN
FINANCIAL REPORT
June 30, 2011

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

FINANCIAL REPORT

June 30, 2011

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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, 2011. We encourage readers to consider the overview presented here in conjunction with the additional information that our auditors have provided within this report.

Introduction

The City's history began almost 100 years before the American Revolution. In 1679 the explorer LaSalle and his 14 men cleared a piece of land and constructed a fort on the bluff above the St. Joseph River. LaSalle's stay was not long, and the area remained unsettled until 1785 when William Burnett established a trading post and became the first permanent settler.

The Carey Mission Treaty of 1828 opened the area and St. Joseph began to grow in earnest. The settlement grew into a village, which was originally called Newberryport in honor of a prominent businessman. The village grew so rapidly that it was incorporated on March 7, 1834 and was renamed St. Joseph. In April 1892, the State Legislature granted a city charter and the village officially became the City of St. Joseph. The City became the permanent seat of Berrien County government in 1894.

Currently, the City encompasses 3.63 square miles and has a 2010 Census population of 8,365. The City is located in the lower southwest corner of Michigan's lower-peninsula on Lake Michigan approximately 50 miles west of Kalamazoo and 83 miles southwest of Grand Rapids.

Form of Government

In 1928, the Commission-Manager charter was prepared and adopted with the new Commission taking office September 12, 1928. The City Commission is the legislative and governing body of the City. The Commission consists of five City Commissioners elected for four-year terms at large. The two Commissioners receiving the highest number of votes shall serve for a term of four years and the candidate that receives the third highest number of votes shall serve a term of two years. Elections are held in odd years with three Commission seats to be filled. After the election at the re-organizational meeting, the Commissioners elect one of their own to act as Mayor. The City Commission also appoints the City Clerk, City Attorney, City Assessor and Finance Director/City Treasurer. The Commission constitutes the legislative and governing body of the City, with power and authority to pass such ordinances and adopt such resolutions necessary to exercise the powers

possessed by the City. The City Manager is the chief administrative officer of the City, is appointed by the City Commission and serves at its pleasure. The position of City Manager appoints and employs the various department heads and is responsible to the Commission for the proper administration of the day-to-day affairs of the City.

Financial Highlights - June 30, 2011

- The assets of the City of St. Joseph exceeded its liabilities at the close of the most recent fiscal year by \$78,973,581, an increase of \$15,510,881 from the prior year.
- \$12,888,486 of the \$78,973,581 may be used to meet the ongoing obligations to our citizens and creditors.
- The City of St. Joseph's Governmental Funds reported combined ending fund balances of \$5,913,949, a decrease of \$350,042.
- Approximately \$1,253,143 of this total amount is available for spending at the government's discretion.
- The general fund unreserved fund balance, combined with the committed budget stabilization fund, total \$2,253,143 or approximately 30% of total general fund expenditures.
- The City of St. Joseph's total debt increased by \$3,552,304 to \$15,398,830; still well under the debt limitations set by State statutes.

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.

- a) 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.
- b) 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 or programs, which are principally supported by taxes and intergovernmental revenues from those functions or programs 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 the water, city water, sewer, ice arena 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 for which the City is financially accountable. Financial information for this component unit 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 restricted 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.

a) Governmental Funds

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

Because the focus of Governmental Funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, the reader may better understand the long-term impact of the City's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances both provide a reconciliation to facilitate this comparison between Governmental Funds and Governmental Activities.

The City of St. Joseph maintains 19 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 and the Budget Stabilization Fund combined. Data from the other 17 governmental 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.

b) 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 ice arena, water, city water, sewer operation and 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 and employee health care needs. Because all three 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, city water, sewer, ice arena and the marina operation, all of which are considered to be major funds of the City of St. Joseph. Conversely, all three internal service funds are combined into a single, aggregated presentation in the Proprietary Fund Financial Statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

c) Fiduciary Funds

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

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 \$78,973,581 at the close of the 2010-2011 Fiscal-Year.

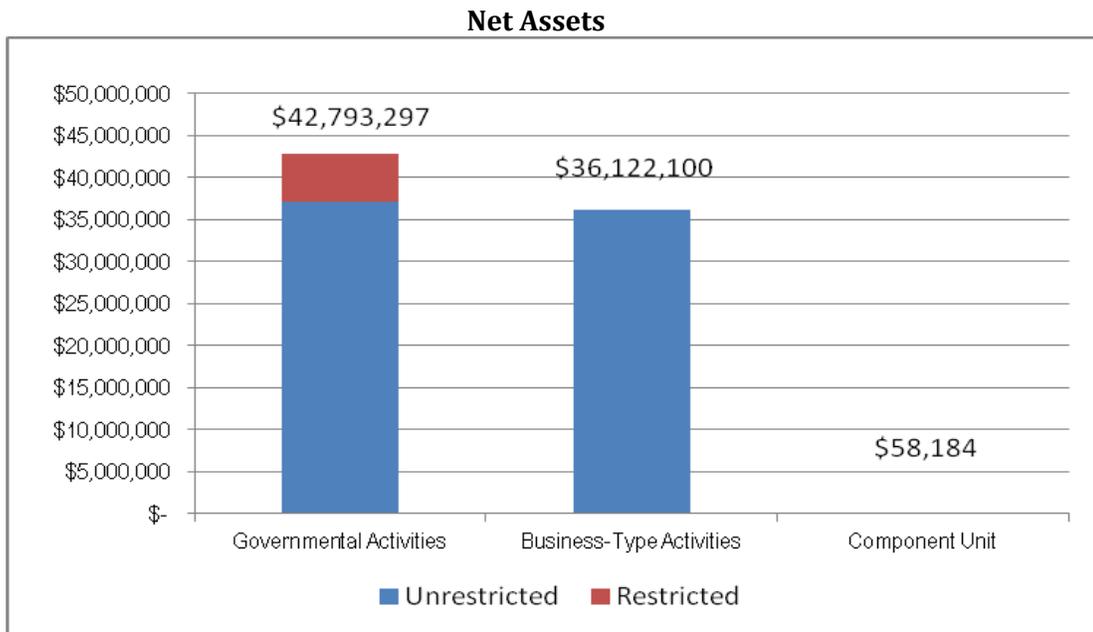
By far the largest portion of the City of St. Joseph's net assets reflects its investment in capital assets, less any outstanding related debt used to acquire those assets. The City of St. Joseph uses these capital assets to provide services to citizens; and consequently, these assets are not available 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
Statement of Net Assets**

| | Governmental Activities | Business Type Activities | Component Units | Current Year Total | Prior Year Total |
|---|-------------------------|--------------------------|------------------|-----------------------|----------------------|
| Current and Other Assets | \$ 8,479,896 | \$ 6,381,710 | \$ 58,454 | \$ 14,920,060 | \$ 14,594,315 |
| Capital Assets | 47,666,159 | 40,306,752 | - | 87,972,911 | 69,559,708 |
| Total Assets | \$ 56,146,055 | \$ 46,688,462 | \$ 58,454 | \$ 102,892,971 | \$ 84,154,023 |
| Other Liabilities | \$ 946,645 | \$ 2,360,109 | \$ 270 | \$ 3,307,024 | \$ 4,128,560 |
| Long-Term Liabilities Outstanding | 12,406,113 | 8,206,253 | - | 20,612,366 | 16,562,763 |
| Total Liabilities | \$ 13,352,758 | \$ 10,566,362 | \$ 270 | \$ 23,919,390 | \$ 20,691,323 |
| Investment in Capital Assets, Net of Related Debt | \$ 39,752,179 | \$ - | \$ - | \$ 60,345,852 | \$ 57,267,821 |
| Restricted | 5,739,243 | 20,593,673 | - | 5,739,243 | 867,420 |
| Unrestricted | (2,698,125) | 15,528,427 | 58,184 | 12,888,486 | 5,327,459 |
| Total Net Assets | \$ 42,793,297 | \$ 36,122,100 | \$ 58,184 | \$ 78,973,581 | \$ 63,462,700 |

A portion of the City of St. Joseph’s net assets, \$5,739,243, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$12,888,486) 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 unit.



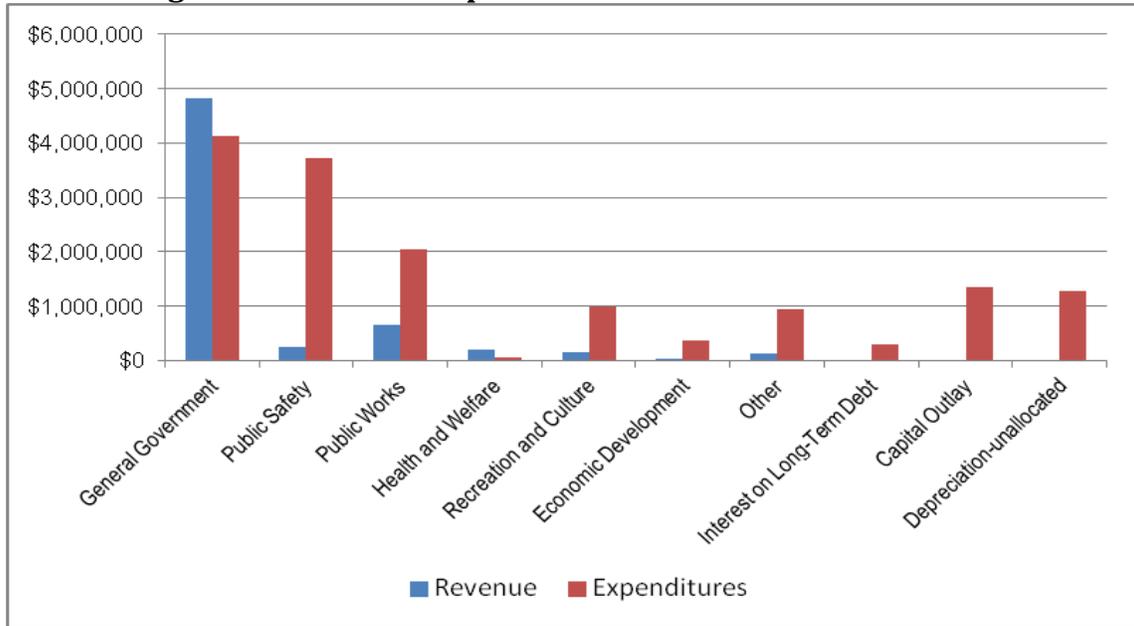
**City of St. Joseph
Changes in Net Assets**

| | Governmental Activities | Business Type Activities | Component Units | Current Year Total | Prior Year Total |
|--|----------------------------|-----------------------------|--------------------|-----------------------|----------------------|
| <u>Revenues</u> | | | | | |
| Program Revenues | | | | | |
| Charges for Services | \$ 2,672,319 | \$ 6,553,812 | \$ - | \$ 9,226,131 | \$ 8,782,437 |
| Grants and Contributions | 3,542,130 | 3,102,084 | - | 6,644,214 | 10,555,346 |
| General Revenues | | | | | |
| Property Taxes | 7,065,270 | - | 49,559 | 7,114,829 | 7,142,750 |
| State Revenue | 821,170 | - | - | 821,170 | 832,596 |
| Fines, Fees, and Forfeits | 318,217 | 119,871 | 71 | 438,159 | 417,942 |
| Interest | 56,433 | 359,618 | - | 416,051 | 63,431 |
| Miscellaneous | 434,579 | 32,100 | - | 466,679 | 385,441 |
| Sale of Fixed Assets | (11,970) | 5,124 | - | (6,846) | (5,039) |
| Total Revenues | \$ 14,898,148 | \$ 10,172,609 | \$ 49,630 | \$ 25,120,387 | \$ 28,174,904 |
| <u>Expenses</u> | | | | | |
| General Government | \$ 4,141,523 | \$ - | \$ - | \$ 4,141,523 | \$ 8,102,286 |
| Public Safety | 3,728,961 | - | - | 3,728,961 | 3,182,372 |
| Public Works | 2,056,824 | - | - | 2,056,824 | 5,323,164 |
| Health and Welfare | 50,537 | - | - | 50,537 | 50,537 |
| Recreation and Culture | 985,394 | - | - | 985,394 | 1,837,773 |
| Economic Development | 370,712 | - | - | 370,712 | 1,007,618 |
| Other | 940,654 | - | - | 940,654 | 898,540 |
| Interest on Long-Term Debt | 308,053 | - | - | 308,053 | 373,232 |
| Capital Outlay | 1,340,593 | - | - | 1,340,593 | - |
| Depreciation-unallocated | 1,281,088 | - | - | 1,281,088 | 1,343,426 |
| Sewer Fund | - | 1,520,764 | - | 1,520,764 | 1,387,991 |
| Water Fund | - | 3,515,493 | - | 3,515,493 | 4,219,977 |
| City Water Fund | - | 439,387 | - | 439,387 | 110,664 |
| Ice Arena Fund | - | 238,999 | - | 238,999 | - |
| Marina Fund | - | 511,936 | - | 511,936 | 494,788 |
| Downtown Development Authority | - | - | 47,199 | 47,199 | 45,381 |
| Total Expenses | \$ 15,204,339 | \$ 6,226,579 | \$ 47,199 | \$ 21,478,117 | \$ 28,377,749 |
| Increase (Decrease) in Net Assets before transfers | \$ (306,191) | \$ 3,946,030 | \$ 2,431 | \$ 3,642,270 | \$ (202,845) |
| Transfers | 204,900 | (204,900) | - | - | - |
| Changes in net assets | (101,291) | 3,741,130 | 2,431 | 3,642,270 | (202,845) |
| Net Assets Beginning of year | 42,894,588 | 20,512,359 | 55,753 | 63,462,700 | 63,665,545 |
| Prior Year Adjustment | - | 11,868,611 | - | 11,868,611 | - |
| Adjusted Net Assets – Beginning of year | 42,894,588 | 32,380,970 | 55,753 | 75,331,311 | 63,665,545 |
| Net Assets End of year | \$ 42,793,297 | \$ 36,122,100 | \$ 58,184 | \$ 78,973,581 | \$ 63,462,700 |

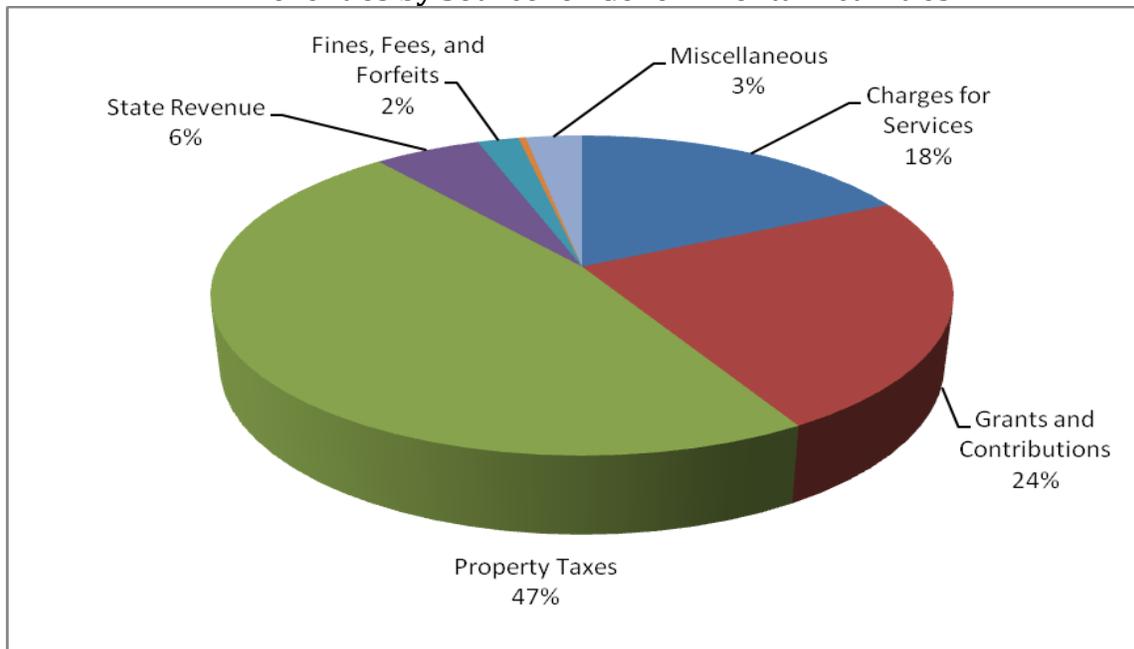
Governmental Activities

In Fiscal Year 2010-2011, there was no growth in Net Assets from Governmental Activities; with revenues falling short of expenditures by \$101,291. Property tax revenues totaled \$7,065,270 or 47% of the total governmental revenues. Grants and contributions totaled \$3,541,730 or 24% of the total governmental revenues. The remaining 29% is mostly composed of various charges for services, state revenues and other miscellaneous revenue. Public safety expenditures totaled \$3,728,961 or 25% of the governmental expenses.

Program Revenues & Expenditures for Governmental Activities



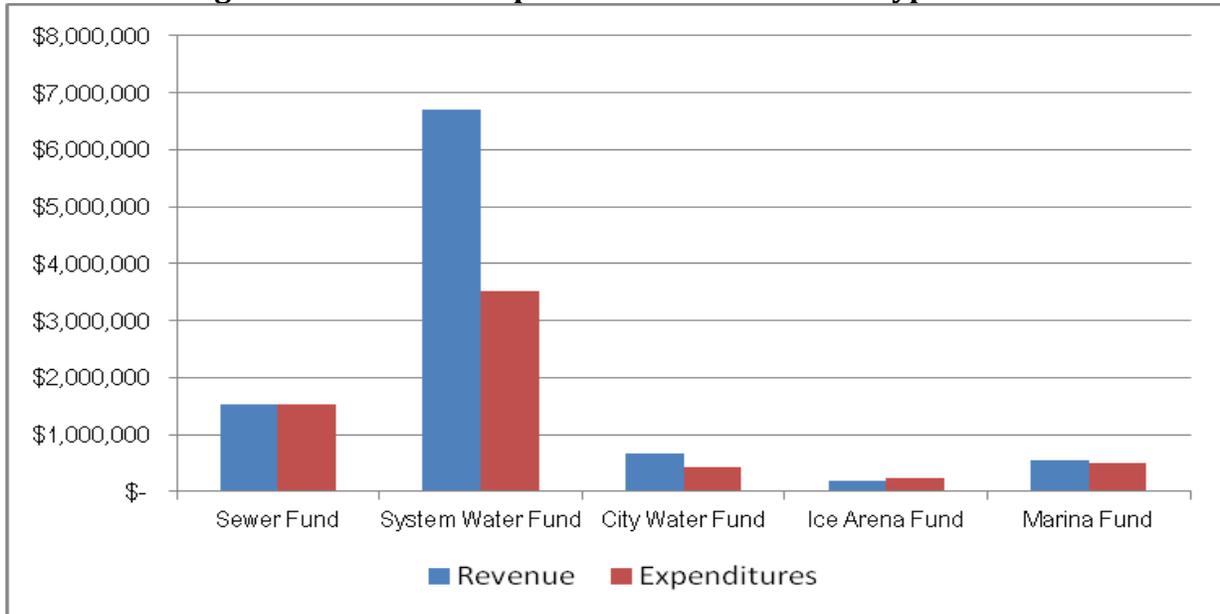
All Revenues by Source for Governmental Activities



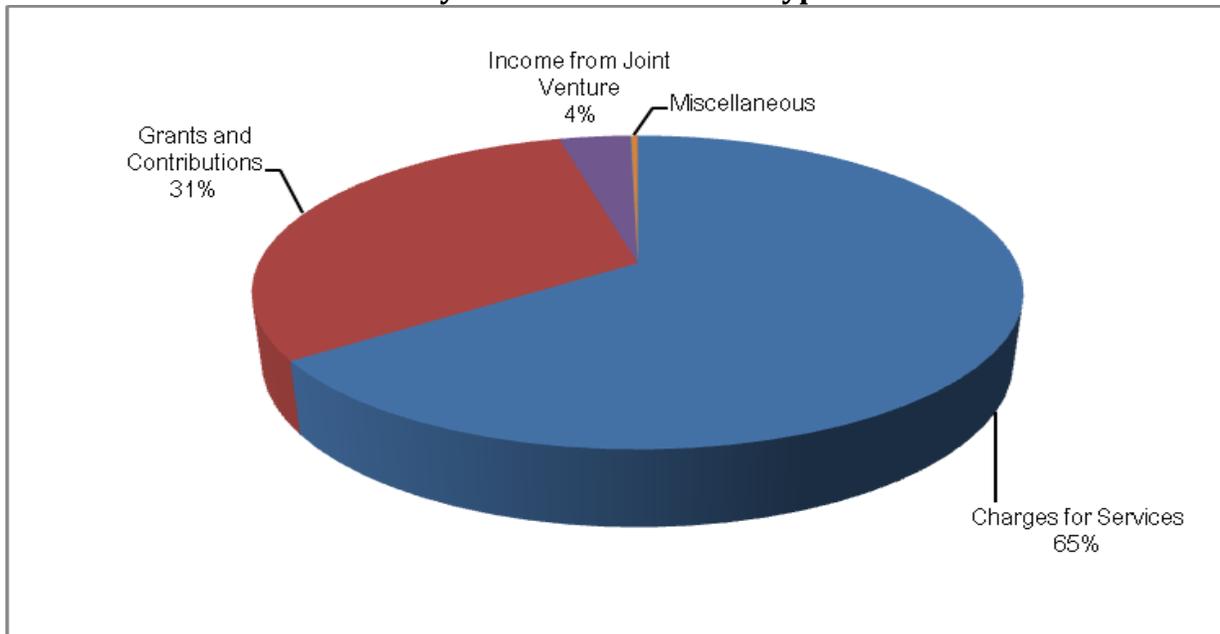
Business-Type Activities

Business-Type Activities increased the City of St. Joseph’s net assets by \$3,741,130, accounting for all of the growth in the net assets for Fiscal Year 2010-2011. Charges for services, including water sales, were \$6,553,812 or 65% of the total business-type revenues. The remaining 35% is composed mostly grants funds, and various other revenues, including investment in the Waste Water Treatment Plant. Operational expenses in the Business-Type Activities decreased \$105,193 from the prior year, while cash balances at June 30th increased by \$410,933.

Program Revenues & Expenditures for Business-Type Activities



Revenues by Source for 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.

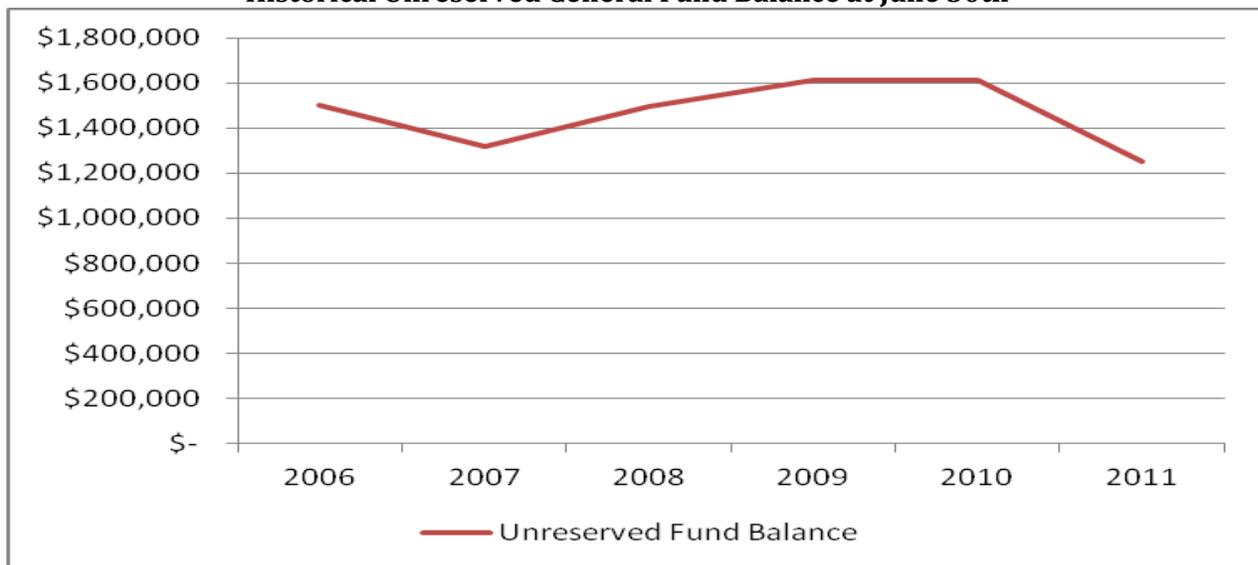
Governmental Funds

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 June 30, 2011, the City of St. Joseph's Governmental Funds reported combined ending fund balances of \$5,913,949, a decrease of \$350,042 from the prior year. Approximately 21% 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 indicating that it is not available for new spending because it is; 1) non-spendable inventory, 2) restricted to pay for certain activities in special revenue, perpetual care, debt service or capital project funds, or 3) committed for general fund stabilization.

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 including the Budget Stabilization fund balance was \$2,253,143, which represents roughly 30% of total General Fund expenditures. The fund balance of the City of St. Joseph's General Fund has decreased by \$357,324 from the previous year. It is the policy of the City Commission to maintain a \$1,000,000 fund balance in both the General Fund and the Budget Stabilization Fund; amounts greater than \$2,000,000 are transferred to the Capital Project Fund for improvements to capital assets.

Historical Unreserved General Fund Balance at June 30th



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.

| Fund | Net Assets | | Difference |
|-----------------|--------------|--------------|--------------|
| | FY 2009-2010 | FY 2010-2011 | |
| Sewer Fund | \$ 2,710,729 | \$14,775,261 | \$12,064,532 |
| Water Fund | \$ 7,738,286 | \$11,028,198 | \$3,289,912 |
| City Water Fund | \$ 5,912,929 | \$ 6,083,033 | \$170,104 |
| Ice Arena Fund | \$ 2,473,195 | \$ 2,423,128 | \$(50,067) |
| Marina Fund | \$ 1,677,220 | \$ 1,812,480 | \$135,260 |

Net Assets increased in the Water Fund, the City Water Fund, the Marina Fund and the Sewer Fund. In Fiscal Year 2010-2011, the City recorded its investment in the Benton Harbor – St. Joseph Joint Waste Water Treatment Plant joint venture on the books of the Sewer Fund. The City's 50% investment in this joint venture as of June 30, 2011 of \$11,868,611 was recorded as a prior period adjustment. The Ice Arena decreased net assets by \$50,067 due primarily to depreciation expense.

General Fund Budgetary Highlights

There were relatively few differences between the final amended budget and the actual year-end amounts; variances were mostly due to changes in accounting practices. In Fiscal Year 2010-2011, payroll earned in June but paid in July was accrued for the first time. This change was not anticipated and consequently personnel budgets for public works, recreation and culture and public safety activities were overspent by \$22,517. Overall General Fund revenues fell short of predictions by \$419, with the largest shortfalls in state revenue and interest income. Although, overall spending in the General Fund was under budget by \$65,920, the Police, Fire, Engineer, Parks, and Recreation Departments were over-spent by \$7,617, \$4,261, \$2,946, \$10,260 and \$379, respectively.

Capital Asset and Debt Administration

The City of St. Joseph's investment in capital assets (including construction in progress) for its governmental and business-type activities increased \$6,184,974 to \$75,744,682 (net of depreciation) for the Fiscal Year ending June 30, 2011. 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:

- Completion of Silver Beach Make A Memory and Whirlpool Compass Fountain Project
- Completion of construction of a 1.5 million gallon water tank at Cleveland Ave and Hilltop Rd
- Completion of a new ship store and storage building at West Basin Marina
- Completion of Michigan Avenue CSO project
- Continuation of Water Intake & Shorewell Project
- Continuation of Water Plant electrical and process improvements
- Beginning Site Improvement project at West Basin Marina
- Beginning construction on South State/Kingsley Avenue CSO projects

Long-Term Debt

At the end of the current fiscal year, the City of St. Joseph had total debt outstanding of \$15,398,830. The City’s total debt increased as a result of the borrowing for infrastructure projects, including the water plant intake, shorewell, electrical and process improvements.

| General Obligation Bonds | Notes Payable | Total Outstanding |
|--------------------------|---------------|-------------------|
| \$13,608,247 | \$1,790,583 | \$15,398,830 |

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 1.25% of its total taxable valuation, exclusive of interest. The current debt limitation for the City of St. Joseph is \$43,053,859 for bond debt and \$5,381,732 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 revenues equal to expenditures in the general fund. The City’s contribution to the Employees’ Retirement System will increase significantly in Fiscal Year 2011-2012. For many years the pension system was over-funded and therefore the City was not required to contribute to the fund. In addition, the State of Michigan has eliminated Statutory Revenue Sharing. The City has made the necessary spending cuts to enable the maintenance of a \$1,000,000 fund balance in the General Fund, as well as, a fund balance of \$1,000,000 in the Budget Stabilization Fund. However, the City is less certain that a positive cash flow will be available to transfer to the Capital Project Fund at June 30, 2012. The City will participate in the State of Michigan Economic Vitality and Incentive Program; successful participation will result in the City receiving additional State funding of approximately \$194,000.

Requests for Information

This financial report is designed to provide a general overview of the 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 15, 2011

INDEPENDENT AUDITOR'S REPORT

To the City Commission
of the City of St. Joseph, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of St. Joseph, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Joseph'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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 unit, each major fund, and the aggregate remaining fund information of the City of St. Joseph, as of June 30, 2011, 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 15, 2011, on our consideration of the City of St. Joseph's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Right. On time.

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INDEPENDENT AUDITOR'S REPORT - Continued

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages I through XI and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Joseph's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Bechtel & Company, P.C.

CITY OF ST. JOSEPH
Statement of Net Assets
June 30, 2011

| | <u>Primary Government</u> | | | <u>Component Unit</u> |
|--|--------------------------------|---------------------------------|-----------------------------|-----------------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> | |
| Assets | | | | |
| Cash | \$ 7,198,132 | \$ 4,283,745 | \$ 11,481,877 | \$ 58,454 |
| Investments | 650,000 | - | 650,000 | - |
| Receivables | 480,320 | 852,969 | 1,333,289 | - |
| Due from proprietary funds | 52,062 | - | 52,062 | - |
| Due from fiduciary funds | 12,901 | - | 12,901 | - |
| Due from other governments | - | 1,151,532 | 1,151,532 | - |
| Inventory | 88,238 | 93,464 | 181,702 | - |
| Capital assets - NOTE 4: | | | | |
| Non-depreciable assets | 12,217,643 | 12,399,626 | 24,617,269 | - |
| Depreciable assets (net of related depreciation) | 35,448,516 | 15,678,897 | 51,127,413 | - |
| Investment in joint venture | - | 12,228,229 | 12,228,229 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 56,147,812</u> | <u>\$ 46,688,462</u> | <u>\$ 102,836,274</u> | <u>\$ 58,454</u> |
| Liabilities | | | | |
| Current: | | | | |
| Accounts payable | \$ 126,488 | \$ 729,959 | \$ 856,447 | \$ - |
| Retainage payable | - | 526,890 | 526,890 | - |
| Accrued liabilities | 211,279 | 70,213 | 281,492 | 270 |
| Accrued interest | 68,036 | - | 68,036 | - |
| Deferred revenue | 29,543 | - | 29,543 | - |
| Due to fiduciary funds | 1,837 | - | 1,837 | - |
| Due to governmental funds | - | 52,062 | 52,062 | - |
| Due to other governments | - | 733,630 | 733,630 | - |
| Compensated absences | 105,630 | 48,501 | 154,131 | - |
| Bond and notes payable | 405,589 | 198,854 | 604,443 | - |
| Noncurrent liabilities: | | | | |
| Net OPEB Obligation - NOTE 7 | 4,580,831 | 904,090 | 5,484,921 | - |
| Compensated absences | 316,891 | 16,167 | 333,058 | - |
| Bond and notes payable | 7,508,391 | 7,285,996 | 14,794,387 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>\$ 13,354,515</u> | <u>\$ 10,566,362</u> | <u>\$ 23,920,877</u> | <u>\$ 270</u> |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | \$ 39,752,179 | \$ 20,593,673 | \$ 60,345,852 | \$ - |
| Restricted | 5,817,851 | - | 5,817,851 | - |
| Unrestricted | <u>(2,776,733)</u> | <u>15,528,427</u> | <u>12,751,694</u> | <u>58,184</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL NET ASSETS | <u>\$ 42,793,297</u> | <u>\$ 36,122,100</u> | <u>\$ 78,915,397</u> | <u>\$ 58,184</u> |

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

CITY OF ST. JOSEPH
Statement of Activities
For the Year Ended June 30, 2011

| <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: | | | | |
| General government | \$ 4,141,523 | \$ 2,153,271 | \$ 2,672,751 | \$ - |
| Public safety | 3,728,961 | 228,874 | 17,899 | - |
| Public works | 2,056,824 | 2,741 | 656,870 | 400 |
| Health and welfare | 50,537 | - | 194,210 | - |
| Community and economic development | 370,712 | 6,245 | - | - |
| Recreation and culture | 985,394 | 162,681 | - | - |
| Capital Outlay | 1,340,593 | - | - | - |
| Other | 940,654 | 118,507 | - | - |
| Interest on long-term debt | 308,053 | - | - | - |
| Depreciation, unallocated | 1,281,088 | - | - | - |
| Total Governmental Activities | \$ 15,204,339 | \$ 2,672,319 | \$ 3,541,730 | \$ 400 |
| Business-Type Activities: | | | | |
| Sewer Fund | \$ 1,520,764 | \$ 1,373,554 | \$ 162,819 | \$ - |
| Water Fund | 3,515,493 | 3,772,194 | - | 2,939,265 |
| City Water Fund | 439,387 | 662,658 | - | - |
| Ice Arena Fund | 238,999 | 188,932 | - | - |
| Marina Fund | 511,936 | 556,474 | - | - |
| Total Business-type Activities | \$ 6,226,579 | \$ 6,553,812 | \$ 162,819 | \$ 2,939,265 |
| Total Primary Government | \$ 21,430,918 | \$ 9,226,131 | \$ 3,704,549 | \$ 2,939,665 |
| Component Units: | | | | |
| Downtown Development Authority | \$ 47,199 | \$ - | \$ - | \$ - |
| Total Component Unit | \$ 47,199 | \$ - | \$ - | \$ - |

General Revenues:

Property taxes
State revenue sharing
Fines, fees and forfeits
Income from joint venture
Interest
Gain (loss) on sale of assets
Other revenue
Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

Prior Period Adjustment - NOTE 17

Adjusted Net Assets - Beginner 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

| Governmental Activities | Business-type Activities | Total | Component Unit |
|------------------------------------|-------------------------------------|-----------------------|---------------------------|
| \$ 684,499 | \$ - | \$ 684,499 | \$ - |
| (3,482,188) | - | (3,482,188) | - |
| (1,396,813) | - | (1,396,813) | - |
| 143,673 | - | 143,673 | - |
| (364,467) | - | (364,467) | - |
| (822,713) | - | (822,713) | - |
| (1,340,593) | - | (1,340,593) | - |
| (822,147) | - | (822,147) | - |
| (308,053) | - | (308,053) | - |
| (1,281,088) | - | (1,281,088) | - |
| <u>\$ (8,989,890)</u> | <u>\$ -</u> | <u>\$ (8,989,890)</u> | <u>\$ -</u> |
| \$ - | \$ 15,609 | \$ 15,609 | \$ - |
| - | 3,195,966 | 3,195,966 | - |
| - | 223,271 | 223,271 | - |
| - | (50,067) | (50,067) | - |
| - | 44,538 | 44,538 | - |
| <u>\$ -</u> | <u>\$ 3,429,317</u> | <u>\$ 3,429,317</u> | <u>\$ -</u> |
| <u>\$ (8,989,890)</u> | <u>\$ 3,429,317</u> | <u>\$ (5,560,573)</u> | <u>\$ -</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (47,199)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (47,199)</u> |
| \$ 7,065,270 | \$ - | \$ 7,065,270 | \$ 49,559 |
| 821,170 | - | 821,170 | - |
| 318,217 | 119,871 | 438,088 | - |
| - | 359,618 | 359,618 | - |
| 56,433 | 5,124 | 61,557 | 71 |
| (11,970) | - | (11,970) | - |
| 434,579 | 32,100 | 466,679 | - |
| 204,900 | (204,900) | - | - |
| <u>\$ 8,888,599</u> | <u>\$ 311,813</u> | <u>\$ 9,200,412</u> | <u>\$ 49,630</u> |
| <u>\$ (101,291)</u> | <u>\$ 3,741,130</u> | <u>\$ 3,639,839</u> | <u>\$ 2,431</u> |
| \$ 42,894,588 | \$ 20,512,359 | \$ 63,406,947 | \$ 55,753 |
| - | 11,868,611 | 11,868,611 | - |
| <u>\$ 42,894,588</u> | <u>\$ 32,380,970</u> | <u>\$ 75,275,558</u> | <u>\$ 55,753</u> |
| <u>\$ 42,793,297</u> | <u>\$ 36,122,100</u> | <u>\$ 78,915,397</u> | <u>\$ 58,184</u> |

**CITY OF ST. JOSEPH
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2011**

| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---|---|
| Assets | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 2,143,888 | \$ 3,005,922 | \$ 5,149,810 |
| Investments | - | 650,000 | 650,000 |
| Receivables | 273,661 | 128,522 | 402,183 |
| Due from other funds | 30,965 | 41,315 | 72,280 |
| Inventory | <u>-</u> | <u>47,825</u> | <u>47,825</u> |
| Total Current Assets | <u>\$ 2,448,514</u> | <u>\$ 3,873,584</u> | <u>\$ 6,322,098</u> |
| TOTAL ASSETS | <u>\$ 2,448,514</u> | <u>\$ 3,873,584</u> | <u>\$ 6,322,098</u> |
| Liabilities and Fund Balances | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 29,382 | \$ 52,158 | \$ 81,540 |
| Accrued liabilities | 120,394 | 64,483 | 184,877 |
| Due to other funds | 30,785 | 81,404 | 112,189 |
| Deferred revenue | <u>14,810</u> | <u>14,733</u> | <u>29,543</u> |
| Total Current Liabilities | <u>\$ 195,371</u> | <u>\$ 212,778</u> | <u>\$ 408,149</u> |
| Total Liabilities | <u>\$ 195,371</u> | <u>\$ 212,778</u> | <u>\$ 408,149</u> |
| Fund Balances: | | | |
| Nonspendable: | | | |
| Inventory | \$ - | \$ 47,825 | \$ 47,825 |
| Restricted for: | | | |
| Endowment | - | 735,216 | 735,216 |
| Perpetual care | - | 207,386 | 207,386 |
| Special revenue | - | 1,780,584 | 1,780,584 |
| Debt service | - | 389,513 | 389,513 |
| Capital projects | - | 532,919 | 532,919 |
| Committed for: | | | |
| Stabilization | 1,000,000 | - | 1,000,000 |
| Unassigned: | | | |
| General Fund | 1,253,143 | - | 1,253,143 |
| Deficit in library capital | <u>-</u> | <u>(32,637)</u> | <u>(32,637)</u> |
| Total Fund Balances | <u>\$ 2,253,143</u> | <u>\$ 3,660,806</u> | <u>\$ 5,913,949</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 2,448,514</u> | <u>\$ 3,873,584</u> | <u>\$ 6,322,098</u> |

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

CITY OF ST. JOSEPH
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2011

| | | |
|--|----|-------------------|
| Fund balances of governmental funds | \$ | 5,913,949 |
| Amounts reported for <i>governmental activities</i> in the statement of net assets are different because: | | |
| Accounts payable and receivable that are not received or paid within 60 days are not reported in the funds. | | 16,463 |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. | | 46,659,983 |
| Compensated absences are not due and payable in the current period and are not reported in the funds. | | (416,951) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported in the funds. | | (7,913,980) |
| Net OPEB obligation is not due and payable in the current period and is not reported in the funds. | | (4,446,401) |
| Internal service funds are used by management to charge the cost of 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. | | 3,048,270 |
| Governmental funds do not report accrued interest. | | <u>(68,036)</u> |
| Net assets of governmental activities | \$ | <u>42,793,297</u> |

**CITY OF ST. JOSEPH
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2011**

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------------|---|---|
| Revenues: | | | |
| Taxes | \$ 4,968,385 | \$ 2,096,885 | \$ 7,065,270 |
| Federal revenues | - | 45,167 | 45,167 |
| State revenues | 834,498 | 762,204 | 1,596,702 |
| Contributions from local units | - | 175,000 | 175,000 |
| Charges for services | 1,312,136 | 221,684 | 1,533,820 |
| Licenses and permits | 5,330 | 204,554 | 209,884 |
| Fines, fees, and forfeits | 100,571 | 201,183 | 301,754 |
| Interest and rents | 23,307 | 31,720 | 55,027 |
| Other | <u>34,054</u> | <u>378,525</u> | <u>412,579</u> |
| Total Revenues | <u>\$ 7,278,281</u> | <u>\$ 4,116,922</u> | <u>\$ 11,395,203</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | \$ 1,092,416 | \$ 222,730 | \$ 1,315,146 |
| Public safety | 3,412,578 | 221,459 | 3,634,037 |
| Public works | 428,255 | 1,800,183 | 2,228,438 |
| Health and welfare | 50,537 | - | 50,537 |
| Community and economic development | 235,944 | 124,040 | 359,984 |
| Recreation and culture | 600,939 | 788,680 | 1,389,619 |
| Other | 940,654 | - | 940,654 |
| Debt service: | | | |
| Principal retirement | 72,404 | 310,000 | 382,404 |
| Interest | 54,853 | 255,618 | 310,471 |
| Capital outlay | <u>-</u> | <u>1,340,593</u> | <u>1,340,593</u> |
| Total Expenditures | <u>\$ 6,888,580</u> | <u>\$ 5,063,303</u> | <u>\$ 11,951,883</u> |
| Revenues Under Expenditures | <u>\$ 389,701</u> | <u>\$ (946,381)</u> | <u>\$ (556,680)</u> |
| Other Financing Sources (Uses): | | | |
| Sale of fixed assets | \$ - | \$ 1,738 | \$ 1,738 |
| Operating transfers in | - | 1,144,273 | 1,144,273 |
| Operating transfers out | <u>(747,024)</u> | <u>(192,349)</u> | <u>(939,373)</u> |
| Total Other Financing Sources (Uses) | <u>\$ (747,024)</u> | <u>\$ 953,662</u> | <u>\$ 206,638</u> |
| Net Changes in Fund Balance | \$ (357,323) | \$ 7,281 | \$ (350,042) |
| Fund Balances - Beginning of Year | 1,610,466 | 4,653,525 | 6,263,991 |
| Fund Balance Transfer - Note 1 | <u>1,000,000</u> | <u>(1,000,000)</u> | <u>-</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 2,253,143</u> | <u>\$ 3,660,806</u> | <u>\$ 5,913,949</u> |

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

CITY OF ST. JOSEPH
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ (350,042)

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

Accounts payable and receivable that are not received or paid within 60 days are not reported in the funds. 16,463

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|----------------------|--------------------|--------|
| Capital outlays | \$ 1,117,640 | |
| Depreciation expense | <u>(1,078,283)</u> | 39,357 |

Governmental funds report repayment of principal on long-term liabilities as expenditures; however, they are reported as a reduction of the liability in the statement of net assets and have no effect on the statement of activities. 264,822

Governmental funds report internal service funds with the proprietary funds whereas in the government-wide statements internal service funds are included as a governmental fund. Thus the change in net assets of the internal services funds are a reconciling item. 153,442

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid. 2,418

Net OPEB obligations do not require the use of current financial resources and therefore are not reported as expenditures in government funds. (186,256)

Increase in the liability for compensated absences is not reported in governmental funds. (41,495)

Changes in net assets of governmental activities \$ (101,291)

**CITY OF ST. JOSEPH
 PROPRIETARY FUNDS
 Statement of Net Assets
 June 30, 2011**

Business - Type Activities -

| | <u>Sewer Fund</u> | <u>Water Fund</u> | <u>City Water Fund</u> |
|--------------------------------|------------------------------|------------------------------|-----------------------------------|
| Assets | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 631,756 | \$ 2,015,203 | \$ 1,355,583 |
| Receivables | 481,616 | 212,192 | 157,786 |
| Due from other funds | - | - | - |
| Due from other governments | 63,477 | 997,663 | - |
| Inventory | <u>866</u> | <u>66,166</u> | <u>-</u> |
| Total Current Assets | <u>\$ 1,177,715</u> | <u>\$ 3,291,224</u> | <u>\$ 1,513,369</u> |
| Noncurrent Assets: | | | |
| Fixed Assets | | | |
| Land | \$ - | \$ - | \$ 827,081 |
| Construction in process | 202,453 | 9,961,537 | 71,052 |
| Buildings and improvements | - | 9,894,758 | - |
| Infrastructure | - | - | - |
| Furniture and equipment | 123,541 | 1,284,568 | - |
| Utility systems | <u>2,532,278</u> | <u>-</u> | <u>7,884,083</u> |
| | <u>\$ 2,858,272</u> | <u>\$ 21,140,863</u> | <u>\$ 8,782,216</u> |
| Less: Accumulated depreciation | <u>(446,239)</u> | <u>(7,532,850)</u> | <u>(1,118,752)</u> |
| Total Fixed Assets | <u>\$ 2,412,033</u> | <u>\$ 13,608,013</u> | <u>\$ 7,663,464</u> |
| Investment in joint venture | <u>12,228,229</u> | <u>-</u> | <u>-</u> |
| Total Noncurrent Assets | <u>\$ 14,640,262</u> | <u>\$ 13,608,013</u> | <u>\$ 7,663,464</u> |
| TOTAL ASSETS | <u>\$ 15,817,977</u> | <u>\$ 16,899,237</u> | <u>\$ 9,176,833</u> |

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

| Enterprise Funds | | | Governmental |
|-------------------------|---------------------|----------------------|-------------------------|
| Ice Arena | Marina | Total | Activities |
| Fund | Fund | Enterprise | Internal Service |
| Fund | Fund | Funds | Funds |
| \$ 128,414 | \$ 152,789 | \$ 4,283,745 | \$ 2,048,322 |
| - | 1,375 | 852,969 | 16,726 |
| - | - | - | 103,035 |
| - | 90,392 | 1,151,532 | - |
| - | 26,432 | 93,464 | 40,413 |
| <u>\$ 128,414</u> | <u>\$ 270,988</u> | <u>\$ 6,381,710</u> | <u>\$ 2,208,496</u> |
| \$ - | \$ 129,789 | \$ 956,870 | \$ - |
| - | 1,207,714 | 11,442,756 | - |
| 2,352,982 | 360,959 | 12,608,699 | - |
| - | 1,688,401 | 1,688,401 | - |
| 18,839 | 172,554 | 1,599,502 | 3,339,339 |
| - | - | 10,416,361 | - |
| <u>\$ 2,371,821</u> | <u>\$ 3,559,417</u> | <u>\$ 38,712,589</u> | <u>\$ 3,339,339</u> |
| <u>(76,342)</u> | <u>(1,459,883)</u> | <u>(10,634,066)</u> | <u>(2,333,163)</u> |
| \$ 2,295,479 | \$ 2,099,534 | \$ 28,078,523 | \$ 1,006,176 |
| - | - | 12,228,229 | - |
| <u>\$ 2,295,479</u> | <u>\$ 2,099,534</u> | <u>\$ 40,306,752</u> | <u>\$ 1,006,176</u> |
| <u>\$ 2,423,893</u> | <u>\$ 2,370,522</u> | <u>\$ 46,688,462</u> | <u>\$ 3,214,672</u> |

**CITY OF ST. JOSEPH
 PROPRIETARY FUNDS
 Statement of Net Assets
 June 30, 2011**

Business - Type Activities -

| | <u>Sewer Fund</u> | <u>Water Fund</u> | <u>City Water Fund</u> |
|---|-----------------------|-----------------------|----------------------------|
| Liabilities | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 2,642 | \$ 537,166 | \$ 69,273 |
| Retainages payable | - | 526,890 | - |
| Accrued liabilities | 3,378 | 43,082 | 19,031 |
| Due to other funds | 4,232 | 47,830 | - |
| Due to other governments | 665,278 | 68,272 | - |
| Net OPEB obligation - NOTE 7 | 141,644 | 677,777 | - |
| Compensated absences | 3,407 | 39,437 | - |
| Bond and notes payable | <u>10,000</u> | <u>-</u> | <u>130,000</u> |
| Total Current Liabilities | <u>\$ 830,581</u> | <u>\$ 1,940,454</u> | <u>\$ 218,304</u> |
| Noncurrent Liabilities: | | | |
| Compensated absences | \$ 1,135 | \$ 13,146 | \$ - |
| Bond and notes payable | <u>211,000</u> | <u>3,917,439</u> | <u>2,875,496</u> |
| Total Noncurrent Liabilities | <u>\$ 212,135</u> | <u>\$ 3,930,585</u> | <u>\$ 2,875,496</u> |
| Total Liabilities | <u>\$ 1,042,716</u> | <u>\$ 5,871,039</u> | <u>\$ 3,093,800</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | \$ 2,191,033 | \$ 9,690,574 | \$ 4,657,968 |
| Restricted for employee benefits | - | - | - |
| Unrestricted | <u>12,584,228</u> | <u>1,337,624</u> | <u>1,425,065</u> |
| TOTAL NET ASSETS | <u>\$ 14,775,261</u> | <u>\$ 11,028,198</u> | <u>\$ 6,083,033</u> |

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

| Enterprise Funds | | | Governmental Activities Internal Service Funds |
|---------------------------|------------------------|---------------------------------------|---|
| Ice Arena Fund | Marina Fund | Total Enterprise Funds | |
| \$ 49 | \$ 120,829 | \$ 729,959 | \$ - |
| - | - | 526,890 | - |
| 716 | 4,006 | 70,213 | 26,402 |
| - | - | 52,062 | - |
| - | 80 | 733,630 | - |
| - | 84,669 | 904,090 | 134,430 |
| - | 5,657 | 48,501 | 4,177 |
| - | 58,854 | 198,854 | - |
| <u>\$ 765</u> | <u>\$ 274,095</u> | <u>\$ 3,264,199</u> | <u>\$ 165,009</u> |
| \$ - | \$ 1,886 | \$ 16,167 | \$ 1,393 |
| - | 282,061 | 7,285,996 | - |
| <u>\$ -</u> | <u>\$ 283,947</u> | <u>\$ 7,302,163</u> | <u>\$ 1,393</u> |
| <u>\$ 765</u> | <u>\$ 558,042</u> | <u>\$ 10,566,362</u> | <u>\$ 166,402</u> |
| \$ 2,295,479 | \$ 1,758,619 | \$ 20,593,673 | \$ 1,006,176 |
| - | - | - | 1,124,408 |
| 127,649 | 53,861 | 15,528,427 | 917,686 |
| <u>\$ 2,423,128</u> | <u>\$ 1,812,480</u> | <u>\$ 36,122,100</u> | <u>\$ 3,048,270</u> |

**CITY OF ST. JOSEPH
 PROPRIETARY FUNDS
 Statement of Revenues, Expenses, and
 Changes in Net Assets
 For the Year Ended June 30, 2011**

| | Business - Type Activities - | | |
|--|-------------------------------------|-----------------------------|----------------------------|
| | Sewer Fund | Water Fund | City Water Fund |
| Operating Revenues: | | | |
| State revenue | \$ 72,427 | \$ - | \$ - |
| Federal revenue | - | 2,939,265 | - |
| Charges for services | 1,373,554 | 3,772,194 | 662,658 |
| Fines and forfeitures | 57,974 | 61,897 | - |
| Other | <u>3,719</u> | <u>28,278</u> | <u>-</u> |
| Total Operating Revenues | <u>\$ 1,507,674</u> | <u>\$ 6,801,634</u> | <u>\$ 662,658</u> |
| Operating Expenses: | | | |
| Water distribution system | \$ - | \$ 1,219,070 | \$ - |
| Water plant operations | - | 1,473,698 | - |
| Water administration | - | 625,340 | - |
| Sewer | 1,467,106 | - | - |
| Marina | - | - | - |
| Ice arena | - | - | - |
| Operations | - | - | 205,899 |
| Depreciation | <u>50,296</u> | <u>173,243</u> | <u>146,347</u> |
| Total Operating Expenses | <u>\$ 1,517,402</u> | <u>\$ 3,491,351</u> | <u>\$ 352,246</u> |
| Operating Income (Loss) | <u>\$ (9,728)</u> | <u>\$ 3,310,283</u> | <u>\$ 310,412</u> |
| Nonoperating Revenues (Expenses): | | | |
| Income from joint ventures | \$ 359,618 | \$ - | \$ - |
| Interest income | 842 | 3,771 | 284 |
| Interest expense | (3,362) | (24,142) | (87,141) |
| Gain (loss) on disposition of assets | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Nonoperating Revenues (Expenses) | <u>\$ 357,098</u> | <u>\$ (20,371)</u> | <u>\$ (86,857)</u> |
| Income Before Transfers | \$ 347,370 | \$ 3,289,912 | \$ 223,555 |
| Operating transfers out | <u>(151,449)</u> | <u>-</u> | <u>(53,451)</u> |
| Change in Net Assets | <u>\$ 195,921</u> | <u>\$ 3,289,912</u> | <u>\$ 170,104</u> |
| Total Net Assets - Beginning of Year | \$ 2,710,729 | \$ 7,738,286 | \$ 5,912,929 |
| Prior Period Adjustment - NOTE 17 | <u>11,868,611</u> | <u>-</u> | <u>-</u> |
| Adjusted Net Assets - Beginner of Year | <u>\$ 14,579,340</u> | <u>\$ 7,738,286</u> | <u>\$ 5,912,929</u> |
| TOTAL NET ASSETS - END OF YEAR | <u>\$ 14,775,261</u> | <u>\$ 11,028,198</u> | <u>\$ 6,083,033</u> |

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

| Enterprise Funds | | | Governmental |
|-------------------------|---------------------|----------------------|-------------------------|
| Ice Arena | Marina | Total | Activities |
| Fund | Fund | Enterprise | Internal Service |
| | | Funds | Funds |
| \$ - | \$ 90,392 | \$ 162,819 | \$ - |
| - | - | 2,939,265 | - |
| 188,932 | 556,474 | 6,553,812 | 810,108 |
| - | - | 119,871 | - |
| - | 103 | 32,100 | 2,664,938 |
| <u>\$ 188,932</u> | <u>\$ 646,969</u> | <u>\$ 9,807,867</u> | <u>\$ 3,475,046</u> |
| \$ - | \$ - | \$ 1,219,070 | \$ - |
| - | - | 1,473,698 | - |
| - | - | 625,340 | - |
| - | - | 1,467,106 | - |
| - | 474,224 | 474,224 | - |
| 162,657 | - | 162,657 | - |
| - | - | 205,899 | 3,106,497 |
| <u>76,342</u> | <u>28,001</u> | <u>474,229</u> | <u>202,805</u> |
| <u>\$ 238,999</u> | <u>\$ 502,225</u> | <u>\$ 6,102,223</u> | <u>\$ 3,309,302</u> |
| <u>\$ (50,067)</u> | <u>\$ 144,744</u> | <u>\$ 3,705,644</u> | <u>\$ 165,744</u> |
| \$ - | \$ - | \$ 359,618 | \$ - |
| - | 227 | 5,124 | 1,406 |
| - | (9,711) | (124,356) | - |
| - | - | - | (13,708) |
| <u>\$ -</u> | <u>\$ (9,484)</u> | <u>\$ 240,386</u> | <u>\$ (12,302)</u> |
| \$ (50,067) | \$ 135,260 | \$ 3,946,030 | \$ 153,442 |
| - | - | (204,900) | - |
| <u>\$ (50,067)</u> | <u>\$ 135,260</u> | <u>\$ 3,741,130</u> | <u>\$ 153,442</u> |
| \$ 2,473,195 | \$ 1,677,220 | \$ 20,512,359 | \$ 2,894,828 |
| - | - | 11,868,611 | - |
| <u>\$ 2,473,195</u> | <u>\$ 1,677,220</u> | <u>\$ 32,380,970</u> | <u>\$ 2,894,828</u> |
| <u>\$ 2,423,128</u> | <u>\$ 1,812,480</u> | <u>\$ 36,122,100</u> | <u>\$ 3,048,270</u> |

**CITY OF ST. JOSEPH
 PROPRIETARY FUNDS
 Combining Statement of Cash Flows
 For the Year Ended June 30, 2011**

Business - Type Activities -

| | <u>Sewer Fund</u> | <u>Water Fund</u> | <u>City Water Fund</u> |
|--|------------------------------|--------------------------------|--------------------------------|
| Cash Flows From Operating Activities: | | | |
| Cash receipts for interfund services provided | \$ - | \$ - | \$ - |
| Cash receipts from customers | 1,239,420 | 3,887,970 | 1,348,241 |
| Cash receipts from other governments | 324,029 | 2,006,812 | - |
| Other receipts | 3,719 | 28,278 | - |
| Other payments | - | (10,627) | - |
| Payments to employees | (148,908) | (1,207,982) | - |
| Payments for interfund services provided | (175,378) | (705,859) | - |
| Payments to suppliers | <u>(1,050,515)</u> | <u>(1,752,798)</u> | <u>(365,024)</u> |
| Net cash provided by operating activities | <u>\$ 192,367</u> | <u>\$ 2,245,794</u> | <u>\$ 983,217</u> |
| Cash Flows From Noncapital Financing Activities: | | | |
| Transfer to other funds | <u>\$ (151,449)</u> | <u>\$ -</u> | <u>\$ (53,451)</u> |
| Net cash used by noncapital financing activities | <u>\$ (151,449)</u> | <u>\$ -</u> | <u>\$ (53,451)</u> |
| Cash Flows From Capital and Related Financing Activities: | | | |
| Purchase of capital assets | \$ (67,170) | \$ (6,116,666) | \$ (355,686) |
| Proceeds from sale of capital assets | - | - | - |
| Proceeds from debt | 231,000 | 3,917,439 | - |
| Principal paid on debt | (10,000) | - | (264,504) |
| Interest paid on capital debt | <u>(3,362)</u> | <u>(24,142)</u> | <u>(87,141)</u> |
| Net cash provided (used) by capital and related financing activities | <u>\$ 150,468</u> | <u>\$ (2,223,369)</u> | <u>\$ (707,331)</u> |
| Cash Flows From Investing Activities: | | | |
| Interest and dividends received | <u>\$ 842</u> | <u>\$ 3,771</u> | <u>\$ 284</u> |
| Net cash provided by investing activities | <u>\$ 842</u> | <u>\$ 3,771</u> | <u>\$ 284</u> |
| Net change in cash and cash equivalents | <u>\$ 192,228</u> | <u>\$ 26,196</u> | <u>\$ 222,719</u> |
| Balances - Beginning of Year | <u>439,528</u> | <u>1,989,007</u> | <u>1,132,864</u> |
| BALANCES - END OF YEAR | <u><u>\$ 631,756</u></u> | <u><u>\$ 2,015,203</u></u> | <u><u>\$ 1,355,583</u></u> |

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

| Enterprise Funds | | | Governmental |
|--------------------------|--------------------------|----------------------------|----------------------------|
| Ice Arena | Marina | Total | Activities |
| Fund | Fund | Enterprise | Internal Service |
| | | Funds | Funds |
| \$ - | \$ - | \$ - | \$ 3,368,546 |
| 188,932 | 555,099 | 7,219,662 | 39,233 |
| - | - | 2,330,841 | - |
| - | 103 | 32,100 | - |
| - | - | (10,627) | - |
| (59,012) | (146,101) | (1,562,003) | (206,058) |
| - | - | (881,237) | (339,019) |
| <u>(102,880)</u> | <u>(203,151)</u> | <u>(3,474,368)</u> | <u>(2,359,058)</u> |
| <u>\$ 27,040</u> | <u>\$ 205,950</u> | <u>\$ 3,654,368</u> | <u>\$ 503,644</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ (204,900)</u> | <u>\$ -</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ (204,900)</u> | <u>\$ -</u> |
| \$ - | \$ (196,907) | \$ (6,736,429) | \$ (116,380) |
| - | - | - | 16,450 |
| - | - | 4,148,439 | - |
| - | (56,809) | (331,313) | - |
| - | (9,711) | (124,356) | - |
| <u>\$ -</u> | <u>\$ (263,427)</u> | <u>\$ (3,043,659)</u> | <u>\$ (99,930)</u> |
| <u>\$ -</u> | <u>\$ 227</u> | <u>\$ 5,124</u> | <u>\$ 1,406</u> |
| <u>\$ -</u> | <u>\$ 227</u> | <u>\$ 5,124</u> | <u>\$ 1,406</u> |
| \$ 27,040 | \$ (57,250) | \$ 410,933 | \$ 405,120 |
| <u>101,374</u> | <u>210,039</u> | <u>3,872,812</u> | <u>1,643,202</u> |
| <u><u>\$ 128,414</u></u> | <u><u>\$ 152,789</u></u> | <u><u>\$ 4,283,745</u></u> | <u><u>\$ 2,048,322</u></u> |

**CITY OF ST. JOSEPH
 PROPRIETARY FUNDS
 Combining Statement of Cash Flows - Continued
 For the Year Ended June 30, 2011**

| | Business - Type Activities - | | |
|---|-------------------------------------|------------------------------|-----------------------------------|
| | <u>Sewer Fund</u> | <u>Water Fund</u> | <u>City Water Fund</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ (9,728) | \$ 3,310,283 | \$ 310,412 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Deprecation expense | \$ 50,296 | \$ 173,243 | \$ 146,347 |
| (Increase) decrease in: | | | |
| Receivables | 45,784 | 53,879 | 9,025 |
| Due from other funds | - | - | - |
| Due from other governments | 13,710 | (932,453) | 676,558 |
| Prepaid expenses | - | - | - |
| Inventory | (866) | 47,004 | - |
| Increase (decrease) in: | | | |
| Accounts payable | (205,034) | (526,160) | (34,804) |
| Retainages payable | - | 205,933 | (143,305) |
| Accrued liabilities | 3,320 | 43,082 | 18,984 |
| Due to other funds | 1,616 | 32,429 | - |
| Due to other governments | 169,753 | (9,747) | - |
| Compensated absences | 477 | (6,629) | - |
| Net OPEB obligation | 123,039 | (145,070) | - |
| Total Adjustments | <u>\$ 202,095</u> | <u>\$ (1,064,489)</u> | <u>\$ 672,805</u> |
| Net cash provided by operating activities | <u>\$ 192,367</u> | <u>\$ 2,245,794</u> | <u>\$ 983,217</u> |

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

| <u>Enterprise Funds</u> | | | <u>Governmental</u> |
|-------------------------|-------------------|---------------------|-------------------------|
| <u>Ice Arena</u> | <u>Marina</u> | <u>Total</u> | <u>Activities</u> |
| <u>Fund</u> | <u>Fund</u> | <u>Enterprise</u> | <u>Internal Service</u> |
| | | <u>Funds</u> | <u>Funds</u> |
| \$ (50,067) | \$ 144,744 | \$ 3,705,644 | \$ 165,744 |
| \$ 76,342 | \$ 28,001 | \$ 474,229 | \$ 202,805 |
| - | (1,375) | 107,313 | (13,338) |
| - | - | - | (53,929) |
| - | (90,392) | (332,577) | - |
| - | - | - | 18,000 |
| - | (7,970) | 38,168 | 22,663 |
| 49 | 120,829 | (645,120) | - |
| 716 | - | 63,344 | 27,269 |
| - | 4,006 | 69,392 | - |
| - | - | 34,045 | - |
| - | (68) | 159,938 | - |
| - | 915 | (5,237) | - |
| - | 7,260 | (14,771) | 134,430 |
| <u>\$ 77,107</u> | <u>\$ 61,206</u> | <u>\$ (51,276)</u> | <u>\$ 337,900</u> |
| <u>\$ 27,040</u> | <u>\$ 205,950</u> | <u>\$ 3,654,368</u> | <u>\$ 503,644</u> |

**CITY OF ST. JOSEPH
FIDUCIARY FUNDS
Statement of Net Assets
June 30, 2011**

| | Pension and Other Employee <u>Benefits</u> | Agency <u>Funds</u> |
|--|---|--------------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 342,124 | \$ 6,139 |
| Receivables: | | |
| Interest receivable | \$ 163,195 | \$ - |
| Contribution receivable | 8,766 | - |
| Due from employees | 3,730 | - |
| Due from other funds | <u>80</u> | <u>-</u> |
| Total Receivables | \$ 175,771 | \$ - |
| Investments at fair value: | | |
| Stock | \$ 32,700,479 | \$ - |
| Bonds | 10,222,723 | - |
| Government obligations | 8,327,665 | - |
| Other | <u>1,553,191</u> | <u>-</u> |
| Total Investments | \$ 52,804,058 | \$ - |
| Total Assets | \$ 53,321,953 | \$ 6,139 |
| Liabilities | | |
| Accounts payable | \$ - | \$ 5,017 |
| Due to other funds | <u>10,022</u> | <u>1,122</u> |
| Total Liabilities | \$ 10,022 | \$ 6,139 |
| Net Assets | | |
| Held in trust for pension benefits and other purposes | <u>\$ 53,311,931</u> | <u>\$ -</u> |

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

**CITY OF ST. JOSEPH
FIDUCIARY FUNDS
Statement of Changes in Net Assets
For the Year Ended June 30, 2011**

| | Pension and Other Employee <u>Benefits</u> |
|--------------------------------|---|
| Additions | |
| Contributions: | |
| Plan members | \$ 311,099 |
| Employer | <u>387,700</u> |
| Total Contributions | <u>\$ 698,799</u> |
| Investment Earnings: | |
| Interest and dividends | \$ 1,509,861 |
| Net increase, FMV investments | 8,521,729 |
| Miscellaneous | <u>4,912</u> |
| Total Investment Earnings | \$ 10,036,502 |
| Less investment expense | <u>(215,398)</u> |
| Net Investment Earnings | <u>\$ 9,821,104</u> |
| Total Additions | <u>\$ 10,519,903</u> |
| Deductions | |
| Benefits | \$ 2,295,503 |
| Refunds of contributions | 11,128 |
| Administrative expense | <u>14,468</u> |
| Total Deductions | <u>\$ 2,321,099</u> |
| Change in Net Assets | \$ 8,198,804 |
| Net Assets - Beginning of Year | <u>45,113,127</u> |
| NET ASSETS - END OF YEAR | <u>\$ 53,311,931</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 accounting methods and procedures adopted by City of St. Joseph, Michigan, conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GABS) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below:

A. Reporting Entity

In evaluating how to define the City's reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity.

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

Southwest Michigan Regional Airport Authority and Benton Harbor - St. Joseph Joint Wastewater Treatment Board. These potential component units are disclosed as joint ventures because the City; (1) selects governing authority, (2) may be responsible for future fund deficits, and (3) may have to provide subsidies. See Note 3 for further information on the joint ventures.

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, 2011.

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 unit. 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 the legally separate component unit 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.

Fund Statements - 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 in separate columns on the fund financial statements.

New Accounting Standards

During the fiscal year 2011, the City adopted **GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions**. This statement establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types.

Fund balance is comprised of five classifications as follows:

Nonspendable Fund Balance - The nonspendable fund balance category represents amounts that are not in a spendable form or are required to be maintained intact.

Restricted Fund Balance - The restricted fund balance category represents amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.

Committed Fund Balance - The committed fund balance category represents amounts constrained to specific purposes by the Commission; to be reported as committed, amounts cannot be used for any other purpose unless the Commission takes action to remove or change the constraint.

Assigned Fund Balance - The assigned fund balance category represents amounts the Commission intends to use for a specific purpose; intent can be expressed by the Commission or by an official or committee to which the Commission delegates the authority.

Unassigned Fund Balance - The unassigned fund balance category represents amounts that are available for any purpose; these amounts are reported only in the general fund.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Government-Wide and Fund Financial Statements - Continued

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 income 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 is used to account for all financial resources except those required to be accounted for in another fund.

GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions establishes a new definition for special revenue funds. The new definition states that a special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The budget stabilization fund and the local street fund no longer meet this definition; therefore will be included in the general fund. The fund balance transfer is comprised of the following funds:

| | |
|-----------------------------|-------------------------|
| Budget Stabilization Fund | 1,000,000 |
| Local Street Fund | <u>201,364</u> |
| Total fund balance transfer | <u><u>1,201,364</u></u> |

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 City of St. Joseph reports the following enterprise funds:

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

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

The **City Water Fund** accounts for the activities related to non-system wide water and system maintenance.

The **Ice Arena Fund** accounts for the operations of the ice arena.

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, health insurance, and other employee benefits provided to other departments on a cost reimbursement basis.

Pension and Other Employee Benefits 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.

Agency Funds are used to account for assets held by the City as an agent for individuals, organizations, other governmental units, or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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.

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. 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.

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

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 the budget for the component unit: the Downtown Development Authority.

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.

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.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 five 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 asset lives are not capitalized.

Historical art includes a 1937 American Lafrance Fire Truck and a 1898 Hose Cart that were donated to the City of St. Joseph. Historical arts are defined as nondepreciable assets.

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 lives 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 |
| Historical Art | N/A |
| Buildings and Improvements | 20-50 years |
| Equipment | 5-15 years |
| Vehicles | 5-30 years |
| Utility Systems | 10-60 years |
| Infrastructure | 25-60 years |
| Library Books | 5-10 years |

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. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

J. 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.

K. 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.

L. Deferred Revenue

Deferred revenue represents monies that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts are also reported as deferred revenue until they are available to liquidate liabilities of the current period.

M. 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.

CITY OF ST. JOSEPH
Notes to Financial Statements

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.

A. Cash

Cash and Short-Term Investments - Based on Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) the City is authorized to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions that do not have a branch location in Michigan. Following that Attorney General opinion, the City restricts its deposits to state or nationally chartered banks or state or federally chartered savings and loan associations, savings banks, or credit unions whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States. The City's deposits are in accordance with statutory authority at June 30, 2011.

Custodial Credit Risk - The City is authorized to invest in prequalifying financial institutions, brokers, dealers, intermediaries, and advisors with whom the City will do business. The portfolio will be diversified so that the impact on the investment portfolio resulting from losses on individual securities will be minimized. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At June 30, 2011, the carrying amount of the City's deposits was \$11,888,594. The combined bank balance of these deposits was \$12,716,840 of which \$12,216,840 was uninsured and uncollateralized.

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>Unit</u> | <u>Funds</u> | <u>Total</u> |
| Bank deposits | \$ 11,479,927 | \$ 58,454 | \$ 348,263 | \$ 11,886,644 |
| Imprest cash | <u>1,950</u> | <u>-</u> | <u>-</u> | <u>1,950</u> |
| Total Deposits | <u>\$ 11,481,877</u> | <u>\$ 58,454</u> | <u>\$ 348,263</u> | <u>\$ 11,888,594</u> |
| Cash and cash equivalents as reported in statements | <u>\$ 11,481,877</u> | <u>\$ 58,454</u> | <u>\$ 348,263</u> | <u>\$ 11,888,594</u> |

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 2 - CASH AND INVESTMENTS - Continued

B. 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 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 the component unit are reported at fair value.

| | <u>Market Value</u> |
|----------------------------|----------------------------|
| Primary Government | |
| Certificated of deposits | \$ <u>650,000</u> |
| Total Primary Government | \$ <u>650,000</u> |
| Fiduciary Funds | |
| T-bonds | \$ 8,327,665 |
| Corporate bonds | 10,222,723 |
| Common stock | 32,700,479 |
| Other | <u>1,553,191</u> |
| Total Fiduciary Funds | \$ <u>52,804,058</u> |
| Total Reporting Entity | \$ <u>53,454,058</u> |

NOTE 3 - JOINT VENTURES

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.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 3 - JOINT VENTURES - Continued

Southwest Michigan Regional Airport Authority - Continued

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, Benton, and Lincoln and Royalton Township. Each member of the Authority appoints one person to the board and supports the airport through a millage or contribution. 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, 2011, with a report thereto dated July 21, 2011.

| | | | |
|-------------|--------------|---------------------|-------------|
| Assets | \$ 2,829,312 | Operating revenues | \$1,225,461 |
| Liabilities | 251,812 | Operating expenses | 1,126,148 |
| Equity | 2,577,500 | Nonoperating income | 59,424 |
| | | Net income | 158,737 |

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 eight appointed members and the City Managers of Benton Harbor and St. Joseph. Three members are appointed by Benton Harbor, three 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 City's net investment and its share of the operating results of the plant are reported in the City's Sewer Fund. 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, 2010, with a report thereto dated August 30, 2011.

| | | | |
|-------------|---------------|-----------------------|-------------|
| Assets | \$ 24,997,605 | Operating revenues | \$4,301,648 |
| Liabilities | 541,147 | Operating expenses | 3,664,692 |
| Net assets | 24,456,458 | Nonoperating revenues | 82,280 |
| | | Net earnings | 719,236 |

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 4 - CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2011 were as follows:

| | <u>Balance</u> <u>July 1, 2010</u> | <u>Transfers</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2011</u> |
|---|---------------------------------------|------------------------|-----------------------|---------------------|--|
| Governmental Activities | | | | | |
| Nondepreciable assets | | | | | |
| Land | \$ 11,870,347 | \$ - | \$ - | \$ - | \$ 11,870,347 |
| Historical Art | - | - | 22,000 | - | 22,000 |
| Construction in Progress | <u>11,588,037</u> | <u>(11,575,262)</u> | <u>318,210</u> | <u>(5,689)</u> | <u>325,296</u> |
| Total Nondepreciable Assets | <u>\$ 23,458,384</u> | <u>\$ (11,575,262)</u> | <u>\$ 340,210</u> | <u>\$ (5,689)</u> | <u>\$ 12,217,643</u> |
| Depreciable assets | | | | | |
| Buildings and Improvements | \$ 11,437,973 | \$ 10,325,066 | \$ 205,994 | \$ - | \$ 21,969,033 |
| Infrastructure | 21,255,842 | 571,785 | 331,677 | - | 22,159,304 |
| Books | 1,105,492 | - | 38,017 | (52,000) | 1,091,509 |
| Furniture and Equipment | 6,202,427 | - | 181,096 | (527,327) | 5,856,196 |
| Land Improvements | <u>357,598</u> | <u>678,411</u> | <u>142,715</u> | <u>-</u> | <u>1,178,724</u> |
| Subtotal | <u>\$ 40,359,332</u> | <u>\$ 11,575,262</u> | <u>\$ 899,499</u> | <u>\$ (579,327)</u> | <u>\$ 52,254,766</u> |
| Accumulated depreciation: | | | | | |
| Buildings and Improvements | \$ (3,586,095) | \$ - | \$ (258,620) | \$ - | \$ (3,844,715) |
| Infrastructure | (7,470,377) | - | (609,905) | - | (8,080,282) |
| Books | (997,898) | - | (53,630) | 52,000 | (999,528) |
| Furniture and Equipment | (3,955,740) | - | (330,202) | 497,169 | (3,788,773) |
| Land Improvements | <u>(64,221)</u> | <u>-</u> | <u>(28,731)</u> | <u>-</u> | <u>(92,952)</u> |
| Subtotal | <u>\$ (16,074,331)</u> | <u>\$ -</u> | <u>\$ (1,281,088)</u> | <u>\$ 549,169</u> | <u>\$ (16,806,250)</u> |
| Total Depreciable Capital Assets | <u>\$ 24,285,001</u> | <u>\$ 11,575,262</u> | <u>\$ (381,589)</u> | <u>\$ (30,158)</u> | <u>\$ 35,448,516</u> |

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 4 - CAPITAL ASSETS - Continued

| | <u>Balance</u> <u>July 1, 2010</u> | <u>Transfers</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2011</u> |
|-------------------------------------|---------------------------------------|-----------------------|---------------------|--------------------|--|
| Business Activities | | | | | |
| Nondepreciable assets | | | | | |
| Land | \$ 956,870 | \$ - | \$ - | \$ - | \$ 956,870 |
| Construction in Progress | <u>8,646,026</u> | <u>(3,495,807)</u> | <u>6,292,537</u> | <u>-</u> | <u>11,442,756</u> |
| Total Nondepreciable Assets | <u>\$ 9,602,896</u> | <u>\$ (3,495,807)</u> | <u>\$ 6,292,537</u> | <u>\$ -</u> | <u>\$ 12,399,626</u> |
| Depreciable assets | | | | | |
| Buildings and Improvements | \$ 12,608,699 | \$ - | \$ - | \$ - | \$ 12,608,699 |
| Infrastructure | 1,688,401 | - | - | - | 1,688,401 |
| Furniture and Equipment | 1,525,621 | (20,000) | 106,015 | (12,134) | 1,599,502 |
| Utility Systems | <u>6,562,677</u> | <u>3,515,807</u> | <u>337,877</u> | <u>-</u> | <u>10,416,361</u> |
| Subtotal | <u>\$ 22,385,398</u> | <u>\$ 3,495,807</u> | <u>\$ 443,892</u> | <u>\$ (12,134)</u> | <u>\$ 26,312,963</u> |
| Accumulated depreciation: | | | | | |
| Buildings and Improvements | \$ (7,140,221) | \$ - | \$ (179,226) | \$ - | \$ (7,319,447) |
| Infrastructure | (973,081) | - | (14,982) | - | (988,063) |
| Furniture and Equipment | (787,024) | - | (87,704) | 12,134 | (862,594) |
| Utility Systems | <u>(1,271,645)</u> | <u>-</u> | <u>(192,317)</u> | <u>-</u> | <u>(1,463,962)</u> |
| Subtotal | <u>\$ (10,171,971)</u> | <u>\$ -</u> | <u>\$ (474,229)</u> | <u>\$ 12,134</u> | <u>\$ (10,634,066)</u> |
| Total Depreciable Capital Assets | <u>\$ 12,213,427</u> | <u>\$ 3,495,807</u> | <u>\$ (30,337)</u> | <u>\$ -</u> | <u>\$ 15,678,897</u> |

CITY OF ST. JOSEPH
Notes to Financial Statements

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, 2011:

| | General Obligation Bonds | Notes Payable | Compensated Absences |
|---------------------|---|--------------------------|---------------------------------|
| As of July 1, 2010 | \$ 9,901,730 | \$ 1,944,796 | \$ 445,361 |
| Additions | 4,280,136 | - | 47,065 |
| (Reductions) | <u>(573,619)</u> | <u>(154,213)</u> | <u>(5,237)</u> |
| As of June 30, 2011 | <u>\$ 13,608,247</u> | <u>\$ 1,790,583</u> | <u>\$ 487,189</u> |

Long-term debt at June 30, 2011 is comprised of the following individual issues:

| | Balance July 1, 2010 | Additions | Reductions | Balance June 30, 2011 | Due Within One Year |
|--|---------------------------------|------------------|-------------------|----------------------------------|--------------------------------|
| Governmental Activities | | | | | |
| \$4,300,000 2002 Improvement and Refunding Bonds due in annual installments of \$115,000 to \$375,000 through May 1, 2027; interest from 4.375% to 5.10% - Debt Service Fund | \$ 3,740,000 | \$ - | \$ (100,000) | \$ 3,640,000 | \$ 115,000 |
| \$2,040,000 2003 State Revolving Fund Bonds due in annual installments of \$95,000 through October 1, 2023; interest at 2.50% - Debt Service Fund | 1,336,525 | - | (109,115) | \$ 1,227,410 | 95,000 |
| \$2,015,205 2004 State Revolving Fund Bonds due in annual installments of \$95,000 to \$130,000 through April 1, 2025; interest at 2.125% - Debt Service Fund | 1,555,205 | 131,697 | (90,000) | \$ 1,596,902 | 95,000 |

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 5 - CHANGES IN LONG-TERM DEBT - Continued

| | <u>Balance July 1, 2010</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2011</u> | <u>Due Within One Year</u> |
|--|---------------------------------|-------------------|---------------------|----------------------------------|--------------------------------|
| Governmental Activities - Continued | | | | | |
| \$250,000 interest-free loan from Berrien County Revolving Loan Fund due in annual installments of \$25,000 through January 1, 2020 - Capital Improvement Fund | 250,000 | - | (25,000) | 225,000 | 25,000 |
| \$1,400,000 2008 Bluffside Installment Loan due in semi-annual installments of \$64,024 including interest at 4.35% through August 8, 2024 - General Fund | <u>1,297,072</u> | <u>-</u> | <u>(72,404)</u> | <u>1,224,668</u> | <u>75,589</u> |
| Total Bonds and Notes Payable | \$ 8,178,802 | \$ 131,697 | \$ (396,519) | \$ 7,913,980 | \$ 405,589 |
| Compensated Absences | <u>375,456</u> | <u>47,065</u> | <u>-</u> | <u>422,521</u> | <u>316,891</u> |
| Total Governmental Activities | <u>\$ 8,554,258</u> | <u>\$ 178,762</u> | <u>\$ (396,519)</u> | <u>\$ 8,336,501</u> | <u>\$ 722,480</u> |
| Business Activities | | | | | |
| \$300,000 2010 Marina Improvement Installment Loan due in semi-annual installments of \$33,260 including interest at 3.74% through November 1, 2014 | \$ 272,724 | \$ - | \$ (56,809) | \$ 215,915 | \$ 58,854 |
| \$125,000 interest-free loan from Whirlpool Corporation in annual installments of \$13,889 beginning on December 31, 2012, through December 31, 2020 | 125,000 | - | - | 125,000 | - |
| \$3,135,496 2008 capital improvement bond due in annual installments of \$130,000 to \$200,000 through April 1, 2030; interest at 2.50% - Capital Improvement Fund | 3,270,000 | - | (264,504) | 3,005,496 | 130,000 |
| \$231,000 2009 Clean Water Bond due in semi-annual installments of \$10,000 to \$15,000 through April 1, 2030; interest at 2.50% - Sewer Fund | - | 231,000 | (10,000) | 221,000 | 10,000 |

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 5 - CHANGES IN LONG-TERM DEBT - Continued

| | <u>Balance</u> <u>July 1, 2010</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2011</u> | <u>Due Within</u> <u>One Year</u> |
|---|---------------------------------------|---------------------|---------------------|--|--------------------------------------|
| Business Activities - Continued | | | | | |
| \$9,955,000 2010 Clean Water Bond due in semi-annual installments of \$233,000 to \$375,000 starting on October 1, 2012 through October 1, 2031; interest at 2.50% - Water Fund | - | 3,087,964 | - | 3,087,964 | - |
| \$1,293,000 2010 Clean Water Bond due in semi-annual installments of \$48,000 to \$85,000 starting on October 1, 2012 through October 1, 2031; interest at 2.50% - Water Fund | - | 829,475 | - | 829,475 | - |
| Total Bonds and Notes Payable | \$ 3,667,724 | \$ 4,148,439 | \$ (331,313) | \$ 7,484,850 | \$ 198,854 |
| Compensated Absences - Water Fund, Sewer Fund, Marina Fund | 69,905 | - | (5,237) | 64,668 | 48,501 |
| Total Business Activities | <u>\$ 3,737,629</u> | <u>\$ 4,148,439</u> | <u>\$ (336,550)</u> | <u>\$ 7,549,518</u> | <u>\$ 247,355</u> |

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> |
| 2012 | \$ 405,589 | \$ 293,997 | \$ 198,854 | \$ 186,662 |
| 2013 | 418,913 | 281,248 | 501,015 | 176,979 |
| 2014 | 442,382 | 267,761 | 517,356 | 163,875 |
| 2015 | 461,005 | 253,456 | 496,357 | 150,322 |
| 2016 | 479,786 | 237,944 | 473,889 | 138,386 |
| 2017-2021 | 2,706,745 | 922,813 | 2,549,444 | 511,863 |
| 2022-2026 | 2,624,560 | 397,285 | 2,032,439 | 207,800 |
| 2027-2031 | 375,000 | 19,125 | 715,496 | 40,298 |
| 2032-2036 | - | - | - | - |
| Total | <u>\$ 7,913,980</u> | <u>\$ 2,673,629</u> | <u>\$ 7,484,850</u> | <u>\$ 1,576,185</u> |

NOTE 6 - 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.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 6 - PENSION PLAN - Continued

B. Required Supplemental Information

Schedule of Funding Progress
(Dollar Amounts in Millions)

| Actuarial Valuation Date June 30, | Actuarial Value of Assets (a) | Actuarial Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a) / (b) | Covered Payroll (c) | UAAL as a Percent of Covered Payroll (b) - (a) (c) |
|--|--|--|--|------------------------------|---------------------------|---|
| 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)% |
| 2005 | 48.5 | 39.7 | (8.8) | 122.2% | 5.6 | (157.1)% |
| 2006 | 49.3 | 42.3 | (7.0) | 116.5% | 6.2 | (112.9)% |
| 2007 | 52.0 | 43.1 | (8.9) | 120.6% | 6.1 | (145.9)% |
| 2008 | 51.6 | 46.4 | (5.2) | 111.2% | 6.5 | (80.0)% |
| 2009 | 50.8 | 48.3 | (2.5) | 105.2% | 6.2 | (40.3)% |
| 2010 | 50.2 | 51.9 | 1.7 | 96.7% | 6.2 | 27.4% |

Schedule of Employer Contributions

| Fiscal Year Ended June 30, | Annual Recommended Contribution | Actual Contributions | Percent Contributed |
|----------------------------------|---------------------------------------|-------------------------|------------------------|
| 2004 | - | - | N/A |
| 2005 | - | - | N/A |
| 2006 | 7,446 | 6,728 | 90% |
| 2007 | 76,587 | 218,661 | 286% |
| 2008 | 87,981 | 223,575 | 254% |
| 2009 | 52,588 | 117,024 | 223% |
| 2010 | 119,969 | 114,073 | 95% |
| 2011 | 575,951 | 387,700 | 67% |
| 2012 | 1,080,451 | - | - |

The information presented above was determined as part of the actuarial at the dates indicated. Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Methods and Assumptions

| | |
|---------------------------------------|---------------------------------|
| # Valuation date | June 30, 2010 |
| Actuarial cost method | Entry age actuarial cost method |
| Amortization method | Level percent of payroll |
| Equivalent single amortization period | 20 years |
| Assets valuation method | 5 year smoothed market |
| Actuarial assumptions: | |
| Investment rate of return* | 7.0% |
| Projected salary increases* | 4.1-8.0% |
| Total payroll growth | 4.0% |
| Population growth | 0% |
| Cost-of-living adjustments | 2.5% Compound |
| *Indicates wage inflation at 4.0% | |

CITY OF ST. JOSEPH
Notes to Financial Statements

C. 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 has 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.

D. 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.

E. Contributions

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

- General - 4.0% of annual compensation
- Communication Specialists - 6.5% of annual compensation
- Police - 6.5% of annual compensation
- Fire - 8.35% of annual compensation
- Public Works - 3.3% 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.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The City provides healthcare benefits at retirement to all employees covered under the City's retirement system, in accordance with labor contracts. Retiring employees may elect to continue the City's health insurance policy for themselves, their spouse, and certain dependents. In this case, the City will pay one-half the cost of the policy until the retiree's 65th birthday. In the event of a retiree's death, a surviving spouse or eligible dependent may continue the City's health insurance (and may continue to receive a City contribution as above, until the retiree's 65th birthday) so long as they receive a pension from the City. If the surviving spouse or eligible dependent should cease to receive a pension from the City, they may continue insurance for a certain period of time under the provisions of COBRA, although the City will not contribute toward the cost of insurance.

B. Funding Policy

The contribution requirement of plan members and the City are established and may be amended by the City commission. The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ended June 30, 2011, the City made payments for postemployment health benefit premiums of \$163,942 computed as follows:

| | |
|---|-------------------|
| Annual required contribution | \$ 515,570 |
| Retired employees' contribution of current premiums | <u>(351,628)</u> |
| City paid portion of retired employees' healthcare benefits | <u>\$ 163,942</u> |

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the year, the following transfers (for operations unless otherwise noted) were made between funds:

| Transfer In: | | Transfer Out: | |
|-----------------------------|---------------------|----------------------|---------------------|
| <u>Fund</u> | <u>Amount</u> | <u>Fund</u> | <u>Amount</u> |
| Library Capital Improvement | \$ 37,900 | Library Fund | \$ 37,900 |
| Library Fund | 22,900 | Library Endowment | 22,900 |
| Capital Improvement | 297,024 | Capital Improvement | 50,000 |
| Street Improvement | 336,449 | General Fund | 747,024 |
| Local streets | <u>450,000</u> | City Water | 53,451 |
| | | Major Streets | 10,000 |
| | | Street Improvement | 71,549 |
| | | Sewer Fund | <u>151,449</u> |
| | | | |
| Total: | <u>\$ 1,144,273</u> | Total: | <u>\$ 1,144,273</u> |

The composition of interfund balances as of June 30, 2011, is as follows:

| Interfund Receivables: | | Interfund Payables: | |
|-------------------------------|-------------------|-----------------------------|-------------------|
| <u>Fund</u> | <u>Amount</u> | <u>Fund</u> | <u>Amount</u> |
| Library Endowment | \$ 39,526 | Library Capital Improvement | \$ 39,526 |
| Motor Pool | 103,035 | General Fund | 30,785 |
| General Fund | 30,965 | Major Street | 8,609 |
| Employees' Retirement Plan | 80 | Cemetery | 1,100 |
| Capital Improvement | 32 | Sewer | 4,232 |
| Local Streets | <u>1,757</u> | Water | 47,830 |
| | | Building Inspection | 800 |
| | | Flex Spending | 10,022 |
| | | Garbage and Rubbish | 16,982 |
| | | Treasurer's Tax | 968 |
| | | Imprest Payroll Fund | 154 |
| | | Local Streets | <u>14,387</u> |
| | | | |
| Total: | <u>\$ 175,395</u> | Total: | <u>\$ 175,395</u> |

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - Continued

Reconciliation of total interfund receivables to governmental funds "due from other funds":

| | |
|--|-------------|
| Total interfund receivables | \$ 175,395 |
| Internal Service Funds (Self Insurance, Employee Health Care and Motor Pool) | (103,035) |
| Pension Funds (Employees' Retirement and Flex Spending) | <u>(80)</u> |

Total governmental funds "due from other funds" \$ 72,280

Reconciliation of total interfund payables to governmental funds "due to other funds":

| | |
|--|-----------------|
| Total interfund payables | \$ 175,395 |
| Agency Funds (Treasurer's Tax, Imprest Payroll, and Flex Spending) | (11,144) |
| Enterprise Funds (Water, Sewer, City Water, Ice Arena and Marina) | <u>(52,062)</u> |

Total governmental funds "due to other funds" \$ 112,189

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 - RISK MANAGEMENT

The City of St. Joseph carries insurance for risks of loss, including torts; theft of, damage to, and destruction of assets; errors 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 11 - 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.

NOTE 12 - FUND BALANCE DEFICITS

The City has incurred a deficit of \$32,637 in the Library Capital Improvement Fund, primarily due to expenditures that exceeded realized pledged contributions to the 2000 building renovation project. In 2002, the Michigan Department of Treasury approved the City's deficit reduction plan to eliminate the original deficit of \$257,180.

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 13 - 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 14 - RELATED PARTY TRANSACTIONS

Mayor Robert Judd is a commissioner of the City of St. Joseph and related to one of the partners of Taglia, Dumke, White & Schmidt, P.C. Throughout the year, the City obtained the services of Taglia, Dumke, White & Schmidt, P.C. on a need basis for an amount totaling \$81,358. Mayor Judd abstained from the interviewing and approval of Taglia, Dumke, White & Schmidt, P.C.'s contract.

Commissioner Michael Garey owns and operates Garey Roofing, Inc. which provides roofing services to the City of St. Joseph as needed. During the year, the City of St. Joseph paid Garey Roofing, Inc. \$1,562. Commissioner Garey abstained from approving Garey Roofing, Inc.'s contract.

NOTE 15 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures over Budgets

The following funds incurred expenditures in excess of appropriations in the activities indicated below:

| | <u>Budget</u> | <u>Actual</u> | <u>Actual Over Budget</u> |
|-------------------------|---------------|---------------|-----------------------------------|
| General Fund: | | | |
| Recreation and cultural | \$ 590,300 | \$ 600,939 | \$ (10,639) |
| Public safety | 3,400,700 | 3,412,578 | (11,878) |

NOTE 16 - COMMITMENTS

Construction was in process as of June 30, 2011 on several projects. Information relating to commitments for these projects is summarized below:

| <u>Project</u> | <u>Total Budget</u> | <u>Remaining Commitment June 30, 2011</u> |
|---------------------------|-------------------------|---|
| State Street | \$ 1,150,000 | \$ 789,679 |
| West Basin Marina | 1,175,670 | 22,617 |
| Water Intake | 11,009,986 | 2,058,334 |
| Water Process Improvement | 2,155,000 | 289,030 |

CITY OF ST. JOSEPH
Notes to Financial Statements

NOTE 17 - PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2011, the City recorded its investment in the Benton Harbor - St. Joseph Joint Wastewater Treatment Plant joint venture on the books of the Sewer Fund. The Cities 50% investment in the joint venture as of June 30, 2010 of \$11,868,611 was recorded as a prior period adjustment. Annual changes in the investment will be recorded as nonoperating revenue or expense each year.

CITY OF ST. JOSEPH
NONMAJOR GOVERNMENTAL FUNDS
Description of Funds

Special Revenue Funds

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

Major Streets Fund - This fund is used to account for revenues collected and monies expended for capital improvements and routine maintenance of streets designated as major streets.

Local Streets Fund - This fund is used to account for revenues collected and monies expended for capital improvements and routine maintenance of streets designated as local streets.

The Street Improvement Fund - This fund is used to account for revenues collected and monies expended for the purpose of improving city streets.

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

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

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.

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.

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.

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.

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.

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.

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

Debt Service Fund

Debt Service Fund - This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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.

Capital Project Funds

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

Library Capital Improvement Fund - This fund is used to account for the capital improvements to the public library.

Bluffside Project Fund - This accounts for financial resources to be used for the construction and administration of the bluffside project.

Capital Improvement Fund - This accounts for financial resources to be used for the acquisition or construction of major capital facilities.

CITY OF ST. JOSEPH
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2011

| | <u>Special Revenue</u> | <u>Debt Service</u> |
|--|----------------------------|-------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,791,970 | \$ 389,513 |
| Investments | - | - |
| Receivables | 125,066 | - |
| Due from other funds | 1,757 | - |
| Inventory | <u>47,825</u> | <u>-</u> |
| Total Current Assets | <u>\$ 1,966,618</u> | <u>\$ 389,513</u> |
| TOTAL ASSETS | <u>\$ 1,966,618</u> | <u>\$ 389,513</u> |
| Liabilities and Fund Balances | | |
| Current Liabilities: | | |
| Accounts payable | \$ 20,571 | \$ - |
| Accrued liabilities | 64,483 | - |
| Due to other funds | 41,878 | - |
| Deferred revenue | <u>11,277</u> | <u>-</u> |
| Total Current Liabilities | <u>\$ 138,209</u> | <u>\$ -</u> |
| Total Liabilities | <u>\$ 138,209</u> | <u>\$ -</u> |
| Fund Balances: | | |
| Nonspendable: | | |
| Inventory | \$ 47,825 | \$ - |
| Restricted for: | | |
| Endowment | - | - |
| Perpetual care | - | - |
| Special revenue | 1,780,584 | - |
| Debt service | - | 389,513 |
| Capital projects | - | - |
| Unassigned, reported in: | | |
| Capital projects | <u>-</u> | <u>-</u> |
| Total Fund Balances | <u>\$ 1,828,409</u> | <u>\$ 389,513</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 1,966,618</u> | <u>\$ 389,513</u> |

| <u>Permanent Funds</u> | <u>Capital Project Funds</u> | <u>Total Nonmajor Governmental Funds</u> |
|----------------------------|--------------------------------------|--|
| \$ 253,076 | \$ 571,363 | \$ 3,005,922 |
| 650,000 | - | 650,000 |
| - | 3,456 | 128,522 |
| 39,526 | 32 | 41,315 |
| - | - | 47,825 |
| <u>\$ 942,602</u> | <u>\$ 574,851</u> | <u>\$ 3,873,584</u> |
| <u>\$ 942,602</u> | <u>\$ 574,851</u> | <u>\$ 3,873,584</u> |
| | | |
| \$ - | \$ 31,587 | \$ 52,158 |
| - | - | 64,483 |
| - | 39,526 | 81,404 |
| - | 3,456 | 14,733 |
| <u>\$ -</u> | <u>\$ 74,569</u> | <u>\$ 212,778</u> |
| <u>\$ -</u> | <u>\$ 74,569</u> | <u>\$ 212,778</u> |
| | | |
| \$ - | \$ - | \$ 47,825 |
| 735,216 | - | 735,216 |
| 207,386 | - | 207,386 |
| - | - | 1,780,584 |
| - | - | 389,513 |
| - | 532,919 | 532,919 |
| - | (32,637) | (32,637) |
| <u>\$ 942,602</u> | <u>\$ 500,282</u> | <u>\$ 3,660,806</u> |
| <u>\$ 942,602</u> | <u>\$ 574,851</u> | <u>\$ 3,873,584</u> |

CITY OF ST. JOSEPH
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2011

| | <u>Special Revenue</u> | <u>Debt Service</u> |
|--|----------------------------|-------------------------|
| Revenues: | | |
| Taxes | \$ 1,520,409 | \$ 576,476 |
| Federal revenues | 43,994 | - |
| State revenues | 635,884 | - |
| Contributions from local units | 175,000 | - |
| Charges for services | 221,684 | - |
| Licenses and permits | 204,554 | - |
| Fines and forfeitures | 201,183 | - |
| Interest and rents | 23,704 | 395 |
| Other | <u>107,131</u> | <u>-</u> |
| Total Revenues | <u>\$ 3,133,543</u> | <u>\$ 576,871</u> |
| Expenditures: | | |
| Current: | | |
| General government | \$ 212,568 | \$ - |
| Public safety | 221,459 | - |
| Public works | 1,800,183 | - |
| Recreation and culture | 785,928 | - |
| Community and economic development | 124,040 | - |
| Debt service: | | |
| Principal | - | 285,000 |
| Interest | - | 255,618 |
| Capital outlay | <u>675,239</u> | <u>-</u> |
| Total Expenditures | <u>\$ 3,819,417</u> | <u>\$ 540,618</u> |
| Revenues Over (Under) Expenditures | <u>\$ (685,874)</u> | <u>\$ 36,253</u> |
| Other Financing Sources (Uses): | | |
| Sale of fixed assets | \$ 1,738 | \$ - |
| Operating transfers in | 809,349 | - |
| Operating transfers out | <u>(119,449)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>\$ 691,638</u> | <u>\$ -</u> |
| Net Change in Fund Balances | \$ 5,764 | \$ 36,253 |
| Fund Balances - Beginning of Year | 2,822,645 | 353,260 |
| Fund Balance Transfer | <u>(1,000,000)</u> | <u>-</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 1,828,409</u> | <u>\$ 389,513</u> |

| <u>Permanent Funds</u> | <u>Capital Project Funds</u> | <u>Total Nonmajor Governmental Funds</u> |
|----------------------------|--------------------------------------|--|
| \$ - | \$ - | \$ 2,096,885 |
| - | 1,173 | 45,167 |
| - | 126,320 | 762,204 |
| - | - | 175,000 |
| - | - | 221,684 |
| - | - | 204,554 |
| - | - | 201,183 |
| 6,744 | 877 | 31,720 |
| <u>2,225</u> | <u>269,169</u> | <u>378,525</u> |
| <u>\$ 8,969</u> | <u>\$ 397,539</u> | <u>\$ 4,116,922</u> |
| | | |
| \$ - | \$ 10,162 | \$ 222,730 |
| - | - | 221,459 |
| - | - | 1,800,183 |
| - | 2,752 | 788,680 |
| - | - | 124,040 |
| - | 25,000 | 310,000 |
| - | - | 255,618 |
| - | 665,354 | 1,340,593 |
| <u>\$ -</u> | <u>\$ 703,268</u> | <u>\$ 5,063,303</u> |
| <u>\$ 8,969</u> | <u>\$ (305,729)</u> | <u>\$ (946,381)</u> |
| | | |
| \$ - | \$ - | \$ 1,738 |
| - | 334,924 | 1,144,273 |
| <u>(22,900)</u> | <u>(50,000)</u> | <u>(192,349)</u> |
| <u>\$ (22,900)</u> | <u>\$ 284,924</u> | <u>\$ 953,662</u> |
| | | |
| \$ (13,931) | \$ (20,805) | \$ 7,281 |
| 956,533 | 521,087 | 4,653,525 |
| <u>-</u> | <u>-</u> | <u>(1,000,000)</u> |
| <u>\$ 942,602</u> | <u>\$ 500,282</u> | <u>\$ 3,660,806</u> |

CITY OF ST. JOSEPH
NONMAJOR CAPITAL PROJECT FUNDS
Combining Balance Sheet
June 30, 2011

| | <u>Library Capital Improvements</u> | <u>Bluffside Project Fund</u> | <u>Capital Improvement</u> | <u>Total</u> |
|--|---|---------------------------------------|--------------------------------|-------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 6,889 | \$ - | \$ 564,474 | \$ 571,363 |
| Receivables | - | - | 3,456 | 3,456 |
| Due from other funds | - | - | 32 | 32 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| TOTAL ASSETS | <u>\$ 6,889</u> | <u>\$ -</u> | <u>\$ 567,962</u> | <u>\$ 574,851</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ 31,587 | \$ 31,587 |
| Due to other funds | 39,526 | | | 39,526 |
| Deferred revenue | - | - | 3,456 | 3,456 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Liabilities | <u>\$ 39,526</u> | <u>\$ -</u> | <u>\$ 35,043</u> | <u>\$ 74,569</u> |
| Fund Balances: | | | | |
| Restricted for: | | | | |
| Capital projects | \$ - | \$ - | \$ 532,919 | \$ 532,919 |
| Unassigned | (32,637) | - | - | (32,637) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Fund Balances | <u>\$ (32,637)</u> | <u>\$ -</u> | <u>\$ 532,919</u> | <u>\$ 500,282</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 6,889</u> | <u>\$ -</u> | <u>\$ 567,962</u> | <u>\$ 574,851</u> |

CITY OF ST. JOSEPH
NONMAJOR CAPITAL PROJECT FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2011

| | <u>Library Capital Improvements</u> | <u>Bluffside Project Fund</u> | <u>Capital Improvement</u> | <u>Total</u> |
|--|---|---------------------------------------|--------------------------------|--------------------------|
| Revenues: | | | | |
| Federal revenue | \$ - | \$ - | \$ 1,173 | \$ 1,173 |
| State revenue | - | - | 126,320 | 126,320 |
| Special assessments | - | - | 32,245 | 32,245 |
| Interest | - | 2 | 875 | 877 |
| Other revenue | <u>14,926</u> | <u>-</u> | <u>221,998</u> | <u>236,924</u> |
| Total Revenues | <u>\$ 14,926</u> | <u>\$ 2</u> | <u>\$ 382,611</u> | <u>\$ 397,539</u> |
| Expenditures: | | | | |
| General government | \$ - | \$ - | \$ 10,162 | \$ 10,162 |
| Recreation and culture | - | - | 2,752 | 2,752 |
| Capital outlay | 33,080 | 14,949 | 617,325 | 665,354 |
| Debt service: | | | | |
| Principal | <u>-</u> | <u>-</u> | <u>25,000</u> | <u>25,000</u> |
| Total Expenditures | <u>\$ 33,080</u> | <u>\$ 14,949</u> | <u>\$ 655,239</u> | <u>\$ 703,268</u> |
| Revenues Under Expenditures | <u>\$ (18,154)</u> | <u>\$ (14,947)</u> | <u>\$ (272,628)</u> | <u>\$ (305,729)</u> |
| Other Financing Sources (Uses): | | | | |
| Operating transfers in | \$ 37,900 | \$ - | \$ 297,024 | \$ 334,924 |
| Operating transfers out | <u>-</u> | <u>-</u> | <u>(50,000)</u> | <u>(50,000)</u> |
| Total Other Financing Sources (Uses) | <u>\$ 37,900</u> | <u>\$ -</u> | <u>\$ 247,024</u> | <u>\$ 284,924</u> |
| Net Change in Fund Balances | \$ 19,746 | \$ (14,947) | \$ (25,604) | \$ (20,805) |
| Fund Balances - Beginning of Year | <u>(52,383)</u> | <u>14,947</u> | <u>558,523</u> | <u>521,087</u> |
| FUND BALANCES - END OF YEAR | <u><u>\$ (32,637)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 532,919</u></u> | <u><u>\$ 500,282</u></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, 2011**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|----------------------------|----------------------------|----------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$ 4,929,800 | \$ 4,966,700 | \$ 4,968,385 | \$ 1,685 |
| Federak revenue | 7,800 | - | - | - |
| State revenues | 552,700 | 882,700 | 834,498 | (48,202) |
| Charges for services | 1,229,800 | 1,279,800 | 1,312,136 | 32,336 |
| Licenses and permits | 2,700 | 4,300 | 5,330 | 1,030 |
| Fines, fees, and forfeits | 93,000 | 88,400 | 100,571 | 12,171 |
| Interest | 57,200 | 28,700 | 23,307 | (5,393) |
| Other | 31,200 | 28,100 | 34,054 | 5,954 |
| | <u>\$ 6,904,200</u> | <u>\$ 7,278,700</u> | <u>\$ 7,278,281</u> | <u>\$ (419)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | \$ 1,135,900 | \$ 1,148,000 | \$ 1,092,416 | \$ 55,584 |
| Public safety | 3,435,500 | 3,400,700 | 3,412,578 | (11,878) |
| Public works | 437,500 | 448,800 | 428,255 | 20,545 |
| Health and welfare | 50,500 | 50,700 | 50,537 | 163 |
| Community and economic development | 260,500 | 240,200 | 235,944 | 4,256 |
| Recreation and cultural | 615,700 | 590,300 | 600,939 | (10,639) |
| Other | 615,000 | 947,500 | 940,654 | 6,846 |
| Debt service: | | | | |
| Principal retirement | 72,600 | 72,600 | 72,404 | 196 |
| Interest | 55,700 | 55,700 | 54,853 | 847 |
| | <u>\$ 6,678,900</u> | <u>\$ 6,954,500</u> | <u>\$ 6,888,580</u> | <u>\$ 65,920</u> |
| Revenues Over (Under) Expenditures | <u>\$ 225,300</u> | <u>\$ 324,200</u> | <u>\$ 389,701</u> | <u>\$ 65,501</u> |
| Other Financing Sources (Uses): | | | | |
| Operating transfers out | \$ (450,000) | \$ (934,666) | \$ (747,024) | \$ 187,642 |
| | <u>\$ (450,000)</u> | <u>\$ (934,666)</u> | <u>\$ (747,024)</u> | <u>\$ 187,642</u> |
| Net Change in Fund Balances | \$ (224,700) | \$ (610,466) | \$ (357,323) | \$ 253,143 |
| Fund Balances - Beginning of Year | 1,610,466 | 1,610,466 | 1,610,466 | - |
| Fund Balance Transfer | <u>1,000,000</u> | <u>1,000,000</u> | <u>1,000,000</u> | <u>-</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 2,385,766</u> | <u>\$ 2,000,000</u> | <u>\$ 2,253,143</u> | <u>\$ 253,143</u> |

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Revenues - Budget and Actual
For the Year Ended June 30, 2011**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-----------------------------------|---------------------|---------------------|---|
| Taxes: | | | |
| General and industrial facilities | | \$ 4,748,774 | |
| Penalty and interest on taxes | | 33,070 | |
| Administration | | <u>186,541</u> | |
| Total Taxes | \$ 4,966,700 | \$ <u>4,968,385</u> | \$ 1,685 |
| State Revenues: | | | |
| State shared revenues | | \$ 821,170 | |
| Other | | <u>13,328</u> | |
| Total State Revenues | 882,700 | \$ <u>834,498</u> | (48,202) |
| Charges for Services: | | | |
| Administration | | \$ 1,024,100 | |
| Fees | | 126,829 | |
| Services rendered | | 8,581 | |
| Use and admissions | | <u>152,626</u> | |
| Total Charges for Services | 1,279,800 | \$ <u>1,312,136</u> | 32,336 |
| Licenses and Permits: | | | |
| Licenses | 4,300 | \$ <u>5,330</u> | 1,030 |
| Fines and Forfeitures: | | | |
| District Court | | \$ 34,233 | |
| Parking fines | | <u>66,338</u> | |
| Total Fines, Fees and Forfeits | 88,400 | \$ <u>100,571</u> | 12,171 |
| Interest and Rents | 28,700 | \$ <u>23,307</u> | (5,393) |
| Other | <u>28,100</u> | \$ <u>34,054</u> | <u>5,954</u> |
| TOTAL REVENUES | \$ <u>7,278,700</u> | \$ <u>7,278,281</u> | \$ <u>(419)</u> |

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2011**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|-------------------|-------------------|---|
| General Government | | | |
| Legislative | | | |
| Commission | | | |
| Salaries and wages | | \$ 15,500 | |
| Benefits and insurance | | 1,186 | |
| Supplies | | 28 | |
| Other services and charges | | <u>5,219</u> | |
| Total Legislative | <u>\$ 26,700</u> | <u>\$ 21,933</u> | <u>\$ 4,767</u> |
| Chief Executive | | | |
| City Manager | | | |
| Salaries and wages | | \$ 154,872 | |
| Benefits and insurance | | 35,168 | |
| Supplies | | 361 | |
| Other services and charges | | <u>4,847</u> | |
| Total City Manager | <u>\$ 201,500</u> | <u>\$ 195,248</u> | <u>\$ 6,252</u> |
| General Administration | | | |
| Supplies | | \$ 31,056 | |
| Other services and charges | | <u>48,133</u> | |
| Total General Administration | <u>86,000</u> | <u>\$ 79,189</u> | <u>6,811</u> |
| Total Chief Executive | <u>\$ 287,500</u> | <u>\$ 274,437</u> | <u>\$ 13,063</u> |
| Financial and Tax Administration | | | |
| Clerk | | | |
| Salaries and wages | | \$ 40,129 | |
| Benefits and insurance | | 20,315 | |
| Supplies | | 4,267 | |
| Other services and charges | | <u>9,549</u> | |
| Total Clerk | <u>\$ 79,700</u> | <u>\$ 74,260</u> | <u>\$ 5,440</u> |
| Treasurer | | | |
| Salaries and wages | | \$ 171,572 | |
| Benefits and insurance | | 40,502 | |
| Supplies | | 3,295 | |
| Other services and charges | | <u>30,936</u> | |
| Total Treasurer | 249,300 | <u>\$ 246,305</u> | 2,995 |

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2011**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|---------------------|---------------------|---|
| General Government - Continued | | | |
| Financial and Tax Administration - Continued | | | |
| City Assessor | | | |
| Salaries and wages | | \$ 59,170 | |
| Benefits and insurance | | 10,988 | |
| Supplies | | 1,012 | |
| Other services and charges | | <u>2,124</u> | |
| Total City Assessor | <u>75,500</u> | <u>\$ 73,294</u> | <u>2,206</u> |
| Total Finance and Tax Administration | <u>\$ 404,500</u> | <u>\$ 393,859</u> | <u>\$ 10,641</u> |
| Building and Grounds | | | |
| Municipal Buildings | | | |
| Salaries and wages | | \$ 77,384 | |
| Benefits and insurance | | 39,187 | |
| Supplies | | 21,683 | |
| Other services and charges | | <u>95,819</u> | |
| Total Building and Grounds | <u>\$ 250,200</u> | <u>\$ 234,073</u> | <u>\$ 16,127</u> |
| Other General Government | | | |
| City Attorney | | | |
| Other services and charges | | <u>\$ 89,566</u> | |
| Total City Attorney | <u>\$ 98,000</u> | <u>\$ 89,566</u> | <u>\$ 8,434</u> |
| Personnel Department | | | |
| Salaries and wages | | \$ 61,128 | |
| Benefits and insurance | | 4,518 | |
| Supplies | | 1,879 | |
| Other services and charges | | <u>11,023</u> | |
| Total Personnel Department | <u>81,100</u> | <u>\$ 78,548</u> | <u>2,552</u> |
| Total Other General Government | <u>\$ 179,100</u> | <u>\$ 168,114</u> | <u>\$ 10,986</u> |
| Total General Government | <u>\$ 1,148,000</u> | <u>\$ 1,092,416</u> | <u>\$ 55,584</u> |

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2011**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|----------------------------|---------------------|---------------------|---|
| Public Safety | | | |
| Police | | | |
| Salaries and wages | | \$ 1,408,066 | |
| Benefits and insurance | | 610,536 | |
| Supplies | | 28,902 | |
| Other services and charges | | <u>100,413</u> | |
| Total Police | \$ 2,140,300 | \$ <u>2,147,917</u> | \$ (7,617) |
| Fire | | | |
| Salaries and wages | | \$ 874,802 | |
| Benefits and insurance | | 310,527 | |
| Supplies | | 29,908 | |
| Other services and charges | | <u>49,424</u> | |
| Total Fire | <u>1,260,400</u> | \$ <u>1,264,661</u> | <u>(4,261)</u> |
| Total Public Safety | \$ <u>3,400,700</u> | \$ <u>3,412,578</u> | \$ <u>(11,878)</u> |
| Public Works | | | |
| Engineer | | | |
| Salaries and wages | | \$ 99,685 | |
| Benefits and insurance | | 24,485 | |
| Supplies | | 2,492 | |
| Other services and charges | | <u>5,384</u> | |
| Total Engineer | \$ 129,100 | \$ <u>132,046</u> | \$ (2,946) |
| Public Works - Other | | | |
| Salaries and wages | | \$ 89,800 | |
| Benefits and insurance | | 23,914 | |
| Supplies | | 7,243 | |
| Other services and charges | | <u>44,101</u> | |
| Total Public Works - Other | 174,600 | \$ <u>165,058</u> | 9,542 |

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2011**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|---------------|---------------|---|
| Public Works - Continued | | | |
| Public Works - Street Lighting | | | |
| Other services and charges | 145,100 | \$ 131,151 | 13,949 |
| | | | |
| Total Public Works | \$ 448,800 | \$ 428,255 | \$ 20,545 |
| Health and Welfare | | | |
| Ambulance | | | |
| Other services and charges | | \$ 50,537 | |
| | | | |
| Total Health and Welfare | \$ 50,700 | \$ 50,537 | \$ 163 |
| Community and Economic Development | | | |
| Economic Development | | | |
| Other services and charges | | \$ 65,000 | |
| | | | |
| Total Economic Development | \$ 65,000 | \$ 65,000 | \$ - |
| Other Development Activities | | | |
| Communications and Marketing | | | |
| Salaries and wages | | \$ 58,839 | |
| Benefits and insurance | | 11,041 | |
| Supplies | | 4,656 | |
| Other services and charges | | 47,429 | |
| | | | |
| Total Communications and Marketing | \$ 125,800 | \$ 121,965 | \$ 3,835 |
| Community Activities | | | |
| Benefits and insurance | | \$ 197 | |
| Other services and charges | | 48,782 | |
| | | | |
| Total Community Activities | 49,400 | \$ 48,979 | 421 |
| | | | |
| Total Other Development Activities | \$ 175,200 | \$ 170,944 | \$ 4,256 |
| | | | |
| Total Community and Economic Development | \$ 240,200 | \$ 235,944 | \$ 4,256 |

**CITY OF ST. JOSEPH
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2011**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-------------------------------|---------------------|---------------------|---|
| Recreation and Culture | | | |
| Parks and Recreation | | | |
| Parks | | | |
| Salaries and wages | | \$ 281,007 | |
| Benefits and insurance | | 62,507 | |
| Supplies | | 51,467 | |
| Other services and charges | | <u>176,079</u> | |
| Total Parks | \$ 560,800 | \$ <u>571,060</u> | \$ (10,260) |
| City Recreation Program | | | |
| Salaries and wages | | \$ 26,982 | |
| Benefits and insurance | | 1,675 | |
| Supplies | | <u>1,222</u> | |
| Total City Recreation Program | <u>29,500</u> | \$ <u>29,879</u> | <u>(379)</u> |
| Total Recreation and Culture | \$ <u>590,300</u> | \$ <u>600,939</u> | \$ <u>(10,639)</u> |
| Other | | | |
| Benefits and insurance | | \$ 794,442 | |
| Supplies | | 3,875 | |
| Other services and charges | | <u>142,337</u> | |
| Total Other | \$ <u>947,500</u> | \$ <u>940,654</u> | \$ <u>6,846</u> |
| Debt Service | | | |
| Principal retirement | \$ 72,600 | \$ 72,404 | |
| Interest expense | <u>55,700</u> | <u>54,853</u> | |
| Total Debt Service | \$ <u>128,300</u> | \$ <u>127,257</u> | \$ <u>1,043</u> |
| TOTAL EXPENDITURES | \$ <u>6,954,500</u> | \$ <u>6,888,580</u> | \$ <u>65,920</u> |

CITY OF ST. JOSEPH
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2011

| | <u>Major Streets</u> | <u>Local Streets</u> | <u>Street Improvement</u> | <u>Cemetery</u> | <u>Depot</u> |
|--|--------------------------|--------------------------|-------------------------------|-------------------|-------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 279,021 | \$ 77,114 | \$ 753,246 | \$ 34,891 | \$ 89,269 |
| Receivables | 72,659 | 25,403 | 62 | 397 | 2,088 |
| Due from other funds | - | 1,757 | - | - | - |
| Inventory | - | 47,825 | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL ASSETS | <u>\$ 351,680</u> | <u>\$ 152,099</u> | <u>\$ 753,308</u> | <u>\$ 35,288</u> | <u>\$ 91,357</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 3,376 | \$ 11 | \$ 16,584 | \$ 19 | \$ - |
| Accrued liabilities | 1,626 | 11,268 | - | 4,272 | - |
| Due to other funds | 8,609 | 14,387 | - | 1,100 | - |
| Deferred revenue | - | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>\$ 13,611</u> | <u>\$ 25,666</u> | <u>\$ 16,584</u> | <u>\$ 5,391</u> | <u>\$ -</u> |
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Inventory | \$ - | \$ 47,825 | \$ - | \$ - | \$ - |
| Restricted | 338,069 | 78,608 | 736,724 | 29,897 | 91,357 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Fund Balances | <u>\$ 338,069</u> | <u>\$ 126,433</u> | <u>\$ 736,724</u> | <u>\$ 29,897</u> | <u>\$ 91,357</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 351,680</u> | <u>\$ 152,099</u> | <u>\$ 753,308</u> | <u>\$ 35,288</u> | <u>\$ 91,357</u> |

| <u>Garbage and Rubbish Collection</u> | <u>Brownfield Authority</u> | <u>Building Inspection</u> | <u>Budget Stabilization</u> | <u>Drug Forfeiture</u> | <u>Criminal Forfeiture</u> |
|--|--|---------------------------------------|--|-----------------------------------|---------------------------------------|
| \$ 111,144 | \$ 33,421 | \$ 117,727 | \$ - | \$ 21,565 | \$ 7,926 |
| - | - | 9,874 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ 111,144</u> | <u>\$ 33,421</u> | <u>\$ 127,601</u> | <u>\$ -</u> | <u>\$ 21,565</u> | <u>\$ 7,926</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 88 | \$ - |
| 2,918 | - | 28,590 | - | - | - |
| 16,982 | - | 800 | - | - | - |
| - | - | 11,277 | - | - | - |
| <u>\$ 19,900</u> | <u>\$ -</u> | <u>\$ 40,667</u> | <u>\$ -</u> | <u>\$ 88</u> | <u>\$ -</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| <u>91,244</u> | <u>33,421</u> | <u>86,934</u> | <u>-</u> | <u>21,477</u> | <u>7,926</u> |
| <u>\$ 91,244</u> | <u>\$ 33,421</u> | <u>\$ 86,934</u> | <u>\$ -</u> | <u>\$ 21,477</u> | <u>\$ 7,926</u> |
| <u>\$ 111,144</u> | <u>\$ 33,421</u> | <u>\$ 127,601</u> | <u>\$ -</u> | <u>\$ 21,565</u> | <u>\$ 7,926</u> |

CITY OF ST. JOSEPH
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet - Continued
June 30, 2011

| | <u>Band</u> | <u>Public Library</u> | <u>Justice Training</u> | <u>Total</u> |
|--|-------------------|---------------------------|-----------------------------|---------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 77,005 | \$ 186,159 | \$ 3,482 | \$ 1,791,970 |
| Receivables | - | 14,583 | - | 125,066 |
| Due from other funds | - | - | - | 1,757 |
| Inventory | - | - | - | 47,825 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL ASSETS | <u>\$ 77,005</u> | <u>\$ 200,742</u> | <u>\$ 3,482</u> | <u>\$ 1,966,618</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 493 | \$ - | \$ 20,571 |
| Accrued liabilities | 2,170 | 13,639 | - | 64,483 |
| Due to other funds | - | - | - | 41,878 |
| Deferred revenue | - | - | - | 11,277 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>\$ 2,170</u> | <u>\$ 14,132</u> | <u>\$ -</u> | <u>\$ 138,209</u> |
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Inventory | \$ - | \$ - | \$ - | 47,825 |
| Restricted | 74,835 | 186,610 | 3,482 | 1,780,584 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Fund Balances | <u>\$ 74,835</u> | <u>\$ 186,610</u> | <u>\$ 3,482</u> | <u>\$ 1,828,409</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 77,005</u> | <u>\$ 200,742</u> | <u>\$ 3,482</u> | <u>\$ 1,966,618</u> |

CITY OF ST. JOSEPH
NONMAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances
For the Year Ended June 30, 2011

| | <u>Major Streets</u> | <u>Local Streets</u> | <u>Street Improvement</u> | <u>Cemetery</u> |
|---|---------------------------|----------------------------|-------------------------------|---------------------------|
| Revenues: | | | | |
| Taxes | \$ - | \$ - | \$ 413,160 | \$ - |
| Federal revenue | 21,797 | 21,797 | 400 | - |
| State revenue | 452,701 | 160,575 | - | - |
| Contributions from local units | - | - | - | - |
| Charges for services | - | - | - | 184,884 |
| Licenses and permits | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Interest and rents | 356 | 291 | 291 | 185 |
| Other | <u>1,043</u> | <u>11,456</u> | <u>1,195</u> | <u>500</u> |
| Total Revenues | <u>\$ 475,897</u> | <u>\$ 194,119</u> | <u>\$ 415,046</u> | <u>\$ 185,569</u> |
| Expenditures: | | | | |
| Personal services: | | | | |
| Salaries and wages | \$ 48,485 | \$ 335,610 | \$ - | \$ 121,818 |
| Benefits and insurance | 38,802 | 112,344 | - | 49,070 |
| Supplies | 50,591 | 18,219 | - | 8,503 |
| Other services and charges | 175,568 | 252,877 | 49,033 | 20,225 |
| Capital outlay | <u>-</u> | <u>-</u> | <u>606,259</u> | <u>-</u> |
| Total Expenditures | <u>\$ 313,446</u> | <u>\$ 719,050</u> | <u>\$ 655,292</u> | <u>\$ 199,616</u> |
| Revenues Over (Under) Expenditures | <u>\$ 162,451</u> | <u>\$ (524,931)</u> | <u>\$ (240,246)</u> | <u>\$ (14,047)</u> |
| Other Financing Sources (Uses): | | | | |
| Sale of fixed assets | \$ - | \$ - | \$ - | \$ - |
| Operating transfers in | - | 450,000 | 336,449 | - |
| Operating transfers out | <u>(10,000)</u> | <u>-</u> | <u>(71,549)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>\$ (10,000)</u> | <u>\$ 450,000</u> | <u>\$ 264,900</u> | <u>\$ -</u> |
| Net Change in Fund Balances | \$ 152,451 | \$ (74,931) | \$ 24,654 | \$ (14,047) |
| Fund Balances - Beginning of Year | 185,618 | 201,364 | 712,070 | 43,944 |
| Fund Balance Transfer | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 338,069</u> | <u>\$ 126,433</u> | <u>\$ 736,724</u> | <u>\$ 29,897</u> |

| <u>Depot</u> | <u>Garbage and Rubbish Collection</u> | <u>Brownfield Authority</u> | <u>Building Inspection</u> | <u>Budget Stabilization</u> | <u>Drug Forfeiture</u> | <u>Criminal Forfeiture</u> |
|------------------|---|---------------------------------|--------------------------------|---------------------------------|----------------------------|--------------------------------|
| \$ - | \$ 723,038 | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | 2,741 | - | 24,004 | - | - | - |
| - | - | - | 204,554 | - | - | - |
| - | - | - | - | - | - | - |
| 21,662 | 48 | 137 | 403 | - | 12 | 6 |
| - | - | - | 8,441 | - | 25,343 | 5,704 |
| <u>\$ 21,662</u> | <u>\$ 725,827</u> | <u>\$ 137</u> | <u>\$ 237,402</u> | <u>\$ -</u> | <u>\$ 25,355</u> | <u>\$ 5,710</u> |
| \$ - | \$ 92,066 | \$ - | \$ 188,103 | \$ - | \$ - | \$ - |
| - | 37,157 | - | 47,622 | - | - | - |
| - | 6,906 | - | 3,215 | - | - | - |
| 12,952 | 582,525 | 7 | 85,093 | - | 12,649 | 3,000 |
| 3,250 | - | - | - | - | - | - |
| <u>\$ 16,202</u> | <u>\$ 718,654</u> | <u>\$ 7</u> | <u>\$ 324,033</u> | <u>\$ -</u> | <u>\$ 12,649</u> | <u>\$ 3,000</u> |
| <u>\$ 5,460</u> | <u>\$ 7,173</u> | <u>\$ 130</u> | <u>\$ (86,631)</u> | <u>\$ -</u> | <u>\$ 12,706</u> | <u>\$ 2,710</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 5,460 | \$ 7,173 | \$ 130 | \$ (86,631) | \$ - | \$ 12,706 | \$ 2,710 |
| 85,897 | 84,071 | 33,291 | 173,565 | 1,000,000 | 8,771 | 5,216 |
| - | - | - | - | (1,000,000) | - | - |
| <u>\$ 91,357</u> | <u>\$ 91,244</u> | <u>\$ 33,421</u> | <u>\$ 86,934</u> | <u>\$ -</u> | <u>\$ 21,477</u> | <u>\$ 7,926</u> |

CITY OF ST. JOSEPH
NONMAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances
For the Year Ended June 30, 2011

| | <u>Band</u> | <u>Public Library</u> | <u>Justice Training</u> | <u>Total</u> |
|--|-------------------|---------------------------|-----------------------------|---------------------|
| Revenues: | | | | |
| Taxes | \$ 103,274 | \$ 280,937 | \$ - | \$ 1,520,409 |
| Federal revenue | - | - | - | 43,994 |
| State revenue | - | 19,210 | 3,398 | 635,884 |
| Contributions from local units | - | 175,000 | - | 175,000 |
| Charges for services | 2,509 | 7,546 | - | 221,684 |
| Licenses and permits | - | - | - | 204,554 |
| Fines and forfeitures | - | 201,183 | - | 201,183 |
| Interest and rents | 36 | 265 | 12 | 23,704 |
| Other | <u>2,601</u> | <u>50,848</u> | <u>-</u> | <u>107,131</u> |
| Total Revenues | <u>\$ 108,420</u> | <u>\$ 734,989</u> | <u>\$ 3,410</u> | <u>\$ 3,133,543</u> |
| Expenditures: | | | | |
| Personal services: | | | | |
| Salaries and wages | \$ 14,223 | \$ 419,818 | \$ - | \$ 1,220,123 |
| Benefits and insurance | 1,222 | 74,966 | - | 361,183 |
| Supplies | 3,700 | 31,003 | - | 122,137 |
| Other services and charges | 75,122 | 165,874 | 5,810 | 1,440,735 |
| Capital outlay | <u>-</u> | <u>65,730</u> | <u>-</u> | <u>675,239</u> |
| Total Expenditures | <u>\$ 94,267</u> | <u>\$ 757,391</u> | <u>\$ 5,810</u> | <u>\$ 3,819,417</u> |
| Revenues Over (Under) Expenditures | <u>\$ 14,153</u> | <u>\$ (22,402)</u> | <u>\$ (2,400)</u> | <u>\$ (685,874)</u> |
| Other Financing Sources (Uses): | | | | |
| Sale of fixed assets | \$ - | \$ 1,738 | \$ - | \$ 1,738 |
| Operating transfers in | - | 22,900 | - | 809,349 |
| Operating transfers out | <u>-</u> | <u>(37,900)</u> | <u>-</u> | <u>(119,449)</u> |
| Total Other Financing Sources (Uses) | <u>\$ -</u> | <u>\$ (13,262)</u> | <u>\$ -</u> | <u>\$ 691,638</u> |
| Net Change in Fund Balances | \$ 14,153 | \$ (35,664) | \$ (2,400) | \$ 5,764 |
| Fund Balances - Beginning of Year | 60,682 | 222,274 | 5,882 | 2,822,645 |
| Fund Balance Transfer | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,000,000)</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 74,835</u> | <u>\$ 186,610</u> | <u>\$ 3,482</u> | <u>\$ 1,828,409</u> |

**CITY OF ST. JOSEPH
COMPONENT UNIT
Statement of Net Assets
June 30, 2011**

| | Downtown Development Authority |
|-------------------------------------|---|
| Assets | |
| Cash and cash equivalents | \$ <u>58,454</u> |
| TOTAL ASSETS | \$ <u><u>58,454</u></u> |
| Liabilities and Net Assets | |
| Liabilities | |
| Accrued liabilities | \$ 270 |
| Net Assets | |
| Unrestricted | <u>58,184</u> |
| TOTAL LIABILITIES AND NET ASSETS | \$ <u><u>58,454</u></u> |

**CITY OF ST. JOSEPH
COMPONENT UNIT
Statement of Revenues, Expenditures, and Changes
in Net Assets - Budget and Actual
For the Year Ended June 30, 2011**

| | <u>Downtown Development Authority</u> | | |
|---------------------------------------|---------------------------------------|-------------------------|---|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
| Revenues: | | | |
| Taxes | \$ 49,400 | \$ 49,559 | \$ 159 |
| Interest | 100 | 71 | (29) |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Revenues | \$ 49,500 | \$ 49,630 | \$ 130 |
| | <u> </u> | <u> </u> | <u> </u> |
| Expenditures: | | | |
| General government | \$ 49,500 | \$ 47,199 | \$ (2,301) |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Expenditures | \$ 49,500 | \$ 47,199 | \$ (2,301) |
| | <u> </u> | <u> </u> | <u> </u> |
| Change in Net Assets | \$ - | \$ 2,431 | \$ 2,431 |
| Total Net Assets - Beginning of Year | <u>55,753</u> | <u>55,753</u> | <u>-</u> |
| TOTAL NET ASSETS - END OF YEAR | <u><u>\$ 55,753</u></u> | <u><u>\$ 58,184</u></u> | <u><u>\$ 2,431</u></u> |

CITY OF ST. JOSEPH
INTERNAL SERVICE FUNDS
Combining Statement of Net Assets
June 30, 2011

| | <u>Self Insurance</u> | <u>Motor Pool</u> | <u>Employee Health Care</u> | <u>Total</u> |
|---|---------------------------|-----------------------|---------------------------------|---------------------|
| Assets | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 626,726 | \$ 936,109 | \$ 485,487 | \$ 2,048,322 |
| Receivables | - | 4,531 | 12,195 | 16,726 |
| Due from other funds | - | 103,035 | - | 103,035 |
| Inventory | - | 40,413 | - | 40,413 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Current Assets | \$ 626,726 | \$ 1,084,088 | \$ 497,682 | \$ 2,208,496 |
| Noncurrent assets: | | | | |
| Furniture and equipment | \$ - | \$ 3,339,339 | \$ - | \$ 3,339,339 |
| Accumulated depreciation | - | (2,333,163) | - | (2,333,163) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Noncurrent Assets | \$ - | \$ 1,006,176 | \$ - | \$ 1,006,176 |
| TOTAL ASSETS | <u>\$ 626,726</u> | <u>\$ 2,090,264</u> | <u>\$ 497,682</u> | <u>\$ 3,214,672</u> |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accrued liabilities | \$ - | \$ 26,402 | \$ - | \$ 26,402 |
| Compensated absences | - | 4,177 | - | 4,177 |
| Net OPEB obligation - NOTE 7 | - | 134,430 | - | 134,430 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Current Liabilities | \$ - | \$ 165,009 | \$ - | \$ 165,009 |
| Noncurrent Liabilities | | | | |
| Compensated absences | \$ - | \$ 1,393 | \$ - | \$ 1,393 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Noncurrent Liabilities | \$ - | \$ 1,393 | \$ - | \$ 1,393 |
| TOTAL LIABILITIES | <u>\$ -</u> | <u>\$ 166,402</u> | <u>\$ -</u> | <u>\$ 166,402</u> |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | \$ - | \$ 1,006,176 | \$ - | \$ 1,006,176 |
| Restricted for employee benefits | 626,726 | - | 497,682 | 1,124,408 |
| Unrestricted | - | 917,686 | - | 917,686 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL NET ASSETS | <u>\$ 626,726</u> | <u>\$ 1,923,862</u> | <u>\$ 497,682</u> | <u>\$ 3,048,270</u> |

CITY OF ST. JOSEPH
INTERNAL SERVICE FUNDS
Combining Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended June 30, 2011

| | <u>Self Insurance</u> | <u>Motor Pool</u> | <u>Employee Health Care</u> | <u>Total</u> |
|--|---------------------------|-------------------------|---------------------------------|-------------------------|
| Operating Revenues: | | | | |
| Charges for services | \$ - | \$ 810,108 | \$ - | \$ 810,108 |
| Other | <u>483,419</u> | <u>40,899</u> | <u>2,140,620</u> | <u>2,664,938</u> |
| Total Operating Revenues | <u>\$ 483,419</u> | <u>\$ 851,007</u> | <u>\$ 2,140,620</u> | <u>\$ 3,475,046</u> |
| Operating Expenses: | | | | |
| Personal services: | | | | |
| Salaries and wages | \$ 65,273 | \$ 108,132 | \$ - | \$ 173,405 |
| Employment related costs | 12,268 | 182,084 | 1,826,038 | 2,020,390 |
| Depreciation | - | 202,805 | - | 202,805 |
| Supplies | - | 339,019 | - | 339,019 |
| Other services and charges | <u>461,729</u> | <u>109,968</u> | <u>1,986</u> | <u>573,683</u> |
| Total Operating Expenses | <u>\$ 539,270</u> | <u>\$ 942,008</u> | <u>\$ 1,828,024</u> | <u>\$ 3,309,302</u> |
| Operating Income (Loss) | <u>\$ (55,851)</u> | <u>\$ (91,001)</u> | <u>\$ 312,596</u> | <u>\$ 165,744</u> |
| Nonoperating Revenues (Expenses): | | | | |
| Interest income | 534 | 697 | 175 | 1,406 |
| Loss on disposition of assets | <u>-</u> | <u>(13,708)</u> | <u>-</u> | <u>(13,708)</u> |
| Changes in Net Assets | <u>\$ (55,317)</u> | <u>\$ (104,012)</u> | <u>\$ 312,771</u> | <u>\$ 153,442</u> |
| Total Net Assets - Beginning of Year | <u>682,043</u> | <u>2,027,874</u> | <u>184,911</u> | <u>2,894,828</u> |
| TOTAL NET ASSETS - END OF YEAR | <u>\$ 626,726</u> | <u>\$ 1,923,862</u> | <u>\$ 497,682</u> | <u>\$ 3,048,270</u> |

CITY OF ST. JOSEPH
INTERNAL SERVICE FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2011

| | <u>Self Insurance</u> | <u>Motor Pool</u> | <u>Employee Health Care</u> | <u>Total</u> |
|--|---------------------------|-----------------------|---------------------------------|---------------------|
| Cash Flows From Operating Activities: | | | | |
| Cash receipts for interfund services provided | \$ 483,419 | \$ 756,179 | \$ 2,128,948 | \$ 3,368,546 |
| Cash receipts from customers | - | 39,233 | - | 39,233 |
| Payments to employees | (77,541) | (128,517) | - | (206,058) |
| Payments to interfund services provided | - | (339,019) | - | (339,019) |
| Payments to suppliers | <u>(461,729)</u> | <u>(87,305)</u> | <u>(1,810,024)</u> | <u>(2,359,058)</u> |
| Net cash provided (used) by operating activities | <u>\$ (55,851)</u> | <u>\$ 240,571</u> | <u>\$ 318,924</u> | <u>\$ 503,644</u> |
| Cash Flows From Capital and Related Financing Activities: | | | | |
| Purchase of capital assets | \$ - | \$ (116,380) | \$ - | \$ (116,380) |
| Proceeds from sale of capital assets | <u>-</u> | <u>16,450</u> | <u>-</u> | <u>16,450</u> |
| Net cash used by capital and related financing activities | <u>\$ -</u> | <u>\$ (99,930)</u> | <u>\$ -</u> | <u>\$ (99,930)</u> |
| Cash Flows From Investing Activities: | | | | |
| Interest and dividends received | <u>\$ 534</u> | <u>\$ 697</u> | <u>\$ 175</u> | <u>\$ 1,406</u> |
| Net cash provided by investing activities | <u>\$ 534</u> | <u>\$ 697</u> | <u>\$ 175</u> | <u>\$ 1,406</u> |
| Net increase (decrease) in cash and cash equivalents | \$ (55,317) | \$ 141,338 | \$ 319,099 | \$ 405,120 |
| Balances - Beginning of Year | <u>682,043</u> | <u>794,771</u> | <u>166,388</u> | <u>1,643,202</u> |
| BALANCES - END OF YEAR | <u>\$ 626,726</u> | <u>\$ 936,109</u> | <u>\$ 485,487</u> | <u>\$ 2,048,322</u> |

**CITY OF ST. JOSEPH
INTERNAL SERVICE FUNDS
Combining Statement of Cash Flows - Continued
For the Year Ended June 30, 2011**

| | <u>Self Insurance</u> | <u>Motor Pool</u> | <u>Employee Healthcare</u> | <u>Total</u> |
|--|---------------------------|-----------------------|--------------------------------|-------------------|
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ (55,851) | \$ (91,001) | \$ 312,596 | \$ 165,744 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation expense | \$ - | \$ 202,805 | \$ - | \$ 202,805 |
| (Increase) decrease in: | | | | |
| Accounts receivable | - | (1,666) | (11,672) | (13,338) |
| Due from other funds | - | (53,929) | - | (53,929) |
| Prepaid insurance | - | - | 18,000 | 18,000 |
| Inventory | - | 22,663 | - | 22,663 |
| Increase (decrease) in: | | | | |
| Accrued liabilities | - | 27,269 | - | 27,269 |
| Net OPEB obligation - NOTE 7 | - | 134,430 | - | 134,430 |
| | <u> -</u> | <u>331,572</u> | <u>6,328</u> | <u>337,900</u> |
| Total Adjustments | \$ - | \$ 331,572 | \$ 6,328 | \$ 337,900 |
| Net cash provided by operating activities | <u>\$ (55,851)</u> | <u>\$ 240,571</u> | <u>\$ 318,924</u> | <u>\$ 503,644</u> |

CITY OF ST. JOSEPH
PENSION AND OTHER EMPLOYEE BENEFITS FUNDS
Combining Statement of Net Assets
June 30, 2011

| | Employees' Retirement Fund | Flex Spending Fund | Total |
|---|---|-------------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 335,832 | \$ 6,292 | \$ 342,124 |
| Receivables: | | | |
| Interest receivable | \$ 163,195 | \$ - | \$ 163,195 |
| Contributions receivable | 8,766 | - | 8,766 |
| Due from employees | - | 3,730 | 3,730 |
| Due from other funds | 80 | - | 80 |
| | <u>172,041</u> | <u>3,730</u> | <u>175,771</u> |
| Total Receivables | \$ | \$ | \$ |
| Investments, at fair value | | | |
| Stocks | \$ 32,700,479 | \$ - | \$ 32,700,479 |
| Bonds | 10,222,723 | - | 10,222,723 |
| Governmental obligations | 8,327,665 | - | 8,327,665 |
| Other | 1,553,191 | - | 1,553,191 |
| | <u>52,804,058</u> | <u>-</u> | <u>52,804,058</u> |
| Total Investments | \$ | \$ | \$ |
| Total Assets | <u>\$ 53,311,931</u> | <u>\$ 10,022</u> | <u>\$ 53,321,953</u> |
| Liabilities | | | |
| Due to other funds | \$ - | \$ 10,022 | \$ 10,022 |
| | <u>-</u> | <u>10,022</u> | <u>10,022</u> |
| Total Liabilities | \$ | \$ | \$ |
| Net Assets | | | |
| Held in trust for pension benefits and other purposes | <u>\$ 53,311,931</u> | <u>\$ -</u> | <u>\$ 53,311,931</u> |

CITY OF ST. JOSEPH
PENSION AND OTHER EMPLOYEE BENEFITS FUNDS
Combining Statement of Changes in Net Assets
June 30, 2011

| | Employees' Retirement Fund | Flex Spending Fund | Total |
|--------------------------------|---|-------------------------------|----------------------|
| Additions: | | | |
| Contributions: | | | |
| Plan members | \$ 311,099 | \$ - | \$ 311,099 |
| Employer | <u>387,700</u> | <u>-</u> | <u>387,700</u> |
| Total Contributions | <u>\$ 698,799</u> | <u>\$ -</u> | <u>\$ 698,799</u> |
| Investments Earnings: | | | |
| Interest & dividends | \$ 1,509,861 | \$ - | \$ 1,509,861 |
| Net increase, FMV investments | 8,521,729 | - | 8,521,729 |
| Miscellaneous | <u>4,912</u> | <u>-</u> | <u>4,912</u> |
| Total Investments Earnings | \$ 10,036,502 | \$ - | \$ 10,036,502 |
| Less: investment expenses | <u>(215,398)</u> | <u>-</u> | <u>(215,398)</u> |
| Net Investment Earnings | <u>\$ 9,821,104</u> | <u>\$ -</u> | <u>\$ 9,821,104</u> |
| Total Additions | <u>\$ 10,519,903</u> | <u>\$ -</u> | <u>\$ 10,519,903</u> |
| Deductions: | | | |
| Benefits | \$ 2,295,503 | \$ - | \$ 2,295,503 |
| Refund of contributions | 11,128 | - | 11,128 |
| Administrative expense | <u>14,468</u> | <u>-</u> | <u>14,468</u> |
| Total Deductions | <u>\$ 2,321,099</u> | <u>\$ -</u> | <u>\$ 2,321,099</u> |
| Change in Net Assets | \$ 8,198,804 | \$ - | \$ 8,198,804 |
| Net Assets - Beginning of Year | <u>45,113,127</u> | <u>-</u> | <u>45,113,127</u> |
| NET ASSETS - END OF YEAR | <u>\$ 53,311,931</u> | <u>\$ -</u> | <u>\$ 53,311,931</u> |

CITY OF ST. JOSEPH
AGENCY FUNDS
Combining Statement of Net Assets
June 30, 2011

| | Treasurer's Tax Fund | Imprest Payroll Fund | Trust and Agency Fund | Total |
|---------------------------|-------------------------------------|-------------------------------------|--------------------------------------|-----------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 968 | \$ 154 | \$ 5,017 | \$ 6,139 |
| TOTAL ASSETS | <u>\$ 968</u> | <u>\$ 154</u> | <u>\$ 5,017</u> | <u>\$ 6,139</u> |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ - | \$ 5,017 | \$ 5,017 |
| Due to other funds | <u>968</u> | <u>154</u> | <u>-</u> | <u>1,122</u> |
| TOTAL LIABILITIES | <u>\$ 968</u> | <u>\$ 154</u> | <u>\$ 5,017</u> | <u>\$ 6,139</u> |

**CITY OF ST. JOSEPH
PERMANENT FUNDS
Combining Balance Sheet
June 30, 2011**

| | Cemetery Perpetual Care | Library Endowment | Total |
|-------------------------|--|------------------------------|-----------------------------|
| Assets | | | |
| Cash | \$ 207,386 | \$ 45,690 | \$ 253,076 |
| Certificates of deposit | - | 650,000 | 650,000 |
| Due from other funds | - | 39,526 | 39,526 |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL ASSETS | <u>\$ 207,386</u> | <u>\$ 735,216</u> | <u>\$ 942,602</u> |
| Fund Balances | | | |
| Restricted for: | | | |
| Perpetual care | \$ 207,386 | \$ - | \$ 207,386 |
| Endowment | - | 735,216 | 735,216 |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL FUND BALANCES | <u>\$ 207,386</u> | <u>\$ 735,216</u> | <u>\$ 942,602</u> |

**CITY OF ST. JOSEPH
PERMANENT FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2011**

| | Cemetery Perpetual <u>Care</u> | Library Endowment | <u>Total</u> |
|--|---|------------------------------|-----------------------|
| Revenues: | | | |
| Interest and rents | \$ 30 | \$ 6,714 | \$ 6,744 |
| Other revenue | <u>-</u> | <u>2,225</u> | <u>2,225</u> |
| Total Revenues | \$ 30 | \$ 8,939 | \$ 8,969 |
| Other Financing Sources (Uses): | | | |
| Operating transfers out | <u>-</u> | <u>(22,900)</u> | <u>(22,900)</u> |
| Net Changes in Fund Balances | \$ 30 | \$ (13,961) | \$ (13,931) |
| Fund Balances - Beginning of Year | <u>207,356</u> | <u>749,177</u> | <u>956,533</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 207,386</u> | <u>\$ 735,216</u> | <u>\$ 942,602</u> |

CITY OF ST. JOSEPH
Schedule of 2002 Improvement and Refunding Bonds
June 30, 2011

| <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> | | |
| 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% | 394,125 | 9,562 | 9,563 | 375,000 | - |
| | | <u>\$ 5,472,125</u> | <u>\$ 916,062</u> | <u>\$ 916,063</u> | <u>\$ 3,640,000</u> | |

CITY OF ST. JOSEPH
Schedule of 2003 State Revolving Fund Bonds
Project #5190-01
June 30, 2011

| <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> | | |
| 2012 | 2.50% | \$ 124,498 | \$ 15,343 | \$ 14,155 | \$ 95,000 | \$ 1,132,410 |
| 2013 | 2.50% | 122,123 | 14,155 | 12,968 | 95,000 | 1,037,410 |
| 2014 | 2.50% | 119,748 | 12,968 | 11,780 | 95,000 | 942,410 |
| 2015 | 2.50% | 117,373 | 11,780 | 10,593 | 95,000 | 847,410 |
| 2016 | 2.50% | 114,998 | 10,593 | 9,405 | 95,000 | 752,410 |
| 2017 | 2.50% | 112,623 | 9,405 | 8,218 | 95,000 | 657,410 |
| 2018 | 2.50% | 110,248 | 8,218 | 7,030 | 95,000 | 562,410 |
| 2019 | 2.50% | 107,873 | 7,030 | 5,843 | 95,000 | 467,410 |
| 2020 | 2.50% | 105,498 | 5,843 | 4,655 | 95,000 | 372,410 |
| 2021 | 2.50% | 103,123 | 4,655 | 3,468 | 95,000 | 277,410 |
| 2022 | 2.50% | 100,748 | 3,468 | 2,280 | 95,000 | 182,410 |
| 2023 | 2.50% | 98,373 | 2,280 | 1,093 | 95,000 | 87,410 |
| 2024 | 2.50% | 88,503 | 1,093 | - | 87,410 | - |
| | | <u>\$ 1,425,729</u> | <u>\$ 106,831</u> | <u>\$ 91,488</u> | <u>\$ 1,227,410</u> | |

CITY OF ST. JOSEPH
Schedule of 2004 State Revolving Fund Bonds
Project #5190-02
June 30, 2011

| <u>Year Ended June 30,</u> | <u>Interest Rate</u> | <u>Annual Debt Service</u> | <u>Interest</u> | | <u>Principal April 1</u> | <u>Balance</u> |
|------------------------------------|--------------------------|--------------------------------|-------------------|-------------------|------------------------------|----------------|
| | | | <u>October 1</u> | <u>April 1</u> | | |
| 2012 | 2.125% | \$ 128,934 | \$ 16,967 | \$ 16,967 | \$ 95,000 | \$ 1,501,902 |
| 2013 | 2.125% | 126,915 | 15,957 | 15,958 | 95,000 | 1,406,902 |
| 2014 | 2.125% | 134,897 | 14,948 | 14,949 | 105,000 | 1,301,902 |
| 2015 | 2.125% | 132,665 | 13,832 | 13,833 | 105,000 | 1,196,902 |
| 2016 | 2.125% | 135,434 | 12,717 | 12,717 | 110,000 | 1,086,902 |
| 2017 | 2.125% | 133,097 | 11,548 | 11,549 | 110,000 | 976,902 |
| 2018 | 2.125% | 135,759 | 10,379 | 10,380 | 115,000 | 861,902 |
| 2019 | 2.125% | 133,315 | 9,157 | 9,158 | 115,000 | 746,902 |
| 2020 | 2.125% | 135,872 | 7,936 | 7,936 | 120,000 | 626,902 |
| 2021 | 2.125% | 133,322 | 6,661 | 6,661 | 120,000 | 506,902 |
| 2022 | 2.125% | 135,772 | 5,386 | 5,386 | 125,000 | 381,902 |
| 2023 | 2.125% | 133,115 | 4,057 | 4,058 | 125,000 | 256,902 |
| 2024 | 2.125% | 135,459 | 2,729 | 2,730 | 130,000 | 126,902 |
| 2025 | 2.125% | 129,599 | 1,348 | 1,349 | 126,902 | - |
| | | <u>\$ 1,864,155</u> | <u>\$ 133,622</u> | <u>\$ 133,631</u> | <u>\$ 1,596,902</u> | |

CITY OF ST. JOSEPH
Schedule of Capital Improvement Note
Berrien County Revolving Loan Fund
June 30, 2011

| <u>Year Ended June 30,</u> | <u>Interest Rate</u> | <u>Annual Debt Service</u> | <u>Interest</u> | <u>Principal January 1</u> | <u>Balance</u> |
|----------------------------|----------------------|----------------------------|-----------------|----------------------------|----------------|
| 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>\$ 225,000</u> | <u>\$ -</u> | <u>\$ 225,000</u> | |

CITY OF ST. JOSEPH
Schedule of Bluffside Installment Loan
Fifth Third Bank
June 30, 2011

| <u>Year Ended June 30,</u> | <u>Interest Rate</u> | <u>Annual Debt Service</u> | <u>Interest</u> | | <u>Principal</u> | | <u>Balance</u> |
|------------------------------------|--------------------------|--------------------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| | | | <u>August 8</u> | <u>February 8</u> | <u>August 8</u> | <u>February 8</u> | |
| 2012 | 4.350% | \$ 128,048 | \$ 26,636 | \$ 25,823 | \$ 37,388 | \$ 38,201 | \$ 1,149,079 |
| 2013 | 4.350% | 128,048 | 24,992 | 24,143 | 39,032 | 39,881 | 1,070,166 |
| 2014 | 4.350% | 128,048 | 23,276 | 22,390 | 40,748 | 41,634 | 987,784 |
| 2015 | 4.350% | 128,048 | 21,484 | 20,559 | 42,540 | 43,465 | 901,779 |
| 2016 | 4.350% | 128,048 | 19,614 | 18,648 | 44,410 | 45,376 | 811,993 |
| 2017 | 4.350% | 128,048 | 17,661 | 16,652 | 46,363 | 47,372 | 718,258 |
| 2018 | 4.350% | 128,048 | 15,622 | 14,569 | 48,402 | 49,455 | 620,401 |
| 2019 | 4.350% | 128,048 | 13,494 | 12,395 | 50,530 | 51,629 | 518,242 |
| 2020 | 4.350% | 128,048 | 11,272 | 10,124 | 52,752 | 53,900 | 411,590 |
| 2021 | 4.350% | 128,048 | 8,952 | 7,754 | 55,072 | 56,270 | 300,248 |
| 2022 | 4.350% | 128,048 | 6,530 | 5,280 | 57,494 | 58,744 | 184,010 |
| 2023 | 4.350% | 128,048 | 4,002 | 2,697 | 60,022 | 61,327 | 62,661 |
| 2024 | 4.350% | 64,024 | 1,363 | - | 62,661 | - | - |
| | | <u>\$ 1,600,600</u> | <u>\$ 194,898</u> | <u>\$ 181,034</u> | <u>\$ 637,414</u> | <u>\$ 587,254</u> | |

CITY OF ST. JOSEPH
Schedule of 2010 Marina Improvement Loan
June 30, 2011

| <u>Year Ended June 30,</u> | <u>Interest Rate</u> | <u>Annual Debt Service</u> | <u>Interest</u> | | <u>Principal</u> | | <u>Balance</u> |
|------------------------------------|--------------------------|--------------------------------|-------------------|-----------------|-------------------|------------------|----------------|
| | | | <u>November 1</u> | <u>May 1</u> | <u>November 1</u> | <u>May 1</u> | |
| 2012 | 3.74% | \$ 66,520 | \$ 4,131 | \$ 3,535 | \$ 29,129 | \$ 29,725 | \$ 157,061 |
| 2013 | 3.74% | 66,520 | 3,006 | 2,388 | 30,254 | 30,872 | 95,935 |
| 2014 | 3.74% | 66,520 | 1,837 | 1,216 | 31,423 | 32,044 | 32,468 |
| 2015 | 3.74% | <u>33,092</u> | <u>624</u> | <u>-</u> | <u>32,468</u> | <u>-</u> | <u>-</u> |
| | | <u>\$ 232,652</u> | <u>\$ 9,598</u> | <u>\$ 7,139</u> | <u>\$ 123,274</u> | <u>\$ 92,641</u> | |

CITY OF ST. JOSEPH
Schedule of 2010 Marina Property Note
June 30, 2011

| <u>Year Ended June 30,</u> | <u>Interest Rate</u> | <u>Annual Debt Service</u> | <u>Interest</u> | <u>Principal December 31</u> | <u>Balance</u> |
|----------------------------|----------------------|----------------------------|-----------------|------------------------------|----------------|
| 2012 | - | \$ - | \$ - | \$ - | \$ 125,000 |
| 2013 | - | 13,889 | - | 13,889 | 111,111 |
| 2014 | - | 13,889 | - | 13,889 | 97,222 |
| 2015 | - | 13,889 | - | 13,889 | 83,333 |
| 2016 | - | 13,889 | - | 13,889 | 69,444 |
| 2017 | - | 13,889 | - | 13,889 | 55,555 |
| 2018 | - | 13,889 | - | 13,889 | 41,666 |
| 2019 | - | 13,889 | - | 13,889 | 27,777 |
| 2020 | - | 13,889 | - | 13,889 | 13,888 |
| 2021 | - | <u>13,888</u> | <u>-</u> | <u>13,888</u> | <u>-</u> |
| | | <u>\$ 125,000</u> | <u>\$ -</u> | <u>\$ 125,000</u> | |

CITY OF ST. JOSEPH
Schedule of 2008 Capital Improvement Bonds
Project #7236-01
June 30, 2011

| <u>Year Ended June 30,</u> | <u>Interest Rate</u> | <u>Annual Debt Service</u> | <u>Interest</u> | | <u>Principal</u> | <u>Balance</u> |
|------------------------------------|--------------------------|--------------------------------|-------------------|-------------------|--------------------|----------------|
| | | | <u>October 1</u> | <u>April 1</u> | <u>April 1</u> | |
| 2012 | 2.500% | \$ 205,535 | \$ 37,966 | \$ 37,569 | \$ 130,000 | \$ 2,875,496 |
| 2013 | 2.500% | 206,887 | 35,944 | 35,943 | 135,000 | 2,740,496 |
| 2014 | 2.500% | 208,512 | 34,256 | 34,256 | 140,000 | 2,600,496 |
| 2015 | 2.500% | 205,012 | 32,506 | 32,506 | 140,000 | 2,460,496 |
| 2016 | 2.500% | 206,512 | 30,756 | 30,756 | 145,000 | 2,315,496 |
| 2017 | 2.500% | 207,887 | 28,944 | 28,943 | 150,000 | 2,165,496 |
| 2018 | 2.500% | 204,137 | 27,069 | 27,068 | 150,000 | 2,015,496 |
| 2019 | 2.500% | 205,387 | 25,194 | 25,193 | 155,000 | 1,860,496 |
| 2020 | 2.500% | 206,512 | 23,256 | 23,256 | 160,000 | 1,700,496 |
| 2021 | 2.500% | 207,512 | 21,256 | 21,256 | 165,000 | 1,535,496 |
| 2022 | 2.500% | 208,387 | 19,194 | 19,193 | 170,000 | 1,365,496 |
| 2023 | 2.500% | 204,137 | 17,069 | 17,068 | 170,000 | 1,195,496 |
| 2024 | 2.500% | 204,887 | 14,944 | 14,943 | 175,000 | 1,020,496 |
| 2025 | 2.500% | 205,512 | 12,756 | 12,756 | 180,000 | 840,496 |
| 2026 | 2.500% | 206,012 | 10,506 | 10,506 | 185,000 | 655,496 |
| 2027 | 2.500% | 206,387 | 8,194 | 8,193 | 190,000 | 465,496 |
| 2028 | 2.500% | 206,637 | 5,819 | 5,818 | 195,000 | 270,496 |
| 2029 | 2.500% | 206,762 | 3,381 | 3,381 | 200,000 | 70,496 |
| 2030 | 2.500% | <u>72,258</u> | <u>881</u> | <u>881</u> | <u>70,496</u> | - |
| | | <u>\$ 3,784,872</u> | <u>\$ 389,891</u> | <u>\$ 389,485</u> | <u>\$3,005,496</u> | |

CITY OF ST. JOSEPH
Schedule of 2009 Capital Improvement Bonds
Project #5322-01
June 30, 2011

| <u>Year Ended June 30,</u> | <u>Interest Rate</u> | <u>Annual Debt Service</u> | <u>Interest</u> | | <u>Principal</u> | <u>Balance</u> |
|------------------------------------|--------------------------|--------------------------------|------------------|------------------|-------------------|----------------|
| | | | <u>October 1</u> | <u>April 1</u> | <u>April 1</u> | |
| 2012 | 2.500% | \$ 15,525 | \$ 2,762 | \$ 2,763 | \$ 10,000 | \$ 211,000 |
| 2013 | 2.500% | 15,275 | 2,637 | 2,638 | 10,000 | 201,000 |
| 2014 | 2.500% | 15,025 | 2,512 | 2,513 | 10,000 | 191,000 |
| 2015 | 2.500% | 14,775 | 2,387 | 2,388 | 10,000 | 181,000 |
| 2016 | 2.500% | 14,525 | 2,262 | 2,263 | 10,000 | 171,000 |
| 2017 | 2.500% | 14,275 | 2,137 | 2,138 | 10,000 | 161,000 |
| 2018 | 2.500% | 14,025 | 2,012 | 2,013 | 10,000 | 151,000 |
| 2019 | 2.500% | 13,775 | 1,887 | 1,888 | 10,000 | 141,000 |
| 2020 | 2.500% | 13,525 | 1,762 | 1,763 | 10,000 | 131,000 |
| 2021 | 2.500% | 13,275 | 1,637 | 1,638 | 10,000 | 121,000 |
| 2022 | 2.500% | 13,025 | 1,512 | 1,513 | 10,000 | 111,000 |
| 2023 | 2.500% | 12,775 | 1,387 | 1,388 | 10,000 | 101,000 |
| 2024 | 2.500% | 13,525 | 1,262 | 1,263 | 11,000 | 90,000 |
| 2025 | 2.500% | 17,250 | 1,125 | 1,125 | 15,000 | 75,000 |
| 2026 | 2.500% | 16,875 | 937 | 938 | 15,000 | 60,000 |
| 2027 | 2.500% | 16,500 | 750 | 750 | 15,000 | 45,000 |
| 2028 | 2.500% | 16,125 | 562 | 563 | 15,000 | 30,000 |
| 2029 | 2.500% | 15,750 | 375 | 375 | 15,000 | 15,000 |
| 2030 | 2.500% | 15,375 | 187 | 188 | 15,000 | - |
| | | <u>\$ 281,200</u> | <u>\$ 30,092</u> | <u>\$ 30,108</u> | <u>\$ 221,000</u> | |

CITY OF ST. JOSEPH
Schedule of 2009 Capital Improvement Bonds
Project #7237-01
June 30, 2011

| <u>Year Ended June 30,</u> | <u>Interest Rate</u> | <u>Annual Debt Service</u> | <u>Interest</u> | | <u>Principal</u> | <u>Balance</u> |
|------------------------------------|--------------------------|--------------------------------|-------------------|-------------------|--------------------|----------------|
| | | | <u>October 1</u> | <u>April 1</u> | <u>April 1</u> | |
| 2012 | 2.500% | \$ 77,200 | \$ 38,600 | \$ 38,600 | \$ - | \$ 3,087,964 |
| 2013 | 2.500% | 307,287 | 38,600 | 35,687 | 233,000 | 2,854,964 |
| 2014 | 2.500% | 308,374 | 35,687 | 32,687 | 240,000 | 2,614,964 |
| 2015 | 2.500% | 307,312 | 32,687 | 29,625 | 245,000 | 2,369,964 |
| 2016 | 2.500% | 306,125 | 29,625 | 26,500 | 250,000 | 2,119,964 |
| 2017 | 2.500% | 309,750 | 26,500 | 23,250 | 260,000 | 1,859,964 |
| 2018 | 2.500% | 308,187 | 23,250 | 19,937 | 265,000 | 1,594,964 |
| 2019 | 2.500% | 306,499 | 19,937 | 16,562 | 270,000 | 1,324,964 |
| 2020 | 2.500% | 309,624 | 16,562 | 13,062 | 280,000 | 1,044,964 |
| 2021 | 2.500% | 307,562 | 13,062 | 9,500 | 285,000 | 759,964 |
| 2022 | 2.500% | 305,375 | 9,500 | 5,875 | 290,000 | 469,964 |
| 2023 | 2.500% | 308,000 | 5,875 | 2,125 | 300,000 | 169,964 |
| 2024 | 2.500% | 172,089 | 2,125 | - | 169,964 | - |
| | | <u>\$ 3,633,384</u> | <u>\$ 292,010</u> | <u>\$ 253,410</u> | <u>\$3,087,964</u> | |

CITY OF ST. JOSEPH
Schedule of 2010 Capital Improvement Bonds
Project #7286-01
June 30, 2011

| <u>Year Ended June 30,</u> | <u>Interest Rate</u> | <u>Annual Debt Service</u> | <u>Interest</u> | | <u>Principal</u> | <u>Balance</u> |
|------------------------------------|--------------------------|--------------------------------|------------------|------------------|-------------------|----------------|
| | | | <u>October 1</u> | <u>April 1</u> | <u>April 1</u> | |
| 2012 | 2.500% | \$ 20,736 | \$ 10,368 | \$ 10,368 | \$ - | \$ 829,475 |
| 2013 | 2.500% | 68,136 | 10,368 | 9,768 | 48,000 | 781,475 |
| 2014 | 2.500% | 68,911 | 9,768 | 9,143 | 50,000 | 731,475 |
| 2015 | 2.500% | 72,599 | 9,143 | 8,456 | 55,000 | 676,475 |
| 2016 | 2.500% | 71,224 | 8,456 | 7,768 | 55,000 | 621,475 |
| 2017 | 2.500% | 69,849 | 7,768 | 7,081 | 55,000 | 566,475 |
| 2018 | 2.500% | 68,474 | 7,081 | 6,393 | 55,000 | 511,475 |
| 2019 | 2.500% | 72,036 | 6,393 | 5,643 | 60,000 | 451,475 |
| 2020 | 2.500% | 70,536 | 5,643 | 4,893 | 60,000 | 391,475 |
| 2021 | 2.500% | 69,036 | 4,893 | 4,143 | 60,000 | 331,475 |
| 2022 | 2.500% | 72,474 | 4,143 | 3,331 | 65,000 | 266,475 |
| 2023 | 2.500% | 70,849 | 3,331 | 2,518 | 65,000 | 201,475 |
| 2024 | 2.500% | 69,224 | 2,518 | 1,706 | 65,000 | 136,475 |
| 2025 | 2.500% | 72,537 | 1,706 | 831 | 70,000 | 66,475 |
| 2026 | 2.500% | 67,306 | 831 | - | 66,475 | - |
| | | <u>\$ 1,003,927</u> | <u>\$ 92,410</u> | <u>\$ 82,042</u> | <u>\$ 829,475</u> | |

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 15, 2011

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
of the City of St. Joseph, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of St. Joseph, as of and for the year ended June 30, 2011, which collectively comprise the City of St. Joseph's basic financial statements and have issued our report thereon dated September 15, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of St. Joseph's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of St. Joseph's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of St. Joseph's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Right. On time.

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**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 - Continued**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of St. Joseph's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of St. Joseph in a separate letter dated September 15, 2011.

This report is intended solely for the information and use of the 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.

Seibel & Company, P.C.

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 15, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the City Commission
of the City of St. Joseph, Michigan

We have audited the City of St. Joseph's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of St. Joseph's major federal programs for the year ended June 30, 2011. The City of St. Joseph's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of St. Joseph's management. Our responsibility is to express an opinion on the City of St. Joseph's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about the City of St. Joseph's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of St. Joseph's compliance with those requirements.

In our opinion, the City of St. Joseph complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the City of St. Joseph is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of St. Joseph's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of St. Joseph's internal control over compliance.

Right. On time.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 - Continued**

Internal Control Over Compliance - Continued

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Commission, others within the entity, 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.

Berkel & Company, P.C.

City of Saint Joseph
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

| <u>Federal Grantor Pass Through Grantor Program Title Grant Number</u> | <u>Federal CFDA Number</u> | <u>Approved Grant Award Amount</u> | <u>(Memo Only) Prior Year Expenditures</u> |
|--|------------------------------------|--|--|
| DEPARTMENT OF TRANSPORTATION | | | |
| Passed through MDOT | | | |
| Highways Research, Planning and Construction | | | |
| Project ARRA 1011 (013) (107685) - Broad St. | 20.205 | \$ 243,400 | \$ 243,000 |
| Total Department of Transportation | | \$ 243,400 | \$ 243,000 |
| ENVIRONMENTAL PROTECTION AGENCY | | | |
| Passed through Michigan Drinking | | | |
| Water Revolving Fund Program | | | |
| Safe Drinking Water State Revolving Fund | | | |
| Project 7236-01 (Water Tower Project) | 66.468 | \$ 3,135,496 | \$ 1,429,600 |
| Project 7286-01 (Water Improvement Project) | 66.468 | 1,048,235 | - |
| Project 7286-01 (Water Improvement Project) ARRA | 66.468 | 862,000 | 203,191 |
| Project 7237-01 (Water Intake) | 66.468 | 2,389,200 | 843,487 |
| Project 7237-01 (Water Intake) ARRA | 66.468 | 7,565,800 | 868,230 |
| Total Safe Drinking Water State Revolving Fund | | \$ 15,000,731 | \$ 3,344,508 |
| ARRA TMDL Planning Grant | 66.454 | 62,396 | - |
| Total Environmental Protection Agency | | \$ 15,063,127 | \$ 3,344,508 |
| DEPARTMENT OF JUSTICE | | | |
| Office of Justice Programs | | | |
| Bureau of Justice Assistance | | | |
| Project 2009-SB-B9-0320 | 16.804 | \$ 14,000 | \$ 11,235 |
| Justice Assistance Grant | 16.804 | 262 | - |
| Total Bureau of Justice Assistance | | \$ 14,262 | \$ 11,235 |
| Total Department of Justice | | \$ 14,262 | \$ 11,235 |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | \$ 15,320,789 | \$ 3,598,743 |

| Accrued (Deferred) Revenue <u>June 30, 2010</u> | <u>Adjustments</u> | Current Year <u>Expenditures</u> | Current Year Cash <u>Receipts</u> | Accrued (Deferred) Revenue <u>June 30, 2011</u> |
|---|--------------------|--|---|---|
| \$ - | \$ - | \$ 400 | \$ 400 | \$ - |
| \$ - | \$ - | \$ 400 | \$ 400 | \$ - |
| \$ 546,997 | \$ - | \$ - | \$ 546,997 | \$ - |
| - | - | 672,455 | 556,666 | 115,789 |
| - | - | 658,809 | 658,809 | - |
| - | - | - | - | - |
| - | - | 5,368,421 | 4,559,061 | 809,360 |
| \$ 546,997 | \$ - | \$ 6,699,685 | \$ 6,321,533 | \$ 925,149 |
| - | - | 43,594 | 43,594 | - |
| \$ 546,997 | \$ - | \$ 6,743,279 | \$ 6,365,127 | \$ 925,149 |
| \$ - | \$ - | \$ 911 | \$ 911 | \$ - |
| - | - | 262 | 262 | - |
| \$ - | \$ - | \$ 1,173 | \$ 1,173 | \$ - |
| \$ - | \$ - | \$ 1,173 | \$ 1,173 | \$ - |
| \$ 546,997 | \$ - | \$ 6,744,852 | \$ 6,366,700 | \$ 925,149 |

CITY OF ST. JOSEPH
Notes to Schedule of
Expenditures of Federal Awards
June 30, 2011

1. The accompanying schedule of federal awards includes the federal grant activity of the City of St. Joseph and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
2. Type A programs are those with \$300,000 or more of total federal awards expended.
3. The accompanying schedule of federal awards includes the Water Improvement Project and Water Intake Project as separate projects. The prior year schedule of federal awards includes these projects as one project.
4. Reconciliation of current year expenditures to the Basic Financial Statements:

| | | |
|---|------------------|---------------------|
| Revenue from federal sources: | | |
| Governmental Funds | \$ 45,167 | |
| Proprietary Funds | <u>2,939,265</u> | \$ 2,984,432 |
| Federal awards recorded in proprietary funds as notes payable | | <u>3,760,420</u> |
| Federal expenditures per the schedule of expenditures of federal awards | | <u>\$ 6,744,852</u> |

CITY OF ST. JOSEPH
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X No

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of Major Programs

| CFDA Number | Name of Federal Program or Cluster |
|--------------------|---|
| 66.468 | Safe Drinking Water State Revolving Fund |

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Findings - Financial Statement Audit

There were no findings that are required to be reported under Governmental Auditing Standards nor were there any findings in the prior year.

Section III - Findings - Federal Award Findings and Questioned Costs

There were no findings or questioned costs in the current year or prior year,