

**CITY OF ST. JOSEPH**  
**BERRIEN COUNTY, MICHIGAN**  
**FINANCIAL REPORT**  
**June 30, 2012**

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

**FINANCIAL REPORT**

**June 30, 2012**

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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, 2012. We encourage readers to consider the overview presented here in conjunction with the additional information that our auditors have provided within this report.

### **Financial Highlights**

- The assets of the City of St. Joseph exceeded its liabilities at the close of the most recent fiscal year by \$80,886,846. Of this amount, \$16,012,250 may be used to meet the ongoing obligations to our citizens and creditors.
- The City's total net assets increased by \$1,913,265.
- At the close of the current fiscal year, the City of St. Joseph's Governmental Funds reported combined ending fund balances of \$6,120,623 an increase of \$206,674 in comparison with the prior year. Approximately \$1,021,255 of this total amount is available for spending at the government's discretion.
- At the end of the current fiscal year, the general fund unreserved fund balance with the committed budget stabilization funds, total \$2,021,255 or approximately 30% of total general fund expenditures.
- The City of St. Joseph's total debt increased by \$2,330,792 to \$17,729,622; 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.

- The Statement of Net Assets presents information on all of the City of St. Joseph's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of St. Joseph is improving or deteriorating.
- The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as unused vacation leave.

Both of these Government-Wide Financial Statements distinguish City functions, which are principally supported by taxes and intergovernmental revenues from those functions that are intended to recover all or a significant portion of their costs through user fees and charges for services. The governmental activities of the City of St. Joseph include general government, public safety, public works, sanitation, health and welfare, recreation and culture, community and economic development and debt service. The business-type activities of the City of St. Joseph include Water, Sewer, City Water, 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 segregated for specific activities or objectives. The City of St. Joseph, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of St. Joseph can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### ***Governmental Funds***

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

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

of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and Governmental Activities.

The City of St. Joseph maintains 19 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund. Data from the other 18 government funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

### ***Proprietary Funds***

The City of St. Joseph maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. The City of St. Joseph uses enterprise funds to account for its water, sewer, ice arena and marina operations. 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 and sewer operations and for 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.

### ***Fiduciary Funds***

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

## **3. Note to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

## **4. Other Information**

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

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

## **Government-Wide Financial Analysis**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of St. Joseph, assets exceeded liabilities by \$80,886,846 at the close of the 2011-2012 Fiscal-Year.

By far the largest portion of the City of St. Joseph's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City of St. Joseph uses these capital assets to provide services to citizens; and consequently, these assets are not available for future spending. Although the City of St. Joseph's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

<b>City of St. Joseph</b>					
<b>Net Assets</b>					
	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Component Units</b>	<b>Current Year Total</b>	<b>Prior Year Total</b>
Current and Other Assets	\$ 8,270,755	\$ 18,839,562	\$ 73,235	\$27,183,552	\$14,920,060
Capital Assets	47,451,012	31,235,465	-	78,686,477	87,972,911
<b>Total Assets</b>	<b>\$ 55,721,767</b>	<b>\$ 50,075,027</b>	<b>\$ 73,235</b>	<b>\$ 105,870,029</b>	<b>\$102,892,971</b>
Other Liabilities	\$ 1,313,285	\$ 2,079,698	\$ 320	\$ 3,393,303	\$ 3,307,024
Long-Term Liabilities Outstanding	11,224,912	10,364,968	-	21,589,880	20,612,366
<b>Total Liabilities</b>	<b>\$ 12,538,197</b>	<b>\$ 12,444,666</b>	<b>\$ 320</b>	<b>\$ 24,983,183</b>	<b>\$ 23,919,390</b>
Invested in Capital Assets, Net of Related Debt	\$ 39,892,620	\$ 21,064,235	\$ -	\$ 60,956,855	\$ 60,345,852
Restricted	3,917,741	-	-	3,917,741	5,739,243
Unrestricted	(626,791)	16,566,126	72,915	16,012,250	12,888,486
<b>Total Net Assets</b>	<b>\$ 43,183,570</b>	<b>\$ 37,630,361</b>	<b>\$ 72,915</b>	<b>\$ 80,886,846</b>	<b>\$ 78,973,581</b>

A portion of the City of St. Joseph's net assets, \$3,917,741, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$16,012,250) may be used to meet the government's ongoing obligations to citizens and creditors.

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

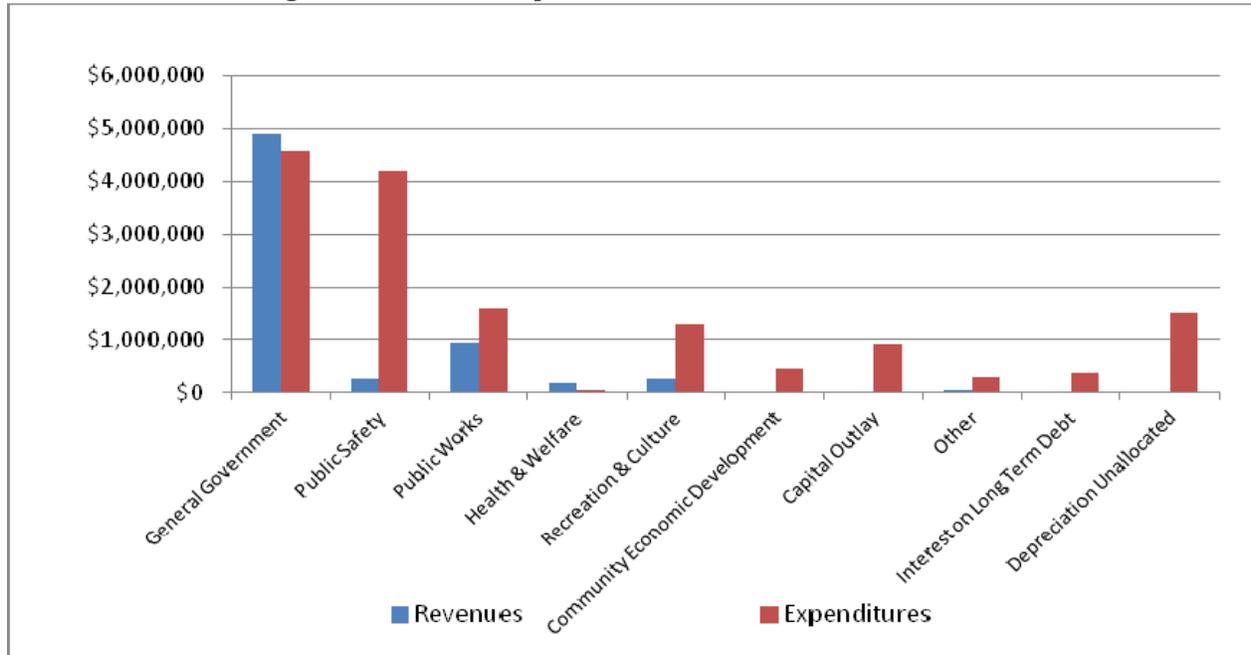
City of St. Joseph  
Changes in Net Assets

	Governmental Activities	Business Type Activities	Component Units	Current Year Total	Prior Year Total
<b>Revenues</b>					
<i>Program Revenues</i>					
Charges for Services	\$ 3,044,846	\$ 7,082,962	\$ -	\$ 10,127,808	\$ 9,226,131
Grants and Contributions	3,587,109	159,659	-	3,746,768	6,644,214
<i>General Revenues</i>					
Property Taxes	\$ 7,171,869	\$ -	\$ 50,291	\$ 7,222,160	\$ 7,114,829
State Revenue	668,987	-	-	668,987	821,170
Fines, Fees and Forfeits	267,904	114,363	-	382,267	438,088
Interest	47,547	5,143	24	52,714	61,628
Miscellaneous	809,569	85,987	-	895,556	466,679
Income from joint venture	-	208,122	-	208,122	359,618
Sale of Fixed Assets	18,921	-	-	18,921	(11,970)
<b>Total Revenues</b>	<b>\$ 15,616,752</b>	<b>\$ 7,656,236</b>	<b>\$ 50,315</b>	<b>\$ 23,323,303</b>	<b>\$ 25,120,387</b>
<b>Expenses</b>					
General Government	4,570,831	-	-	4,570,831	4,141,523
Public Safety	4,186,820	-	-	4,186,820	3,728,961
Public Works	1,598,096	-	-	1,598,096	2,056,824
Health and Welfare	50,537	-	-	50,537	50,537
Recreation and Cultural	1,296,081	-	-	1,296,081	985,394
Economic Development	465,499	-	-	465,499	370,712
Capital Outlay	927,827	-	-	927,827	1,340,593
Other	284,736	-	-	284,736	940,654
Interest on Long-Term Debt	376,328	-	-	376,328	308,053
Depreciation-unallocated	1,507,346	-	-	1,507,346	1,281,088
Sewer Fund	-	1,235,368	-	1,235,368	1,520,764
Water Fund	-	3,855,958	-	3,855,958	3,515,493
City Water Fund	-	354,145	-	354,145	439,387
Ice Arena Fund	-	268,770	-	268,770	238,999
Marina Fund	-	396,112	-	396,112	511,936
Downtown Development Authority	-	-	35,584	35,584	47,199
<b>Total Expenses</b>	<b>\$ 15,264,101</b>	<b>\$ 6,110,353</b>	<b>\$ 35,584</b>	<b>\$ 21,410,038</b>	<b>\$ 21,478,117</b>
Increase (Decrease) in Net Assets before Transfers	\$ 352,651	\$ 1,545,883	\$ 14,731	\$ 1,913,265	\$ 3,642,270
Transfers	37,622	(37,622)	-	-	-
Changes in net assets	390,273	1,508,261	14,731	1,913,265	3,642,270
Net Assets Beginning of Year	42,793,297	36,122,100	58,184	78,973,581	63,462,700
Prior Year Adjustment	-	-	-	-	11,868,611
Adjusted Beginning of Year	42,793,297	36,122,100	58,184	78,973,581	75,331,311
<b>Net Assets End of Year</b>	<b>\$ 43,183,570</b>	<b>\$ 37,630,361</b>	<b>\$ 72,915</b>	<b>\$ 80,886,846</b>	<b>\$ 78,973,581</b>

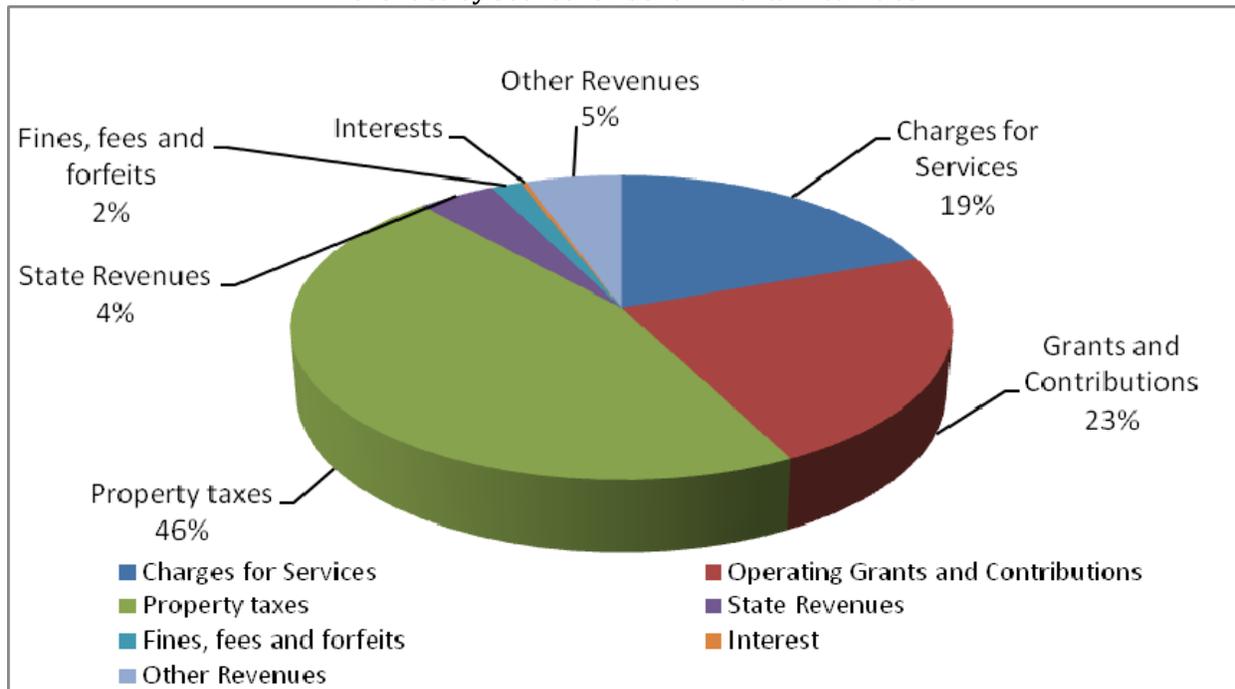
**Governmental Activities**

Governmental Activities increased the City of St. Joseph’s net assets by \$390,273. Property taxes were \$7,171,869 or 46% of the total governmental revenues. Grants and contributions were \$3,587,109 or 23% of the total governmental revenues. The remaining 31% is mostly composed of various charges for services, state revenues, and other miscellaneous revenue. Public safety expenditures totaled \$4,186,820 or 27% of the governmental expenses.

**Program Revenues & Expenditures for Governmental Activities**



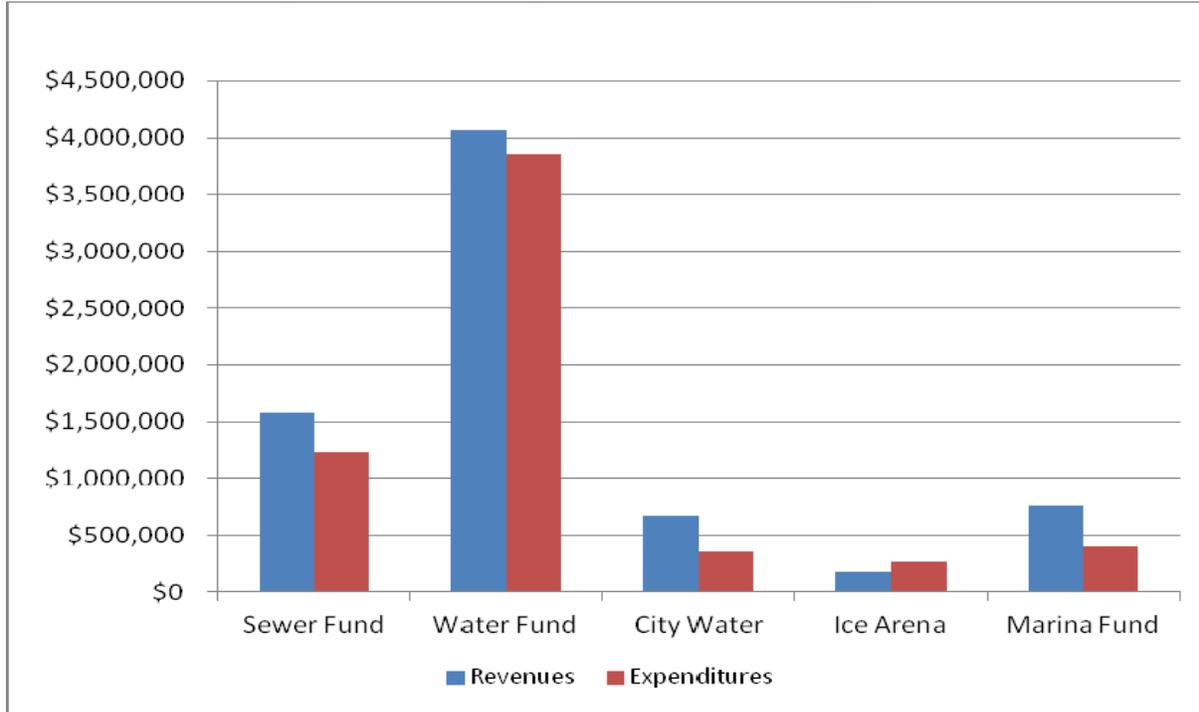
**Revenues by Source for Governmental Activities**



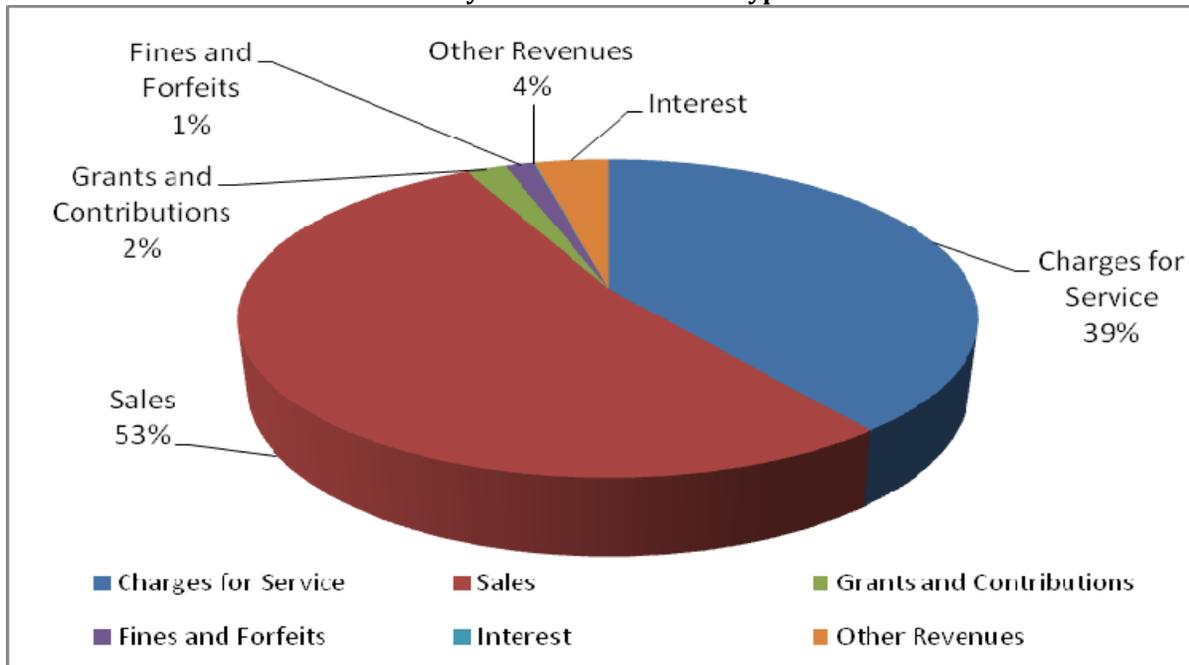
**Business-Type Activities**

Business-type Activities increased the City of St. Joseph’s net assets by \$1,508,261. Charges for services, including water sales, were \$7,082,962 or 93% of the total business-type revenues; with \$159,659 or 2% coming from grants. The remaining 5% is mostly composed of various fees and interest revenue. Business-type expenditures decreased overall by \$116,226.

**Program Revenues & Expenditures for Business Type Funds**



**Revenues by Source for Business Type Funds**



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

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

### ***Governmental Funds***

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

As of the end of the current fiscal year the City of St. Joseph's Governmental Funds reported combined ending fund balances of \$6,120,623, an increase of \$206,674 in comparison with the prior year. Approximately 17% of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The remaining 1% is reserved for inventory.

The General Fund is the chief operating fund of the City of St. Joseph. At the end of the current fiscal year, the fund balance of the General Fund was \$2,070,063 which represents roughly 31% of total General Fund expenditures. As a measure of liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The fund balance of the City of St. Joseph's General Fund has decreased by \$183,080 from the previous year.

### ***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	FY 2010-2011	Net Assets	
		FY 2011-2012	Difference
Sewer Fund	\$ 14,775,261	\$ 15,473,318	\$ 698,057
Water Fund	\$ 11,028,198	\$ 11,337,267	\$ 309,069
City Water Fund	\$ 6,083,033	\$ 6,271,383	\$ 188,350
Ice Arena Fund	\$ 2,423,128	\$ 2,367,333	\$ (55,795)
Marina Fund	\$ 1,812,480	\$ 2,181,060	\$ 368,580

Net assets in the Sewer, Water, City Water and Marina Funds were increased by \$698,057, \$309,069, \$188,350 and \$368,580, respectively, from the previous year. Net assets in the Ice Arena Fund were decreased by \$55,795 due primarily to the purchase of a new Zamboni.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were relatively few. Revenues exceeded predictions by \$34,403 and spending was under budget by \$3,560.

### **Capital Asset and Debt Administration**

The City of St. Joseph's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$78,686,477 (net of depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, library books, roads and utility systems.

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

- Construction of a new water intake

- Construction of water plant electrical and process improvements
- South State Street and Kingsley Avenue Improvements
- 2012 CSO Improvements in the Napier/Willa/Kingsley area
- West Basin Marina Boardwalk Improvements
- Refurbishing of the Tiscornia restrooms
- Resurfacing of Napier Avenue

### **Long-Term Debt**

At the end of the current fiscal year, the City of St. Joseph had total debt outstanding of \$17,729,622. The City's total debt increased as a result of the borrowing for several on-going capital projects.

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 \$44,033,881 for bond debt and \$5,504,235 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 will exceed expenditures by \$598,400 in the general fund. This surplus will be the direct result of the decrease in personnel due to the consolidation of the City's dispatch service with the Berrien County Central Dispatch unit and the combination of the Police and Fire Departments to form a Public Safety Department. In addition, the City Commission has significantly reduced the City's unfunded liability for post employment benefits by eliminating retiree health care for all non-public safety employees. New contracts signed by the police and fire unions eliminate retiree health care for all new hires beginning July 1, 2012. The City will continue to maintain a fund balance in the General Fund equal to \$1,000,000, as well as, a \$1,000,000 Budget Stabilization Fund. We recommend that the City Commission continue to transfer all General Fund positive cash flows to the Special Project Fund to fund capital projects.

### **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

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

September 7, 2012

## 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, 2012, 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, 2012, 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 7, 2012, 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.**

## 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 IX and 43 through 48 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.

*Seibel & Company, P.C.*

**CITY OF ST. JOSEPH**  
**Statement of Net Assets**  
**June 30, 2012**

**Primary Government**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>Assets</b>				
Cash	\$ 5,990,789	\$ 5,030,055	\$ 11,020,844	\$ 73,235
Investments	1,647,097	-	1,647,097	-
Due from proprietary funds	19,614	-	19,614	-
Due from fiduciary funds	11,783	808	12,591	-
Due from other governments	-	238,804	238,804	-
Receivables	424,954	975,221	1,400,175	-
Prepaid expenses	77,342	47,806	125,148	-
Inventory	99,176	110,517	209,693	-
Capital assets - NOTE 4:				
Non-depreciable assets	12,193,206	13,756,897	25,950,103	-
Depreciable assets (net of related depreciation)	35,257,806	17,478,568	52,736,374	-
Investment in joint venture	-	12,436,351	12,436,351	-
<b>Total Assets</b>	<b>\$ 55,721,767</b>	<b>\$ 50,075,027</b>	<b>\$ 105,796,794</b>	<b>\$ 73,235</b>
<b>Liabilities</b>				
Current:				
Accounts payable	\$ 74,494	\$ 241,686	\$ 316,180	\$ -
Retainage payable	-	531,459	531,459	-
Accrued liabilities	249,561	101,730	351,291	320
Accrued interest	56,912	-	56,912	-
Deferred revenue	29,176	2,000	31,176	-
Due to proprietary funds	808	-	808	-
Due to fiduciary funds	183,066	-	183,066	-
Due to governmental funds	-	44,904	44,904	-
Due to other governments	-	597,540	597,540	-
Compensated absences	271,192	54,364	325,556	-
Bond premium	4,162	-	4,162	-
Bond and notes payable	443,914	506,015	949,929	-
Noncurrent liabilities:				
Net OPEB Obligation - NOTE 7	3,961,767	681,631	4,643,398	-
Compensated absences	90,397	18,122	108,519	-
Bond premium	58,270	-	58,270	-
Bond and notes payable	7,114,478	9,665,215	16,779,693	-
<b>Total Liabilities</b>	<b>\$ 12,538,197</b>	<b>\$ 12,444,666</b>	<b>\$ 24,982,863</b>	<b>\$ 320</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	\$ 39,892,620	\$ 21,064,235	\$ 60,956,855	\$ -
Restricted:				
Nonexpendable	568,951	-	568,951	-
Expendable	3,348,790	-	3,348,790	-
Unrestricted	(626,791)	16,566,126	15,939,335	72,915
<b>TOTAL NET ASSETS</b>	<b>\$ 43,183,570</b>	<b>\$ 37,630,361</b>	<b>\$ 80,813,931</b>	<b>\$ 72,915</b>

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

**CITY OF ST. JOSEPH**  
**Statement of Activities**  
**For the Year Ended June 30, 2012**

<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>
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 4,570,831	\$ 2,544,730	\$ 2,357,196	\$ -
Public safety	4,186,820	239,970	21,688	-
Public works	1,598,096	(72,182)	562,231	463,282
Health and welfare	50,537	-	182,712	-
Community and economic development	465,499	1,206	-	-
Recreation and culture	1,296,081	268,202	-	-
Capital outlay	927,827	-	-	-
Other	284,736	62,920	-	-
Interest on long-term debt	376,328	-	-	-
Depreciation, unallocated	1,507,346	-	-	-
Total Governmental Activities	<u>\$ 15,264,101</u>	<u>\$ 3,044,846</u>	<u>\$ 3,123,827</u>	<u>\$ 463,282</u>
Business-Type Activities:				
Sewer Fund	\$ 1,235,368	\$ 1,532,912	\$ 39,654	\$ -
Water Fund	3,855,958	4,060,799	-	-
City Water Fund	354,145	673,438	-	-
Ice Arena Fund	268,770	172,975	-	-
Marina Fund	396,112	642,838	120,005	-
Total Business-type Activities	<u>\$ 6,110,353</u>	<u>\$ 7,082,962</u>	<u>\$ 159,659</u>	<u>\$ -</u>
Total Primary Government	<u>\$ 21,374,454</u>	<u>\$ 10,127,808</u>	<u>\$ 3,283,486</u>	<u>\$ 463,282</u>
<b>Component Units:</b>				
Downtown Development Authority	\$ 35,584	\$ -	\$ -	\$ -
Total Component Unit	<u>\$ 35,584</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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

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**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ 331,095	\$ -	\$ 331,095	\$ -
(3,925,162)	-	(3,925,162)	-
(644,765)	-	(644,765)	-
132,175	-	132,175	-
(464,293)	-	(464,293)	-
(1,027,879)	-	(1,027,879)	-
(927,827)	-	(927,827)	-
(221,816)	-	(221,816)	-
(376,328)	-	(376,328)	-
<u>(1,507,346)</u>	<u>-</u>	<u>(1,507,346)</u>	<u>-</u>
<b>\$ (8,632,146)</b>	<b>\$ -</b>	<b>\$ (8,632,146)</b>	<b>\$ -</b>
\$ -	\$ 337,198	\$ 337,198	\$ -
-	204,841	204,841	-
-	319,293	319,293	-
-	(95,795)	(95,795)	-
-	<u>366,731</u>	<u>366,731</u>	<u>-</u>
<b>\$ -</b>	<b>\$ 1,132,268</b>	<b>\$ 1,132,268</b>	<b>\$ -</b>
<b>\$ (8,632,146)</b>	<b>\$ 1,132,268</b>	<b>\$ (7,499,878)</b>	<b>\$ -</b>
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (35,584)</b>
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (35,584)</b>
\$ 7,171,869	\$ -	\$ 7,171,869	\$ 50,291
668,987	-	668,987	-
267,904	114,363	382,267	-
-	208,122	208,122	-
47,547	5,143	52,690	24
18,921	-	18,921	-
809,569	85,987	895,556	-
<u>37,622</u>	<u>(37,622)</u>	<u>-</u>	<u>-</u>
<b>\$ 9,022,419</b>	<b>\$ 375,993</b>	<b>\$ 9,398,412</b>	<b>\$ 50,315</b>
\$ 390,273	\$ 1,508,261	\$ 1,898,534	\$ 14,731
<u>42,793,297</u>	<u>36,122,100</u>	<u>78,915,397</u>	<u>58,184</u>
<b>\$ 43,183,570</b>	<b>\$ 37,630,361</b>	<b>\$ 80,813,931</b>	<b>\$ 72,915</b>

**CITY OF ST. JOSEPH  
GOVERNMENTAL FUNDS  
Balance Sheet  
June 30, 2012**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 1,149,025	\$ 3,290,057	\$ 4,439,082
Investments	995,097	652,000	1,647,097
Due from other funds	47,506	34,918	82,424
Receivables	212,176	146,083	358,259
Prepaid expenses	48,808	5,757	54,565
Inventory	-	<u>73,922</u>	<u>73,922</u>
 Total Current Assets	 <u>\$ 2,452,612</u>	 <u>\$ 4,202,737</u>	 <u>\$ 6,655,349</u>
 TOTAL ASSETS	 <u>\$ 2,452,612</u>	 <u>\$ 4,202,737</u>	 <u>\$ 6,655,349</u>
<b>Liabilities and Fund Balances</b>			
Current Liabilities:			
Accounts payable	\$ 27,998	\$ 1,548	\$ 29,546
Accrued liabilities	170,673	76,417	247,090
Due to other funds	166,568	62,346	228,914
Deferred revenue	<u>17,310</u>	<u>11,866</u>	<u>29,176</u>
 Total Current Liabilities	 <u>\$ 382,549</u>	 <u>\$ 152,177</u>	 <u>\$ 534,726</u>
 Total Liabilities	 <u>\$ 382,549</u>	 <u>\$ 152,177</u>	 <u>\$ 534,726</u>
Fund Balances:			
Nonspendable:			
Inventory	\$ -	\$ 73,922	\$ 73,922
Prepaid expenses	48,808	5,757	54,565
Endowment	-	490,774	490,774
Restricted for:			
Perpetual care	-	207,456	207,456
Library	-	233,877	233,877
Special revenue	-	1,765,248	1,765,248
Debt service	-	449,973	449,973
Capital projects	-	32,067	32,067
Committed for:			
Stabilization	1,000,000	-	1,000,000
Assigned for:			
Special revenue	-	211,440	211,440
Capital projects	-	593,249	593,249
Unassigned:			
General Fund	1,021,255	-	1,021,255
Fund deficits	<u>-</u>	<u>(13,203)</u>	<u>(13,203)</u>
 Total Fund Balances	 <u>\$ 2,070,063</u>	 <u>\$ 4,050,560</u>	 <u>\$ 6,120,623</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 2,452,612</u>	 <u>\$ 4,202,737</u>	 <u>\$ 6,655,349</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, 2012**

Fund balances of governmental funds	\$	6,120,623
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.		46,404,169
Compensated absences are not due and payable in the current period and are not reported in the funds.		(358,792)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported in the funds.		(7,620,824)
Net OPEB obligation is not due and payable in the current period and is not reported in the funds.		(3,871,201)
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.		2,550,044
Governmental funds do not report accrued interest.		<u>(56,912)</u>
Net assets of governmental activities	\$	<u>43,183,570</u>

**CITY OF ST. JOSEPH  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
For the Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	\$ 5,041,665	\$ 2,130,204	\$ 7,171,869
Federal revenues	-	482,084	482,084
State revenues	681,420	726,191	1,407,611
Contributions from local units	-	175,000	175,000
Charges for services	1,386,438	231,996	1,618,434
Licenses and permits	5,268	132,549	137,817
Fines, fees, and forfeits	89,173	178,731	267,904
Interest and rents	14,662	32,290	46,952
Other	<u>112,077</u>	<u>697,492</u>	<u>809,569</u>
Total Revenues	<u>\$ 7,330,703</u>	<u>\$ 4,786,537</u>	<u>\$ 12,117,240</u>
<b>Expenditures:</b>			
Current:			
General government	\$ 1,091,219	\$ 279,036	\$ 1,370,255
Public safety	3,841,268	389,886	4,231,154
Public works	414,875	1,959,325	2,374,200
Health and welfare	50,537	-	50,537
Community and economic development	263,892	200,226	464,118
Recreation and culture	616,065	950,841	1,566,906
Other	<u>284,736</u>	<u>-</u>	<u>284,736</u>
Debt service:			
Principal retirement	75,588	3,855,000	3,930,588
Interest	52,460	337,078	389,538
Capital outlay	<u>-</u>	<u>927,827</u>	<u>927,827</u>
Total Expenditures	<u>\$ 6,690,640</u>	<u>\$ 8,899,219</u>	<u>\$ 15,589,859</u>
Revenues Under Expenditures	<u>\$ 640,063</u>	<u>\$ (4,112,682)</u>	<u>\$ (3,472,619)</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from bond issuance	\$ -	\$ 3,639,514	\$ 3,639,514
Sale of fixed assets	-	2,157	2,157
Operating transfers in	-	1,274,743	1,274,743
Operating transfers out	<u>(823,143)</u>	<u>(413,978)</u>	<u>(1,237,121)</u>
Total Other Financing Sources (Uses)	<u>\$ (823,143)</u>	<u>\$ 4,502,436</u>	<u>\$ 3,679,293</u>
Net Changes in Fund Balance	\$ (183,080)	\$ 389,754	\$ 206,674
Fund Balances - Beginning of Year	<u>2,253,143</u>	<u>3,660,806</u>	<u>5,913,949</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,070,063</u>	<u>\$ 4,050,560</u>	<u>\$ 6,120,623</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, 2012**

Net change in fund balances - total governmental funds \$ 206,674

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

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

Capital outlays	\$ 1,049,683	
Depreciation expense	<u>(1,305,500)</u>	(255,817)

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. 291,074

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. (498,226)

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid. 13,210

Net OPEB obligations do not require the use of current financial resources and therefore are not reported as expenditures in government funds. 575,200

Increase in the liability for compensated absences is not reported in governmental funds. 58,158

Changes in net assets of governmental activities \$ 390,273

**CITY OF ST. JOSEPH  
 PROPRIETARY FUNDS  
 Statement of Net Assets  
 June 30, 2012**

**Business - Type Activities -**

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>City Water Fund</u>
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 826,410	\$ 2,698,452	\$ 1,394,059
Due from other funds	808	-	-
Due from other governments	164,445	74,359	-
Receivables	407,082	293,411	168,181
Prepaid expenses	7,008	35,792	-
Inventory	963	86,610	-
	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total Current Assets	<u>\$ 1,406,716</u>	<u>\$ 3,188,624</u>	<u>\$ 1,562,240</u>
Noncurrent Assets:			
Fixed Assets			
Land	\$ -	\$ -	\$ 827,081
Construction in process	136,975	12,636,741	26,311
Buildings and improvements	-	10,117,659	-
Infrastructure	-	-	-
Furniture and equipment	123,541	1,284,568	-
Utility systems	2,944,005	-	8,054,530
	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total Fixed Assets	<u>\$ 3,204,521</u>	<u>\$ 24,038,968</u>	<u>\$ 8,907,922</u>
Less: Accumulated depreciation	<u>(495,430)</u>	<u>(7,739,355)</u>	<u>(1,298,861)</u>
Total Fixed Assets	<u>\$ 2,709,091</u>	<u>\$ 16,299,613</u>	<u>\$ 7,609,061</u>
Investment in joint venture	<u>12,436,351</u>	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>\$ 15,145,442</u>	<u>\$ 16,299,613</u>	<u>\$ 7,609,061</u>
TOTAL ASSETS	<u>\$ 16,552,158</u>	<u>\$ 19,488,237</u>	<u>\$ 9,171,301</u>

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

**Enterprise Funds**

<u>Ice Arena Fund</u>	<u>Marina Fund</u>	<u>Total Enterprise Funds</u>	<b>Governmental Activities Internal Service Funds</b>
\$ 63,215	\$ 47,919	\$ 5,030,055	\$ 1,551,707
-	-	808	30,785
-	-	238,804	-
962	105,585	975,221	5,284
-	5,006	47,806	22,777
-	22,944	110,517	25,254
<u>\$ 64,177</u>	<u>\$ 181,454</u>	<u>\$ 6,403,211</u>	<u>\$ 1,635,807</u>
\$ -	\$ 129,789	\$ 956,870	\$ -
-	-	12,800,027	-
2,352,982	1,807,984	14,278,625	-
-	1,688,401	1,688,401	-
106,305	172,554	1,686,968	3,460,677
-	-	10,998,535	-
<u>\$ 2,459,287</u>	<u>\$ 3,798,728</u>	<u>\$ 42,409,426</u>	<u>\$ 3,460,677</u>
<u>(152,684)</u>	<u>(1,487,631)</u>	<u>(11,173,961)</u>	<u>(2,413,834)</u>
\$ 2,306,603	\$ 2,311,097	\$ 31,235,465	\$ 1,046,843
-	-	12,436,351	-
<u>\$ 2,306,603</u>	<u>\$ 2,311,097</u>	<u>\$ 43,671,816</u>	<u>\$ 1,046,843</u>
<u>\$ 2,370,780</u>	<u>\$ 2,492,551</u>	<u>\$ 50,075,027</u>	<u>\$ 2,682,650</u>

**CITY OF ST. JOSEPH  
 PROPRIETARY FUNDS  
 Statement of Net Assets  
 June 30, 2012**

**Business - Type Activities -**

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>City Water Fund</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	\$ 63,672	\$ 159,602	\$ 439
Retainages payable	-	531,459	-
Accrued liabilities	125	76,313	18,983
Due to other funds	10,581	31,071	-
Due to other governments	540,605	56,811	-
Deferred revenue	2,000	-	-
Net OPEB obligation - NOTE 7	40,857	640,774	-
Compensated absences	-	50,378	-
Bond and notes payable	<u>20,000</u>	<u>281,000</u>	<u>130,000</u>
Total Current Liabilities	<u>\$ 677,840</u>	<u>\$ 1,827,408</u>	<u>\$ 149,422</u>
Noncurrent Liabilities:			
Compensated absences	\$ -	\$ 16,793	\$ -
Bond and notes payable	<u>401,000</u>	<u>6,306,769</u>	<u>2,750,496</u>
Total Noncurrent Liabilities	<u>\$ 401,000</u>	<u>\$ 6,323,562</u>	<u>\$ 2,750,496</u>
Total Liabilities	<u>\$ 1,078,840</u>	<u>\$ 8,150,970</u>	<u>\$ 2,899,918</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 2,288,091	\$ 9,711,844	\$ 4,728,565
Restricted for employee benefits	-	-	-
Unrestricted	<u>13,185,227</u>	<u>1,625,423</u>	<u>1,542,818</u>
TOTAL NET ASSETS	<u>\$ 15,473,318</u>	<u>\$ 11,337,267</u>	<u>\$ 6,271,383</u>

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

**Enterprise Funds**

<b>Ice Arena Fund</b>	<b>Marina Fund</b>	<b>Total Enterprise Funds</b>	<b>Governmental Activities Internal Service Funds</b>
\$ -	\$ 17,973	\$ 241,686	\$ -
-	-	531,459	-
2,342	3,967	101,730	2,471
1,105	2,147	44,904	36,772
-	124	597,540	-
-	-	2,000	-
-	-	681,631	90,566
-	3,986	54,364	2,098
-	75,015	506,015	-
<u>\$ 3,447</u>	<u>\$ 103,212</u>	<u>\$ 2,761,329</u>	<u>\$ 131,907</u>
\$ -	\$ 1,329	\$ 18,122	\$ 699
-	206,950	9,665,215	-
<u>\$ -</u>	<u>\$ 208,279</u>	<u>\$ 9,683,337</u>	<u>\$ 699</u>
<u>\$ 3,447</u>	<u>\$ 311,491</u>	<u>\$ 12,444,666</u>	<u>\$ 132,606</u>
\$ 2,306,603	\$ 2,029,132	\$ 21,064,235	\$ 1,046,843
-	-	-	660,169
<u>60,730</u>	<u>151,928</u>	<u>16,566,126</u>	<u>843,032</u>
<u>\$ 2,367,333</u>	<u>\$ 2,181,060</u>	<u>\$ 37,630,361</u>	<u>\$ 2,550,044</u>

**CITY OF ST. JOSEPH  
 PROPRIETARY FUNDS  
 Statement of Revenues, Expenses, and  
 Changes in Net Assets  
 For the Year Ended June 30, 2012**

	<b>Business - Type Activities -</b>		
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>City Water Fund</b>
<b>Operating Revenues:</b>			
State revenue	\$ 39,654	\$ -	\$ -
Charges for services	1,532,912	4,060,799	673,438
Fines and forfeitures	55,387	58,976	-
Other	<u>2,856</u>	<u>41,325</u>	<u>-</u>
Total Operating Revenues	<u>\$ 1,630,809</u>	<u>\$ 4,161,100</u>	<u>\$ 673,438</u>
<b>Operating Expenses:</b>			
Water distribution system	\$ -	\$ 1,249,312	\$ -
Water plant operations	-	1,533,698	-
Water administration	-	734,154	-
Sewer	1,180,652	-	-
Marina	-	-	-
Ice arena	-	-	-
Operations	-	-	98,501
Depreciation	<u>49,191</u>	<u>206,505</u>	<u>180,109</u>
Total Operating Expenses	<u>\$ 1,229,843</u>	<u>\$ 3,723,669</u>	<u>\$ 278,610</u>
Operating Income (Loss)	<u>\$ 400,966</u>	<u>\$ 437,431</u>	<u>\$ 394,828</u>
<b>Nonoperating Revenues (Expenses):</b>			
Income from joint ventures	\$ 208,122	\$ -	\$ -
Interest income	867	3,927	306
Interest expense	(5,525)	(132,289)	(75,535)
Gain (loss) on disposition of assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 203,464</u>	<u>\$ (128,362)</u>	<u>\$ (75,229)</u>
Income Before Transfers	\$ 604,430	\$ 309,069	\$ 319,599
Operating transfers in	109,375	-	121,751
Operating transfers out	<u>(15,748)</u>	<u>-</u>	<u>(253,000)</u>
Change in Net Assets	\$ 698,057	\$ 309,069	\$ 188,350
Total Net Assets - Beginning of Year	<u>14,775,261</u>	<u>11,028,198</u>	<u>6,083,033</u>
<b>TOTAL NET ASSETS - END OF YEAR</b>	<u><b>\$ 15,473,318</b></u>	<u><b>\$ 11,337,267</b></u>	<u><b>\$ 6,271,383</b></u>

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

<u>Enterprise Funds</u>			<b>Governmental</b>
<b>Ice Arena</b>	<b>Marina</b>	<b>Total</b>	<b>Activities</b>
<b>Fund</b>	<b>Fund</b>	<b>Enterprise</b>	<b>Internal Service</b>
		<b>Funds</b>	<b>Funds</b>
\$ -	\$ 120,005	\$ 159,659	\$ -
172,975	642,838	7,082,962	650,474
-	-	114,363	-
40,000	1,806	85,987	2,254,321
<u>\$ 212,975</u>	<u>\$ 764,649</u>	<u>\$ 7,442,971</u>	<u>\$ 2,904,795</u>
\$ -	\$ -	\$ 1,249,312	\$ -
-	-	1,533,698	-
-	-	734,154	-
-	-	1,180,652	-
-	360,794	360,794	-
192,428	-	192,428	-
-	-	98,501	3,218,534
76,342	27,748	539,895	201,846
<u>\$ 268,770</u>	<u>\$ 388,542</u>	<u>\$ 5,889,434</u>	<u>\$ 3,420,380</u>
<u>\$ (55,795)</u>	<u>\$ 376,107</u>	<u>\$ 1,553,537</u>	<u>\$ (515,585)</u>
\$ -	\$ -	\$ 208,122	\$ -
-	43	5,143	595
-	(7,570)	(220,919)	-
-	-	-	16,764
<u>\$ -</u>	<u>\$ (7,527)</u>	<u>\$ (7,654)</u>	<u>\$ 17,359</u>
\$ (55,795)	\$ 368,580	\$ 1,545,883	\$ (498,226)
-	-	231,126	-
-	-	(268,748)	-
<u>\$ (55,795)</u>	<u>\$ 368,580</u>	<u>\$ 1,508,261</u>	<u>\$ (498,226)</u>
<u>2,423,128</u>	<u>1,812,480</u>	<u>36,122,100</u>	<u>3,048,270</u>
<u>\$ 2,367,333</u>	<u>\$ 2,181,060</u>	<u>\$ 37,630,361</u>	<u>\$ 2,550,044</u>

**CITY OF ST. JOSEPH  
 PROPRIETARY FUNDS  
 Combining Statement of Cash Flows  
 For the Year Ended June 30, 2012**

**Business - Type Activities -**

	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>City Water Fund</b>
<b>Cash Flows From Operating Activities:</b>			
Cash receipts for interfund services provided	\$ -	\$ -	\$ -
Cash receipts from customers	1,451,437	4,038,556	663,043
Cash receipts from other governments	149,273	923,304	-
Other receipts	2,856	41,325	-
Other payments	-	(7,343)	-
Payments to employees	(52,567)	(1,380,031)	-
Payments for interfund services provided	(260,410)	(698,497)	-
Payments to suppliers	<u>(1,038,656)</u>	<u>(1,877,928)</u>	<u>(167,383)</u>
 Net cash provided by operating activities	 <u>\$ 251,933</u>	 <u>\$ 1,039,386</u>	 <u>\$ 495,660</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Transfer from other funds	\$ 109,375	\$ -	\$ 121,751
Transfer to other funds	<u>(15,748)</u>	<u>-</u>	<u>(253,000)</u>
 Net cash used by noncapital financing activities	 <u>\$ 93,627</u>	 <u>\$ -</u>	 <u>\$ (131,249)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Purchase of capital assets	\$ (346,248)	\$ (2,898,105)	\$ (125,706)
Proceeds from sale of capital assets	-	-	-
Proceeds from debt	210,000	2,670,330	-
Principal paid on debt	(10,000)	-	(125,000)
Interest paid on capital debt	<u>(5,525)</u>	<u>(132,289)</u>	<u>(75,535)</u>
 Net cash provided (used) by capital and related financing activities	 <u>\$ (151,773)</u>	 <u>\$ (360,064)</u>	 <u>\$ (326,241)</u>
<b>Cash Flows From Investing Activities:</b>			
Interest and dividends received	<u>\$ 867</u>	<u>\$ 3,927</u>	<u>\$ 306</u>
 Net cash provided by investing activities	 <u>\$ 867</u>	 <u>\$ 3,927</u>	 <u>\$ 306</u>
 Net change in cash and cash equivalents	 <u>\$ 194,654</u>	 <u>\$ 683,249</u>	 <u>\$ 38,476</u>
Balances - Beginning of Year	<u>631,756</u>	<u>2,015,203</u>	<u>1,355,583</u>
 BALANCES - END OF YEAR	 <u>\$ 826,410</u>	 <u>\$ 2,698,452</u>	 <u>\$ 1,394,059</u>

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

<u>Enterprise Funds</u>			<b>Governmental</b>
<b>Ice Arena</b>	<b>Marina</b>	<b>Total</b>	<b>Activities</b>
<b>Fund</b>	<b>Fund</b>	<b>Enterprise</b>	<b>Internal Service</b>
		<b>Funds</b>	<b>Funds</b>
\$ -	\$ -	\$ -	\$ 2,974,523
172,013	538,628	6,863,677	49,689
-	210,397	1,282,974	-
40,000	1,806	85,987	-
-	-	(7,343)	-
(80,473)	(139,793)	(1,652,864)	(317,445)
-	-	(958,907)	(300,700)
<u>(109,273)</u>	<u>(410,120)</u>	<u>(3,603,360)</u>	<u>(2,677,528)</u>
<u>\$ 22,267</u>	<u>\$ 200,918</u>	<u>\$ 2,010,164</u>	<u>\$ (271,461)</u>
\$ -	\$ -	\$ 231,126	\$ -
-	-	(268,748)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (37,622)</u>	<u>\$ -</u>
\$ (87,466)	\$ (239,311)	\$ (3,696,836)	\$ (244,810)
-	-	-	19,061
-	-	2,880,330	-
-	(58,950)	(193,950)	-
<u>-</u>	<u>(7,570)</u>	<u>(220,919)</u>	<u>-</u>
<u>\$ (87,466)</u>	<u>\$ (305,831)</u>	<u>\$ (1,231,375)</u>	<u>\$ (225,749)</u>
\$ -	\$ 43	\$ 5,143	\$ 595
\$ -	\$ 43	\$ 5,143	\$ 595
\$ (65,199)	\$ (104,870)	\$ 746,310	\$ (496,615)
<u>128,414</u>	<u>152,789</u>	<u>4,283,745</u>	<u>2,048,322</u>
<u>\$ 63,215</u>	<u>\$ 47,919</u>	<u>\$ 5,030,055</u>	<u>\$ 1,551,707</u>

**CITY OF ST. JOSEPH  
 PROPRIETARY FUNDS  
 Combining Statement of Cash Flows - Continued  
 For the Year Ended June 30, 2012**

	<b>Business - Type Activities -</b>		
	<b><u>Sewer Fund</u></b>	<b><u>Water Fund</u></b>	<b><u>City Water Fund</u></b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 400,966	\$ 437,431	\$ 394,828
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Deprecation expense	\$ 49,191	\$ 206,505	\$ 180,109
(Increase) decrease in:			
Receivables	74,534	(81,219)	(10,395)
Due from other funds	(808)	-	-
Due from other governments	(100,969)	923,304	-
Prepaid expenses	(7,008)	(35,792)	-
Inventory	(97)	(20,444)	-
Increase (decrease) in:			
Accounts payable	61,030	(377,564)	(68,834)
Retainages payable	-	4,569	-
Accrued liabilities	(3,253)	33,231	(48)
Due to other funds	6,349	(16,759)	-
Due to other governments	(124,673)	(11,461)	-
Deferred revenue	2,000	-	-
Compensated absences	(4,542)	14,588	-
Net OPEB obligation	(100,787)	(37,003)	-
Total Adjustments	<u>\$ (149,033)</u>	<u>\$ 601,955</u>	<u>\$ 100,832</u>
Net cash provided by operating activities	<u>\$ 251,933</u>	<u>\$ 1,039,386</u>	<u>\$ 495,660</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>
\$ (55,795)	\$ 376,107	\$ 1,553,537	\$ (515,585)
\$ 76,342	\$ 27,748	\$ 539,895	\$ 201,846
(962)	(104,210)	(122,252)	11,442
-	-	(808)	72,250
-	90,392	912,727	-
-	(5,006)	(47,806)	(22,777)
-	3,488	(17,053)	15,159
(49)	(102,856)	(488,273)	-
-	-	4,569	(26,704)
1,626	(39)	31,517	-
1,105	2,147	(7,158)	-
-	44	(136,090)	36,772
-	-	2,000	-
-	(2,228)	7,818	-
-	(84,669)	(222,459)	(43,864)
<u>\$ 78,062</u>	<u>\$ (175,189)</u>	<u>\$ 456,627</u>	<u>\$ 244,124</u>
<u>\$ 22,267</u>	<u>\$ 200,918</u>	<u>\$ 2,010,164</u>	<u>\$ (271,461)</u>

**CITY OF ST. JOSEPH  
FIDUCIARY FUNDS  
Statement of Net Assets  
June 30, 2012**

	<b>Pension and Other Employee <u>Benefits</u></b>	<b>Agency <u>Funds</u></b>
<b>Assets</b>		
Cash and cash equivalents	\$ 283,711	\$ 7,809
Receivables:		
Due from other funds	\$ 208,357	\$ -
Interest receivable	160,421	-
Contribution receivable	<u>12,951</u>	<u>-</u>
Total Receivables	\$ <u>381,729</u>	\$ <u>-</u>
Investments at fair value:		
Stocks	\$ 30,736,645	\$ -
Bonds	10,328,028	-
Government obligations	9,780,816	-
Other	<u>1,962,186</u>	<u>-</u>
Total Investments	\$ <u>52,807,675</u>	\$ <u>-</u>
Total Assets	\$ <u>53,473,115</u>	\$ <u>7,809</u>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 4,987
Undistributed taxes	-	1,080
Due to employees	3,316	-
Due to other funds	<u>10,042</u>	<u>1,742</u>
Total Liabilities	\$ <u>13,358</u>	\$ <u>7,809</u>
<b>Net Assets</b>		
Held in trust for pension benefits and other purposes	\$ <u>53,459,757</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, 2012**

	<b>Pension and Other Employee <u>Benefits</u></b>
<b>Additions</b>	
Contributions:	
Plan members	\$ 315,851
Employer	<u>1,225,758</u>
Total Contributions	<u>\$ 1,541,609</u>
Investment Earnings:	
Interest and dividends	\$ 1,517,607
Miscellaneous	<u>1,977</u>
Total Investment Earnings	\$ 1,519,584
Less investment expense	<u>(216,295)</u>
Net Investment Earnings	<u>\$ 1,303,289</u>
Total Additions	<u>\$ 2,844,898</u>
<b>Deductions</b>	
Benefits	\$ 2,464,223
Refunds of contributions	93,610
Administrative expense	32,895
Net decrease, FMV investments	<u>106,344</u>
Total Deductions	<u>\$ 2,697,072</u>
Change in Net Assets	\$ 147,826
Net Assets - Beginning of Year	<u>53,311,931</u>
NET ASSETS - END OF YEAR	<u>\$ 53,459,757</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 (GASB) 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, 2012.

**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 statements 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.

**Fund Balance Reporting and Governmental Fund Type Definitions.**

In the governmental fund financial statements, fund balances are classified 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.

**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 art is defined as a nondepreciable asset.

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 has delegated the collection of personal property taxes to the County Treasurer. The City recognizes property taxes as revenue when they are levied on July 1 because at that point the taxes are both measurable and available.

The City 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 RESA 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, 2012.

**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, 2012, the carrying amount of the City's deposits was \$11,385,599. The combined bank balance of these deposits was \$11,576,887 of which \$11,076,887 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	\$ 11,018,744	\$ 73,235	\$ 291,520	\$ 11,383,499
Imprest cash	<u>2,100</u>	<u>-</u>	<u>-</u>	<u>2,100</u>
 Total Deposits	 <u>\$ 11,020,844</u>	 <u>\$ 73,235</u>	 <u>\$ 291,520</u>	 <u>\$ 11,385,599</u>
 Cash and cash equivalents as reported in statements	 <u>\$ 11,020,844</u>	 <u>\$ 73,235</u>	 <u>\$ 291,520</u>	 <u>\$ 11,385,599</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.

	<b><u>Market Value</u></b>
<b>Primary Government</b>	
Certificates of deposits	\$ 652,000
Money Markets	97
Municipal Bonds	<u>995,000</u>
Total Primary Government	<u>\$ 1,647,097</u>
<b>Fiduciary Funds</b>	
T-bonds	\$ 9,780,816
Corporate bonds	10,328,028
Common stock	30,736,645
Other	<u>1,962,186</u>
Total Fiduciary Funds	<u>\$ 52,807,675</u>
Total Reporting Entity	<u><u>\$ 54,454,772</u></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 Royaltown 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, 2012, with a report thereto dated July 12, 2012.

Assets	\$ 2,856,476	Operating revenues	\$1,901,852
Liabilities	195,645	Operating expenses	1,826,511
Equity	2,660,831	Nonoperating income	2,558
		Net income	77,899

**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 a draft at the date of the City's issued financial statements of the audited summary financial information on the Benton Harbor - St. Joseph Joint Wastewater Treatment Board as of and for the year ended June 30, 2012.

Assets	\$ 25,325,957	Operating revenues	\$3,965,295
Liabilities	453,256	Operating expenses	3,614,849
Net assets	24,872,701	Nonoperating revenues	65,797
		Net earnings	416,243

**CITY OF ST. JOSEPH**  
**Notes to Financial Statements**

**NOTE 4 - CAPITAL ASSETS**

Capital assets activities for the year ended June 30, 2012 were as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Governmental Activities</b>					
Nondepreciable assets					
Land	\$ 11,870,347	\$ -	\$ -	\$ -	\$ 11,870,347
Historical art	22,000	-	-	-	22,000
Construction in progress	<u>325,296</u>	<u>(721,779)</u>	<u>711,342</u>	<u>(14,000)</u>	<u>300,859</u>
<b>Total Nondepreciable Assets</b>	<u>\$ 12,217,643</u>	<u>\$ (721,779)</u>	<u>\$ 711,342</u>	<u>\$ (14,000)</u>	<u>\$ 12,193,206</u>
Depreciable assets					
Buildings and improvements	\$ 21,969,033	\$ 9,574	\$ 237,072	\$ -	\$ 22,215,679
Infrastructure	22,159,304	711,614	69,870	-	22,940,788
Books	1,091,509	-	32,278	(72,589)	1,051,198
Furniture and equipment	5,856,196	591	257,934	(123,472)	5,991,249
Land improvements	<u>1,178,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,178,724</u>
<b>Subtotal</b>	<u>\$ 52,254,766</u>	<u>\$ 721,779</u>	<u>\$ 597,154</u>	<u>\$ (196,061)</u>	<u>\$ 53,377,638</u>
Accumulated depreciation:					
Buildings and improvements	\$ (3,844,715)	\$ -	\$ (465,339)	\$ -	\$ (4,310,054)
Infrastructure	(8,080,282)	-	(612,343)	-	(8,692,625)
Books	(999,528)	-	(46,932)	72,589	(973,871)
Furniture and equipment	(3,788,773)	-	(333,971)	121,175	(4,001,569)
Land improvements	<u>(92,952)</u>	<u>-</u>	<u>(48,761)</u>	<u>-</u>	<u>(141,713)</u>
<b>Subtotal</b>	<u>\$ (16,806,250)</u>	<u>\$ -</u>	<u>\$ (1,507,346)</u>	<u>\$ 193,764</u>	<u>\$ (18,119,832)</u>
<b>Total Depreciable Capital Assets</b>	<u>\$ 35,448,516</u>	<u>\$ 721,779</u>	<u>\$ (910,192)</u>	<u>\$ (2,297)</u>	<u>\$ 35,257,806</u>

**CITY OF ST. JOSEPH**  
**Notes to Financial Statements**

**NOTE 4 - CAPITAL ASSETS - Continued**

	<u>Balance</u> <u>July 1, 2011</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Business Activities</b>					
Nondepreciable assets					
Land	\$ 956,870	\$ -	\$ -	\$ -	\$ 956,870
Construction in progress	<u>11,442,756</u>	<u>(1,340,941)</u>	<u>2,698,212</u>	<u>-</u>	<u>12,800,027</u>
Total Nondepreciable Assets	<u>\$ 12,399,626</u>	<u>\$ (1,340,941)</u>	<u>\$ 2,698,212</u>	<u>\$ -</u>	<u>\$ 13,756,897</u>
Depreciable assets					
Buildings and improvements	\$ 12,608,699	\$ 1,207,715	\$ 462,211	\$ -	\$ 14,278,625
Infrastructure	1,688,401	-	-	-	1,688,401
Furniture and equipment	1,599,502	-	87,466	-	1,686,968
Utility systems	<u>10,416,361</u>	<u>133,226</u>	<u>448,948</u>	<u>-</u>	<u>10,998,535</u>
Subtotal	<u>\$ 26,312,963</u>	<u>\$ 1,340,941</u>	<u>\$ 998,625</u>	<u>\$ -</u>	<u>\$ 28,652,529</u>
Accumulated depreciation:					
Buildings and improvements	\$ (7,319,447)	\$ -	\$ (218,887)	\$ -	\$ (7,538,334)
Infrastructure	(988,063)	-	(14,983)	-	(1,003,046)
Furniture and equipment	(862,594)	-	(79,053)	-	(941,647)
Utility systems	<u>(1,463,962)</u>	<u>-</u>	<u>(226,972)</u>	<u>-</u>	<u>(1,690,934)</u>
Subtotal	<u>\$ (10,634,066)</u>	<u>\$ -</u>	<u>\$ (539,895)</u>	<u>\$ -</u>	<u>\$ (11,173,961)</u>
Total Depreciable Capital Assets	<u>\$ 15,678,897</u>	<u>\$ 1,340,941</u>	<u>\$ 458,730</u>	<u>\$ -</u>	<u>\$ 17,478,568</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, 2012:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
<b>Bonds and notes payable consist of the following:</b>					
\$4,300,000 2002 Improvement and Refunding Bonds. Re-issued as the 2011 Refunding bonds - Debt Service Fund	\$ 3,640,000	\$ -	\$ (3,640,000)	\$ -	\$ -
\$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	1,227,410	-	(95,000)	\$ 1,132,410	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	1,596,902	-	(95,000)	\$ 1,501,902	95,000
\$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	225,000	-	(25,000)	200,000	25,000

**CITY OF ST. JOSEPH**  
**Notes to Financial Statements**

**NOTE 5 - CHANGES IN LONG-TERM DEBT - Continued**

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities - Continued</b>					
\$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	1,224,668	-	(75,588)	1,149,080	78,914
\$3,575,000 2011 Refunding Bonds due in annual installments of \$150,000 to \$355,000 through May 1, 2027; interest from 2.00% to 4.125% - Debt Service Fund	<u>-</u>	<u>3,575,000</u>	<u>-</u>	<u>3,575,000</u>	<u>150,000</u>
Total Bonds and Notes Payable	\$ 7,913,980	\$ 3,575,000	\$ (3,930,588)	\$ 7,558,392	\$ 443,914
Compensated Absences	<u>422,521</u>	<u>-</u>	<u>(60,932)</u>	<u>361,589</u>	<u>271,192</u>
Total Governmental Activities	<u>\$ 8,336,501</u>	<u>\$ 3,575,000</u>	<u>\$ (3,991,520)</u>	<u>\$ 7,919,981</u>	<u>\$ 715,106</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	\$ 215,915	\$ -	\$ (58,950)	\$ 156,965	\$ 61,126
\$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	13,889
\$3,135,496 2008 capital improvement bond due in annual installments of \$130,000 to \$190,000 through April 1, 2030; interest at 2.50% - City Water Fund	3,005,496	-	(125,000)	2,880,496	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	221,000	-	(10,000)	211,000	10,000

**CITY OF ST. JOSEPH**  
**Notes to Financial Statements**

**NOTE 5 - CHANGES IN LONG-TERM DEBT - Continued**

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
<b>Business Activities - Continued</b>					
\$5,973,000 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	2,299,867	-	5,387,831	233,000
\$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	370,463	-	1,199,938	48,000
\$210,000 2012 Clean Water Bond due in annual installments of \$10,000 to \$15,000 through April 1, 2032; interest at 2.50% - Sewer Fund	-	210,000	-	210,000	10,000
Total Bonds and Notes Payable	\$ 7,484,850	\$ 2,880,330	\$ (193,950)	\$ 10,171,230	\$ 506,015
Compensated Absences - Water Fund, Sewer Fund, Marina Fund	64,668	14,588	(6,770)	72,486	54,364
Total Business Activities	<u>\$ 7,549,518</u>	<u>\$ 2,894,918</u>	<u>\$ (200,720)</u>	<u>\$ 10,243,716</u>	<u>\$ 560,379</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>
2013	\$ 443,914	\$ 234,317	\$ 506,015	\$ 246,074
2014	462,382	223,455	517,356	235,758
2015	481,005	212,125	501,261	222,205
2016	494,786	199,488	478,889	210,145
2017	508,735	186,451	488,889	198,395
2018-2022	2,824,248	695,264	2,610,555	806,405
2023-2027	2,343,322	230,019	2,896,000	467,835
2028-2032	-	-	2,172,265	103,006
Total	<u>\$ 7,558,392</u>	<u>\$ 1,981,119</u>	<u>\$ 10,171,230</u>	<u>\$ 2,489,823</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 <u>June 30,</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b) - (a)</u>	Funded Ratio <u>(a) / (b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent of Covered Payroll <u>(b) - (a)</u> <u>(c)</u>
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%
2011	50.8	53.5	2.7	95.0%	6.3	42.90%

**Schedule of Employer Contributions**

Fiscal Year Ended <u>June 30,</u>	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	-	N/A
2013	1,110,606	-	N/A

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, 2011
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**

**NOTE 6 - PENSION PLAN - Continued**

**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 POST-EMPLOYMENT 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. As of January 9, 2012, a City amendment eliminated post-retirement health care for non-contract employees retiring after March 31, 2012.

**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, 2012, the City made payments for post-employment health benefit premiums of \$160,749 computed as follows:

Annual required contribution	\$ 445,309
Retired employees' contribution of current premiums	<u>(284,560)</u>
City paid portion of retired employees' healthcare benefits	<u>\$ 160,749</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:

<b>Transfer In:</b>		<b>Transfer Out:</b>	
<u>Fund</u>	<u>Amount</u>	<u>Fund</u>	<u>Amount</u>
Library Capital Improvement	\$ 87,800	Library Fund	\$ 87,800
Library Fund	20,800	Library Endowment	20,800
Major Streets	20,000	Capital Improvement	50,000
Building Inspection	100,000	General Fund	823,143
Capital Improvement	253,143	City Water	253,000
Street Improvement	303,000	Street Improvement	255,378
Local Streets	490,000	Sewer Fund	<u>15,748</u>
Sewer Fund	109,375		
City Water	<u>121,751</u>		
Total:	<u>\$ 1,505,869</u>	Total:	<u>\$ 1,505,869</u>

The composition of interfund balances as of June 30, 2012, is as follows:

<b>Interfund Receivables:</b>		<b>Interfund Payables:</b>	
<u>Fund</u>	<u>Amount</u>	<u>Fund</u>	<u>Amount</u>
General Fund	\$ 47,506	General Fund	\$ 166,568
Local Streets	7,910	Major Streets	10,795
Street Improvement	8,282	Local Streets	13,633
Sewer	808	Street Improvement	808
Motor Pool	30,785	Cemetery	2,591
Employees' Retirement Plan	208,357	Garbage and Rubbish	3,359
Library Endowment	<u>18,726</u>	Building Inspection	5,426
		Library	5,468
		Capital Improvement	1,540
		Library Capital Improvement	18,726
		Ice Arena	1,105
		Sewer	10,581
		Water	31,071
		Marina	2,147
		Self Insurance	35,725
		Motor Pool	1,047
		Flex Spending	10,042
		Treasurer's Tax	1,711
		Imprest Payroll Fund	<u>31</u>
Total:	<u>\$ 322,374</u>	Total:	<u>\$ 322,374</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	\$ 322,374
Internal Service Funds (Self Insurance, Employee Health Care and Motor Pool)	(30,785)
Enterprise Funds (Water, Sewer, City Water, Ice Arena and Marina)	(808)
Pension Funds (Employees' Retirement and Flex Spending)	<u>(208,357)</u>
 Total governmental funds "due from other funds"	 <u>\$ 82,424</u>

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

Total interfund payables	\$ 322,374
Internal Service Funds (Self Insurance, Employee Health Care and Motor Pool)	(36,772)
Agency Funds (Treasurer's Tax, Imprest Payroll, and Flex Spending)	(1,742)
Enterprise Funds (Water, Sewer, City Water, Ice Arena and Marina)	(44,904)
Pension Funds (Employees' Retirement and Flex Spending)	<u>(10,042)</u>
 Total governmental funds "due to other funds"	 <u>\$ 228,914</u>

**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 \$10,593 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.

The City incurred a deficit of \$2,610 in the Cemetery Fund, primarily due to timing of transfers from the Cemetery Perpetual Care Fund. The deficit has been eliminated as of September 7, 2012, the date on which the financial statements were available to be issued.

**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 \$91,564. 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. \$1,200. 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:			
Public safety	\$ 3,771,800	\$ 3,841,268	\$ (69,468)
Community and economic development	262,100	263,892	(1,792)

**NOTE 16 - COMMITMENTS**

Construction was in process as of June 30, 2012 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, 2012</u>
Water Intake	\$ 11,099,986	\$ 1,385,139
Water Process Improvement	2,155,000	93,062
Napier Avenue Resurface	536,025	323,025
Napier/Langley Signal	317,000	304,900
Lake Street Reconstruction	507,000	467,000
Ridgeway Water Improvements	263,500	259,500

**NOTE 17 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 7, 2012, the date on which the financial statements were available to be issued. There were no material subsequent events.

**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.

**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, 2012**

	<u>Special Revenue</u>	<u>Debt Service</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,976,873	\$ 449,973
Investments	-	-
Due from other funds	16,192	-
Receivables	111,196	-
Prepaid expenses	5,757	-
Inventory	<u>73,922</u>	<u>-</u>
 Total Current Assets	 <u>\$ 2,183,940</u>	 <u>\$ 449,973</u>
 TOTAL ASSETS	 <u>\$ 2,183,940</u>	 <u>\$ 449,973</u>
<b>Liabilities and Fund Balances</b>		
Current Liabilities:		
Accounts payable	\$ 1,548	\$ -
Accrued liabilities	76,417	-
Due to other funds	42,080	-
Deferred revenue	<u>10,138</u>	<u>-</u>
 Total Current Liabilities	 <u>\$ 130,183</u>	 <u>\$ -</u>
 Total Liabilities	 <u>\$ 130,183</u>	 <u>\$ -</u>
Fund Balances:		
Nonspendable:		
Inventory	\$ 73,922	\$ -
Prepaid expenses	5,757	-
Endowment	-	-
Restricted for:		
Perpetual care	-	-
Library	-	-
Special revenue	1,765,248	-
Debt service	-	449,973
Capital projects	-	-
Assigned for:		
Special revenue	211,440	-
Capital projects	-	-
Unassigned, reported in:		
Special revenue	(2,610)	-
Capital projects	<u>-</u>	<u>-</u>
 Total Fund Balances	 <u>\$ 2,053,757</u>	 <u>\$ 449,973</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 2,183,940</u>	 <u>\$ 449,973</u>

<u>Permanent Funds</u>	<u>Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 261,381	\$ 601,830	\$ 3,290,057
652,000	-	652,000
18,726	-	34,918
-	34,887	146,083
-	-	5,757
-	-	73,922
<u>\$ 932,107</u>	<u>\$ 636,717</u>	<u>\$ 4,202,737</u>
<u>\$ 932,107</u>	<u>\$ 636,717</u>	<u>\$ 4,202,737</u>
\$ -	\$ -	\$ 1,548
-	-	76,417
-	20,266	62,346
-	1,728	11,866
<u>\$ -</u>	<u>\$ 21,994</u>	<u>\$ 152,177</u>
<u>\$ -</u>	<u>\$ 21,994</u>	<u>\$ 152,177</u>
\$ -	\$ -	\$ 73,922
		5,757
490,774	-	490,774
207,456	-	207,456
233,877	-	233,877
-	-	1,765,248
-	-	449,973
-	32,067	32,067
-	-	211,440
-	593,249	593,249
-	-	(2,610)
<u>-</u>	<u>(10,593)</u>	<u>(10,593)</u>
<u>\$ 932,107</u>	<u>\$ 614,723</u>	<u>\$ 4,050,560</u>
<u>\$ 932,107</u>	<u>\$ 636,717</u>	<u>\$ 4,202,737</u>

**CITY OF ST. JOSEPH**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**For the Year Ended June 30, 2012**

	<u>Special Revenue</u>	<u>Debt Service</u>
<b>Revenues:</b>		
Taxes	\$ 1,542,360	\$ 587,844
Federal revenues	482,084	-
State revenues	560,396	-
Contributions from local units	175,000	-
Charges for services	231,996	-
Licenses and permits	132,549	-
Fines and forfeitures	178,731	-
Interest and rents	23,351	180
Other	<u>153,841</u>	<u>-</u>
Total Revenues	<u>\$ 3,480,308</u>	<u>\$ 588,024</u>
<b>Expenditures:</b>		
Current:		
General government	\$ 224,646	\$ -
Public safety	189,060	-
Public works	1,899,458	-
Recreation and culture	755,601	-
Community and economic development	134,607	-
Debt service:		
Principal	-	3,830,000
Interest	-	337,078
Capital outlay	<u>644,367</u>	<u>-</u>
Total Expenditures	<u>\$ 3,847,739</u>	<u>\$ 4,167,078</u>
Revenues Over (Under) Expenditures	<u>\$ (367,431)</u>	<u>\$ (3,579,054)</u>
<b>Other Financing Sources (Uses):</b>		
Proceeds from bond issuance	\$ -	\$ 3,639,514
Sale of fixed assets	2,157	-
Operating transfers in	933,800	-
Operating transfers out	<u>(343,178)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ 592,779</u>	<u>\$ 3,639,514</u>
Net Change in Fund Balances	\$ 225,348	\$ 60,460
Fund Balances - Beginning of Year	<u>1,828,409</u>	<u>389,513</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,053,757</u>	<u>\$ 449,973</u>

<u>Permanent Funds</u>	<u>Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 2,130,204
-	-	482,084
-	165,795	726,191
-	-	175,000
-	-	231,996
-	-	132,549
-	-	178,731
8,430	329	32,290
<u>1,875</u>	<u>541,776</u>	<u>697,492</u>
<u>\$ 10,305</u>	<u>\$ 707,900</u>	<u>\$ 4,786,537</u>
\$ -	\$ 54,390	\$ 279,036
-	200,826	389,886
-	59,867	1,959,325
-	195,240	950,841
-	65,619	200,226
-	25,000	3,855,000
-	-	337,078
-	<u>283,460</u>	<u>927,827</u>
<u>\$ -</u>	<u>\$ 884,402</u>	<u>\$ 8,899,219</u>
<u>\$ 10,305</u>	<u>\$ (176,502)</u>	<u>\$ (4,112,682)</u>
\$ -	\$ -	\$ 3,639,514
-	-	2,157
-	340,943	1,274,743
<u>(20,800)</u>	<u>(50,000)</u>	<u>(413,978)</u>
<u>\$ (20,800)</u>	<u>\$ 290,943</u>	<u>\$ 4,502,436</u>
\$ (10,495)	\$ 114,441	\$ 389,754
<u>942,602</u>	<u>500,282</u>	<u>3,660,806</u>
<u>\$ 932,107</u>	<u>\$ 614,723</u>	<u>\$ 4,050,560</u>

**CITY OF ST. JOSEPH  
NONMAJOR CAPITAL PROJECT FUNDS  
Combining Balance Sheet  
June 30, 2012**

	<u>Library Capital Improvements</u>	<u>Capital Improvement</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 8,133	\$ 593,697	\$ 601,830
Receivables	-	34,887	34,887
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 8,133	\$ 628,584	\$ 636,717
	<hr/>	<hr/>	<hr/>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Due to other funds	\$ 18,726	\$ 1,540	\$ 20,266
Deferred revenue	-	1,728	1,728
	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 18,726	\$ 3,268	\$ 21,994
	<hr/>	<hr/>	<hr/>
Fund Balances:			
Restricted for:			
Lighthouse project	\$ -	\$ 32,067	\$ 32,067
Assigned for:			
Capital projects	-	593,249	593,249
Unassigned	(10,593)	-	(10,593)
	<hr/>	<hr/>	<hr/>
Total Fund Balances	\$ (10,593)	\$ 625,316	\$ 614,723
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,133	\$ 628,584	\$ 636,717
	<hr/>	<hr/>	<hr/>

**CITY OF ST. JOSEPH**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**For the Year Ended June 30, 2012**

	<u>Library Capital Improvements</u>	<u>Capital Improvement</u>	<u>Total</u>
<b>Revenues:</b>			
State revenue	\$ -	\$ 165,795	\$ 165,795
Special assessments	-	1,728	1,728
Interest	-	329	329
Other revenue	<u>1,495</u>	<u>538,553</u>	<u>540,048</u>
 Total Revenues	 <u>\$ 1,495</u>	 <u>\$ 706,405</u>	 <u>\$ 707,900</u>
<b>Expenditures:</b>			
General government	\$ -	\$ 54,390	\$ 54,390
Public safety	-	200,826	200,826
Public works	-	59,867	59,867
Recreation and culture	-	195,240	195,240
Community and economic development	-	65,619	65,619
Capital outlay	67,251	216,209	283,460
Debt service:			
Principal	<u>-</u>	<u>25,000</u>	<u>25,000</u>
 Total Expenditures	 <u>\$ 67,251</u>	 <u>\$ 817,151</u>	 <u>\$ 884,402</u>
 Revenues Under Expenditures	 <u>\$ (65,756)</u>	 <u>\$ (110,746)</u>	 <u>\$ (176,502)</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	\$ 87,800	\$ 253,143	\$ 340,943
Operating transfers out	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
 Total Other Financing Sources (Uses)	 <u>\$ 87,800</u>	 <u>\$ 203,143</u>	 <u>\$ 290,943</u>
 Net Change in Fund Balances	 <u>\$ 22,044</u>	 <u>\$ 92,397</u>	 <u>\$ 114,441</u>
 Fund Balances - Beginning of Year	 <u>(32,637)</u>	 <u>532,919</u>	 <u>500,282</u>
 FUND BALANCES - END OF YEAR	 <u><u>\$ (10,593)</u></u>	 <u><u>\$ 625,316</u></u>	 <u><u>\$ 614,723</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues:</b>				
Taxes	\$ 4,973,300	\$ 5,037,400	\$ 5,041,665	\$ 4,265
State revenues	610,700	680,200	681,420	1,220
Charges for services	1,326,400	1,357,600	1,386,438	28,838
Licenses and permits	4,300	4,300	5,268	968
Fines, fees, and forfeits	99,300	81,300	89,173	7,873
Interest and rents	37,200	22,200	14,662	(7,538)
Other	28,000	113,300	112,077	(1,223)
<b>Total Revenues</b>	<b>\$ 7,079,200</b>	<b>\$ 7,296,300</b>	<b>\$ 7,330,703</b>	<b>\$ 34,403</b>
<b>Expenditures:</b>				
Current:				
General government	\$ 1,221,500	\$ 1,123,800	\$ 1,091,219	\$ 32,581
Public safety	3,675,200	3,771,800	3,841,268	(69,468)
Public works	445,600	437,700	414,875	22,825
Health and welfare	50,600	50,600	50,537	63
Community and economic development	266,800	262,100	263,892	(1,792)
Recreation and cultural	605,000	621,400	616,065	5,335
Other	474,500	296,800	284,736	12,064
Debt service:				
Principal retirement	75,600	75,600	75,588	12
Interest	52,500	54,400	52,460	1,940
<b>Total Expenditures</b>	<b>\$ 6,867,300</b>	<b>\$ 6,694,200</b>	<b>\$ 6,690,640</b>	<b>\$ 3,560</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$ 211,900</b>	<b>\$ 602,100</b>	<b>\$ 640,063</b>	<b>\$ 37,963</b>
<b>Other Financing Sources (Uses):</b>				
Operating transfers out	\$ (450,000)	\$ (823,200)	\$ (823,143)	\$ 57
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (450,000)</b>	<b>\$ (823,200)</b>	<b>\$ (823,143)</b>	<b>\$ 57</b>
<b>Net Change in Fund Balances</b>	<b>\$ (238,100)</b>	<b>\$ (221,100)</b>	<b>\$ (183,080)</b>	<b>\$ 38,020</b>
Fund Balances - Beginning of Year	2,253,143	2,253,143	2,253,143	-
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 2,015,043</b>	<b>\$ 2,032,043</b>	<b>\$ 2,070,063</b>	<b>\$ 38,020</b>

**CITY OF ST. JOSEPH  
GENERAL FUND  
Statement of Revenues - Budget and Actual  
For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Taxes:			
General and industrial facilities		\$ 4,826,749	
Penalty and interest on taxes		25,082	
Administration		<u>189,834</u>	
Total Taxes	\$ 5,037,400	\$ <u>5,041,665</u>	\$ 4,265
State Revenues:			
State shared revenues		\$ 668,987	
Other		<u>12,433</u>	
Total State Revenues	680,200	\$ <u>681,420</u>	1,220
Charges for Services:			
Administration		\$ 1,046,100	
Fees		139,434	
Services rendered		9,757	
Use and admissions		<u>191,147</u>	
Total Charges for Services	1,357,600	\$ <u>1,386,438</u>	28,838
Licenses and Permits:			
Licenses	4,300	\$ <u>5,268</u>	968
Fines and Forfeitures:			
District Court		\$ 27,497	
Parking fines		<u>61,676</u>	
Total Fines, Fees and Forfeits	81,300	\$ <u>89,173</u>	7,873
Interest and Rents	22,200	\$ <u>14,662</u>	(7,538)
Other	<u>113,300</u>	\$ <u>112,077</u>	<u>(1,223)</u>
TOTAL REVENUES	\$ <u>7,296,300</u>	\$ <u>7,330,703</u>	\$ <u>34,403</u>

**CITY OF ST. JOSEPH  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30. 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>General Government</b>			
<b>Legislative</b>			
Commission			
Salaries and wages		\$ 16,792	
Benefits and insurance		1,286	
Other services and charges		<u>5,451</u>	
Total Legislative	<u>\$ 24,400</u>	<u>\$ 23,529</u>	<u>\$ 871</u>
<b>Chief Executive</b>			
City Manager			
Salaries and wages		\$ 173,807	
Benefits and insurance		69,151	
Supplies		130	
Other services and charges		<u>7,476</u>	
Total City Manager	<u>\$ 250,600</u>	<u>\$ 250,564</u>	<u>\$ 36</u>
General Administration			
Supplies		\$ 30,118	
Other services and charges		<u>54,928</u>	
Total General Administration	<u>93,000</u>	<u>\$ 85,046</u>	<u>7,954</u>
Total Chief Executive	<u>\$ 343,600</u>	<u>\$ 335,610</u>	<u>\$ 7,990</u>
<b>Financial and Tax Administration</b>			
Clerk			
Salaries and wages		\$ 42,925	
Benefits and insurance		9,849	
Supplies		8,077	
Other services and charges		<u>11,175</u>	
Total Clerk	<u>\$ 74,200</u>	<u>\$ 72,026</u>	<u>\$ 2,174</u>
Treasurer			
Salaries and wages		\$ 127,047	
Benefits and insurance		46,362	
Supplies		4,825	
Other services and charges		<u>31,126</u>	
Total Treasurer	203,900	<u>\$ 209,360</u>	(5,460)

**CITY OF ST. JOSEPH  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30. 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>General Government - Continued</b>			
<b>Financial and Tax Administration - Continued</b>			
City Assessor			
Salaries and wages		\$ 57,179	
Benefits and insurance		18,738	
Supplies		1,412	
Other services and charges		<u>3,837</u>	
Total City Assessor	<u>80,900</u>	<u>\$ 81,166</u>	<u>(266)</u>
Total Finance and Tax Administration	<u>\$ 359,000</u>	<u>\$ 362,552</u>	<u>\$ (3,552)</u>
<b>Building and Grounds</b>			
Municipal Buildings			
Salaries and wages		\$ 33,297	
Benefits and insurance		20,880	
Supplies		20,272	
Other services and charges		<u>113,884</u>	
Total Building and Grounds	<u>\$ 206,900</u>	<u>\$ 188,333</u>	<u>\$ 18,567</u>
<b>Other General Government</b>			
City Attorney			
Other services and charges		<u>\$ 101,131</u>	
Total City Attorney	<u>\$ 108,000</u>	<u>\$ 101,131</u>	<u>\$ 6,869</u>
Personnel Department			
Salaries and wages		\$ 43,845	
Benefits and insurance		15,986	
Supplies		2,082	
Other services and charges		<u>18,151</u>	
Total Personnel Department	<u>81,900</u>	<u>\$ 80,064</u>	<u>1,836</u>
Total Other General Government	<u>\$ 189,900</u>	<u>\$ 181,195</u>	<u>\$ 8,705</u>
Total General Government	<u>\$ 1,123,800</u>	<u>\$ 1,091,219</u>	<u>\$ 32,581</u>

**CITY OF ST. JOSEPH  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30. 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Public Safety</b>			
Police			
Salaries and wages		\$ 1,508,110	
Benefits and insurance		752,937	
Supplies		26,265	
Other services and charges		<u>99,289</u>	
Total Police	\$ 2,335,700	\$ <u>2,386,601</u>	\$ (50,901)
Fire			
Salaries and wages		\$ 854,659	
Benefits and insurance		520,281	
Supplies		21,335	
Other services and charges		<u>58,392</u>	
Total Fire	<u>1,436,100</u>	\$ <u>1,454,667</u>	<u>(18,567)</u>
Total Public Safety	\$ <u>3,771,800</u>	\$ <u>3,841,268</u>	\$ <u>(69,468)</u>
<b>Public Works</b>			
Engineer			
Salaries and wages		\$ 86,342	
Benefits and insurance		39,710	
Supplies		1,680	
Other services and charges		<u>5,917</u>	
Total Engineer	\$ 134,600	\$ <u>133,649</u>	\$ 951
Public Works - Other			
Salaries and wages		\$ 83,546	
Benefits and insurance		39,165	
Supplies		7,772	
Other services and charges		<u>45,619</u>	
Total Public Works - Other	183,100	\$ <u>176,102</u>	6,998
Public Works - Street Lighting			
Other services and charges	<u>120,000</u>	\$ <u>105,124</u>	<u>14,876</u>
Total Public Works	\$ <u>437,700</u>	\$ <u>414,875</u>	\$ <u>22,825</u>

**CITY OF ST. JOSEPH  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30. 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Health and Welfare</b>			
Ambulance			
Other services and charges		\$ 50,537	
Total Health and Welfare	\$ 50,600	\$ 50,537	\$ 63
<b>Community and Economic Development</b>			
Economic Development			
Other services and charges		\$ 65,000	
Total Economic Development	\$ 65,000	\$ 65,000	\$ -
Other Development Activities			
Communications and Marketing			
Salaries and wages		\$ 61,285	
Benefits and insurance		19,693	
Supplies		5,469	
Other services and charges		<u>52,472</u>	
Total Communications and Marketing	\$ 138,300	\$ 138,919	\$ (619)
Community Activities			
Other services and charges		\$ 59,973	
Total Community Activities	<u>58,800</u>	\$ 59,973	<u>(1,173)</u>
Total Other Development Activities	\$ 197,100	\$ 198,892	\$ (1,792)
Total Community and Economic Development	\$ 262,100	\$ 263,892	\$ (1,792)
<b>Recreation and Culture</b>			
Parks and Recreation			
Parks			
Salaries and wages		\$ 278,389	
Benefits and insurance		99,278	
Supplies		62,643	
Other services and charges		<u>150,819</u>	
Total Parks	\$ 591,300	\$ 591,129	\$ 171

**CITY OF ST. JOSEPH  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30. 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
City Recreation Program			
Salaries and wages		\$ 20,598	
Benefits and insurance		1,940	
Supplies		2,298	
Other services and charges		<u>100</u>	
Total City Recreation Program	<u>30,100</u>	<u>\$ 24,936</u>	<u>5,164</u>
Total Recreation and Culture	<u>\$ 621,400</u>	<u>\$ 616,065</u>	<u>\$ 5,335</u>
<b>Other</b>			
Benefits and insurance		\$ 160,750	
Other services and charges		<u>123,986</u>	
Total Other	<u>\$ 296,800</u>	<u>\$ 284,736</u>	<u>\$ 12,064</u>
<b>Debt Service</b>			
Principal retirement	\$ 75,600	\$ 75,588	
Interest expense	<u>54,400</u>	<u>52,460</u>	
Total Debt Service	<u>\$ 130,000</u>	<u>\$ 128,048</u>	<u>\$ 1,952</u>
TOTAL EXPENDITURES	<u>\$ 6,694,200</u>	<u>\$ 6,690,640</u>	<u>\$ 3,560</u>

**CITY OF ST. JOSEPH**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Combining Balance Sheet**  
**June 30, 2012**

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Street Improvement</u>	<u>Cemetery</u>	<u>Depot</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 458,816	\$ 16,001	\$ 892,296	\$ 5,053	\$ 97,348
Due from other funds	-	7,910	8,282	-	-
Receivables	65,504	25,035	1,064	162	-
Prepaid expenses	-	-	-	-	1,502
Inventory	-	<u>73,922</u>	-	-	-
 TOTAL ASSETS	 <u>\$ 524,320</u>	 <u>\$ 122,868</u>	 <u>\$ 901,642</u>	 <u>\$ 5,215</u>	 <u>\$ 98,850</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 1,098	\$ -	\$ -
Accrued liabilities	377	12,051	-	5,234	-
Due to other funds	10,795	13,633	808	2,591	-
Deferred revenue	-	-	-	-	-
 Total Liabilities	 <u>\$ 11,172</u>	 <u>\$ 25,684</u>	 <u>\$ 1,906</u>	 <u>\$ 7,825</u>	 <u>\$ -</u>
Fund Balances:					
Nonspendable:					
Inventory	\$ -	\$ 73,922	\$ -	\$ -	\$ -
Prepaid expenses	-	-	-	-	1,502
Restricted	513,148	23,262	899,736	-	-
Assigned	-	-	-	-	97,348
Unassigned	-	-	-	<u>(2,610)</u>	-
 Total Fund Balances	 <u>\$ 513,148</u>	 <u>\$ 97,184</u>	 <u>\$ 899,736</u>	 <u>\$ (2,610)</u>	 <u>\$ 98,850</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 524,320</u>	 <u>\$ 122,868</u>	 <u>\$ 901,642</u>	 <u>\$ 5,215</u>	 <u>\$ 98,850</u>

<b><u>Garbage and Rubbish Collection</u></b>	<b><u>Brownfield Authority</u></b>	<b><u>Building Inspection</u></b>	<b><u>Drug Forfeiture</u></b>	<b><u>Criminal Forfeiture</u></b>
\$ 125,092	\$ 33,467	\$ 89,324	\$ 21,652	\$ 6,555
-	-	-	-	-
-	-	4,848	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 125,092</u>	<u>\$ 33,467</u>	<u>\$ 94,172</u>	<u>\$ 21,652</u>	<u>\$ 6,555</u>
\$ -	\$ -	\$ -	\$ -	\$ -
3,803	-	37,736	-	-
3,359	-	5,426	-	-
-	-	10,138	-	-
<u>\$ 7,162</u>	<u>\$ -</u>	<u>\$ 53,300</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
117,930	-	-	-	-
-	33,467	40,872	21,652	6,555
-	-	-	-	-
<u>\$ 117,930</u>	<u>\$ 33,467</u>	<u>\$ 40,872</u>	<u>\$ 21,652</u>	<u>\$ 6,555</u>
<u>\$ 125,092</u>	<u>\$ 33,467</u>	<u>\$ 94,172</u>	<u>\$ 21,652</u>	<u>\$ 6,555</u>

**CITY OF ST. JOSEPH**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Combining Balance Sheet - Continued**  
**June 30, 2012**

	<u>Band</u>	<u>Public Library</u>	<u>Justice Training</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 96,599	\$ 123,124	\$ 11,546	\$ 1,976,873
Due from other funds	-	-	-	16,192
Receivables	-	14,583	-	111,196
Prepaid expenses	876	3,379	-	5,757
Inventory	-	-	-	<u>73,922</u>
 TOTAL ASSETS	 <u>\$ 97,475</u>	 <u>\$ 141,086</u>	 <u>\$ 11,546</u>	 <u>\$ 2,183,940</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ 450	\$ -	\$ 1,548
Accrued liabilities	2,411	14,805	-	76,417
Due to other funds	-	5,468	-	42,080
Deferred revenue	-	-	-	<u>10,138</u>
 Total Liabilities	 <u>\$ 2,411</u>	 <u>\$ 20,723</u>	 <u>\$ -</u>	 <u>\$ 130,183</u>
Fund Balances:				
Nonspendable:				
Inventory	\$ -	\$ -	\$ -	\$ 73,922
Prepaid expenses	876	3,379	-	5,757
Restricted	94,188	116,984	-	1,765,248
Assigned	-	-	11,546	211,440
Unassigned	-	-	-	<u>(2,610)</u>
 Total Fund Balances	 <u>\$ 95,064</u>	 <u>\$ 120,363</u>	 <u>\$ 11,546</u>	 <u>\$ 2,053,757</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 97,475</u>	 <u>\$ 141,086</u>	 <u>\$ 11,546</u>	 <u>\$ 2,183,940</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, 2012**

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Street Improvement</u>	<u>Cemetery</u>
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ 419,125	\$ -
Federal revenue	9,401	9,401	463,282	-
State revenue	391,535	151,894	-	-
Contributions from local units	-	-	-	-
Charges for services	-	-	-	179,265
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rents	139	113	113	62
Other	-	83,856	1,564	860
	<u>-</u>	<u>83,856</u>	<u>1,564</u>	<u>860</u>
 Total Revenues	 <u>\$ 401,075</u>	 <u>\$ 245,264</u>	 <u>\$ 884,084</u>	 <u>\$ 180,187</u>
 <b>Expenditures:</b>				
Personal services:				
Salaries and wages	\$ 42,548	\$ 345,192	\$ -	\$ 114,481
Benefits and insurance	76,443	143,890	-	67,949
Supplies	20,358	23,397	-	11,820
Other services and charges	106,397	181,478	250,950	18,444
Capital outlay	250	70,556	517,744	-
	<u>250</u>	<u>70,556</u>	<u>517,744</u>	<u>-</u>
 Total Expenditures	 <u>\$ 245,996</u>	 <u>\$ 764,513</u>	 <u>\$ 768,694</u>	 <u>\$ 212,694</u>
 Revenues Over (Under) Expenditures	 <u>\$ 155,079</u>	 <u>\$ (519,249)</u>	 <u>\$ 115,390</u>	 <u>\$ (32,507)</u>
 <b>Other Financing Sources (Uses):</b>				
Sale of fixed assets	\$ -	\$ -	\$ -	\$ -
Operating transfers in	20,000	490,000	303,000	-
Operating transfers out	-	-	(255,378)	-
	<u>-</u>	<u>-</u>	<u>(255,378)</u>	<u>-</u>
 Total Other Financing Sources (Uses)	 <u>\$ 20,000</u>	 <u>\$ 490,000</u>	 <u>\$ 47,622</u>	 <u>\$ -</u>
 Net Change in Fund Balances	 <u>\$ 175,079</u>	 <u>\$ (29,249)</u>	 <u>\$ 163,012</u>	 <u>\$ (32,507)</u>
 Fund Balances - Beginning of Year	 <u>338,069</u>	 <u>126,433</u>	 <u>736,724</u>	 <u>29,897</u>
 FUND BALANCES - END OF YEAR	 <u><u>\$ 513,148</u></u>	 <u><u>\$ 97,184</u></u>	 <u><u>\$ 899,736</u></u>	 <u><u>\$ (2,610)</u></u>

<u>Depot</u>	<u>Garbage and Rubbish Collection</u>	<u>Brownfield Authority</u>	<u>Building Inspection</u>	<u>Drug Forfeiture</u>	<u>Criminal Forfeiture</u>
\$ -	\$ 733,477	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	1,898	-	36,256	-	-
-	-	-	132,549	-	-
-	-	-	-	-	-
19,445	16	46	229	3	2
-	100	-	5,983	191	-
<u>\$ 19,445</u>	<u>\$ 735,491</u>	<u>\$ 46</u>	<u>\$ 175,017</u>	<u>\$ 194</u>	<u>\$ 2</u>
\$ -	\$ 66,902	\$ -	\$ 189,932	\$ -	\$ -
-	39,348	-	91,795	-	-
-	6,151	-	4,243	-	-
11,952	596,404	-	35,109	19	1,373
-	-	-	-	-	-
<u>\$ 11,952</u>	<u>\$ 708,805</u>	<u>\$ -</u>	<u>\$ 321,079</u>	<u>\$ 19</u>	<u>\$ 1,373</u>
<u>\$ 7,493</u>	<u>\$ 26,686</u>	<u>\$ 46</u>	<u>\$ (146,062)</u>	<u>\$ 175</u>	<u>\$ (1,371)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	100,000	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,493	\$ 26,686	\$ 46	\$ (46,062)	\$ 175	\$ (1,371)
<u>91,357</u>	<u>91,244</u>	<u>33,421</u>	<u>86,934</u>	<u>21,477</u>	<u>7,926</u>
<u>\$ 98,850</u>	<u>\$ 117,930</u>	<u>\$ 33,467</u>	<u>\$ 40,872</u>	<u>\$ 21,652</u>	<u>\$ 6,555</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, 2012**

	<u>Band</u>	<u>Public Library</u>	<u>Justice Training</u>	<u>Total</u>
<b>Revenues:</b>				
Taxes	\$ 104,764	\$ 284,994	\$ -	\$ 1,542,360
Federal revenue	-	-	-	482,084
State revenue	-	7,712	9,255	560,396
Contributions from local units	-	175,000	-	175,000
Charges for services	7,795	6,782	-	231,996
Licenses and permits	-	-	-	132,549
Fines and forfeitures	-	178,731	-	178,731
Interest and rents	11	3,167	5	23,351
Other	-	61,287	-	153,841
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	\$ 112,570	\$ 717,673	\$ 9,260	\$ 3,480,308
<b>Expenditures:</b>				
Personal services:				
Salaries and wages	\$ 12,294	\$ 387,703	\$ -	\$ 1,159,052
Benefits and insurance	1,522	105,472	-	526,419
Supplies	4,141	35,600	-	105,710
Other services and charges	74,384	134,485	1,196	1,412,191
Capital outlay	-	55,817	-	644,367
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	\$ 92,341	\$ 719,077	\$ 1,196	\$ 3,847,739
Revenues Over (Under) Expenditures	\$ 20,229	\$ (1,404)	\$ 8,064	\$ (367,431)
<b>Other Financing Sources (Uses):</b>				
Sale of fixed assets	\$ -	\$ 2,157	\$ -	\$ 2,157
Operating transfers in	-	20,800	-	933,800
Operating transfers out	-	(87,800)	-	(343,178)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Other Financing Sources (Uses)	\$ -	\$ (64,843)	\$ -	\$ 592,779
Net Change in Fund Balances	\$ 20,229	\$ (66,247)	\$ 8,064	\$ 225,348
Fund Balances - Beginning of Year	<u>74,835</u>	<u>186,610</u>	<u>3,482</u>	<u>1,828,409</u>
FUND BALANCES - END OF YEAR	<u>\$ 95,064</u>	<u>\$ 120,363</u>	<u>\$ 11,546</u>	<u>\$ 2,053,757</u>

**CITY OF ST. JOSEPH  
COMPONENT UNIT  
Statement of Net Assets  
June 30, 2012**

	<b>Downtown Development Authority</b>
<b>Assets</b>	
Cash and cash equivalents	\$ <u>73,235</u>
TOTAL ASSETS	\$ <u><u>73,235</u></u>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
Accrued liabilities	\$ 320
<b>Net Assets</b>	
Unrestricted	<u>72,915</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>73,235</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, 2012**

	<u>Downtown Development Authority</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Taxes	\$ 50,100	\$ 50,291	\$ 191
Interest	100	24	(76)
	<u>50,200</u>	<u>50,315</u>	<u>115</u>
Total Revenues	<u>\$ 50,200</u>	<u>\$ 50,315</u>	<u>\$ 115</u>
<b>Expenditures:</b>			
General government	\$ 36,800	\$ 35,584	\$ 1,216
	<u>36,800</u>	<u>35,584</u>	<u>1,216</u>
Total Expenditures	<u>\$ 36,800</u>	<u>\$ 35,584</u>	<u>\$ 1,216</u>
Change in Net Assets	\$ 13,400	\$ 14,731	\$ (1,101)
Total Net Assets - Beginning of Year	<u>58,184</u>	<u>58,184</u>	<u>-</u>
<b>TOTAL NET ASSETS - END OF YEAR</b>	<u><u>\$ 71,584</u></u>	<u><u>\$ 72,915</u></u>	<u><u>\$ (1,101)</u></u>

**CITY OF ST. JOSEPH**  
**INTERNAL SERVICE FUNDS**  
**Combining Statement of Net Assets**  
**June 30, 2012**

	<u>Self Insurance</u>	<u>Motor Pool</u>	<u>Employee Health Care</u>	<u>Total</u>
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 410,728	\$ 856,369	\$ 284,610	\$ 1,551,707
Due from other funds	-	30,785	-	30,785
Receivables	537	4,728	19	5,284
Prepaid expenses	-	22,777	-	22,777
Inventory	-	25,254	-	25,254
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Current Assets	\$ 411,265	\$ 939,913	\$ 284,629	\$ 1,635,807
Noncurrent assets:				
Furniture and equipment	\$ -	\$ 3,460,677	\$ -	\$ 3,460,677
Accumulated depreciation	-	(2,413,834)	-	(2,413,834)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Noncurrent Assets	\$ -	\$ 1,046,843	\$ -	\$ 1,046,843
TOTAL ASSETS	<u>\$ 411,265</u>	<u>\$ 1,986,756</u>	<u>\$ 284,629</u>	<u>\$ 2,682,650</u>
<b>Liabilities</b>				
Current Liabilities:				
Accrued liabilities	\$ -	\$ 2,471	\$ -	\$ 2,471
Due to other funds	35,725	1,047	-	36,772
Compensated absences	-	2,098	-	2,098
Net OPEB obligation - NOTE 7	-	90,566	-	90,566
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Current Liabilities	\$ 35,725	\$ 96,182	\$ -	\$ 131,907
Noncurrent Liabilities				
Compensated absences	\$ -	\$ 699	\$ -	\$ 699
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Noncurrent Liabilities	\$ -	\$ 699	\$ -	\$ 699
TOTAL LIABILITIES	<u>\$ 35,725</u>	<u>\$ 96,881</u>	<u>\$ -</u>	<u>\$ 132,606</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	\$ -	\$ 1,046,843	\$ -	\$ 1,046,843
Restricted for employee benefits	375,540	-	284,629	660,169
Unrestricted	-	843,032	-	843,032
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL NET ASSETS	<u>\$ 375,540</u>	<u>\$ 1,889,875</u>	<u>\$ 284,629</u>	<u>\$ 2,550,044</u>

**CITY OF ST. JOSEPH**  
**INTERNAL SERVICE FUNDS**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Net Assets**  
**For the Year Ended June 30, 2012**

	<u>Self Insurance</u>	<u>Motor Pool</u>	<u>Employee Health Care</u>	<u>Total</u>
<b>Operating Revenues:</b>				
Charges for services	\$ -	\$ 650,474	\$ -	\$ 650,474
Other	<u>179,951</u>	<u>49,886</u>	<u>2,024,484</u>	<u>2,254,321</u>
 Total Operating Revenues	 <u>\$ 179,951</u>	 <u>\$ 700,360</u>	 <u>\$ 2,024,484</u>	 <u>\$ 2,904,795</u>
<b>Operating Expenses:</b>				
Personal services:				
Salaries and wages	\$ 118,615	\$ 92,328	\$ -	\$ 210,943
Employment related costs	11,855	24,079	2,236,464	2,272,398
Depreciation	-	201,846	-	201,846
Supplies	-	301,747	-	301,747
Other services and charges	300,821	127,448	1,230	429,499
Capital outlay	<u>-</u>	<u>3,947</u>	<u>-</u>	<u>3,947</u>
 Total Operating Expenses	 <u>\$ 431,291</u>	 <u>\$ 751,395</u>	 <u>\$ 2,237,694</u>	 <u>\$ 3,420,380</u>
 Operating Income (Loss)	 <u>\$ (251,340)</u>	 <u>\$ (51,035)</u>	 <u>\$ (213,210)</u>	 <u>\$ (515,585)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Interest income	154	284	157	595
Gain on disposition of assets	<u>-</u>	<u>16,764</u>	<u>-</u>	<u>16,764</u>
 Changes in Net Assets	 <u>\$ (251,186)</u>	 <u>\$ (33,987)</u>	 <u>\$ (213,053)</u>	 <u>\$ (498,226)</u>
 Total Net Assets - Beginning of Year	 <u>626,726</u>	 <u>1,923,862</u>	 <u>497,682</u>	 <u>3,048,270</u>
 TOTAL NET ASSETS - END OF YEAR	 <u>\$ 375,540</u>	 <u>\$ 1,889,875</u>	 <u>\$ 284,629</u>	 <u>\$ 2,550,044</u>

**CITY OF ST. JOSEPH**  
**INTERNAL SERVICE FUNDS**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2012**

	<u>Self Insurance</u>	<u>Motor Pool</u>	<u>Employee Health Care</u>	<u>Total</u>
<b>Cash Flows From Operating Activities:</b>				
Cash receipts for interfund services provided	\$ 215,139	\$ 722,724	\$ 2,036,660	\$ 2,974,523
Cash receipts from customers	-	49,689	-	49,689
Payments to employees	(130,470)	(186,975)	-	(317,445)
Payments to interfund services provided	-	(300,700)	-	(300,700)
Payments to suppliers	<u>(300,821)</u>	<u>(139,013)</u>	<u>(2,237,694)</u>	<u>(2,677,528)</u>
Net cash provided (used) by operating activities	<u>\$ (216,152)</u>	<u>\$ 145,725</u>	<u>\$ (201,034)</u>	<u>\$ (271,461)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Purchase of capital assets	\$ -	\$ (244,810)	\$ -	\$ (244,810)
Proceeds from sale of capital assets	<u>-</u>	<u>19,061</u>	<u>-</u>	<u>19,061</u>
Net cash used by capital and related financing activities	<u>\$ -</u>	<u>\$ (225,749)</u>	<u>\$ -</u>	<u>\$ (225,749)</u>
<b>Cash Flows From Investing Activities:</b>				
Interest and dividends received	<u>\$ 154</u>	<u>\$ 284</u>	<u>\$ 157</u>	<u>\$ 595</u>
Net cash provided by investing activities	<u>\$ 154</u>	<u>\$ 284</u>	<u>\$ 157</u>	<u>\$ 595</u>
Net increase (decrease) in cash and cash equivalents	\$ (215,998)	\$ (79,740)	\$ (200,877)	\$ (496,615)
Balances - Beginning of Year	<u>626,726</u>	<u>936,109</u>	<u>485,487</u>	<u>2,048,322</u>
BALANCES - END OF YEAR	<u>\$ 410,728</u>	<u>\$ 856,369</u>	<u>\$ 284,610</u>	<u>\$ 1,551,707</u>

**CITY OF ST. JOSEPH  
INTERNAL SERVICE FUNDS  
Combining Statement of Cash Flows - Continued  
For the Year Ended June 30, 2012**

	<u>Self Insurance</u>	<u>Motor Pool</u>	<u>Employee Healthcare</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (251,340)	\$ (51,035)	\$ (213,210)	\$ (515,585)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	\$ -	\$ 201,846	\$ -	\$ 201,846
(Increase) decrease in:				
Accounts receivable	(537)	(197)	12,176	11,442
Due from other funds	-	72,250	-	72,250
Prepaid insurance	-	(22,777)	-	(22,777)
Inventory	-	15,159	-	15,159
Increase (decrease) in:				
Accrued liabilities	-	(26,704)	-	(26,704)
Net OPEB obligation - NOTE 7	-	(43,864)	-	(43,864)
Due to other funds	<u>35,725</u>	<u>1,047</u>	<u>-</u>	<u>36,772</u>
Total Adjustments	<u>\$ 35,188</u>	<u>\$ 196,760</u>	<u>\$ 12,176</u>	<u>\$ 244,124</u>
Net cash provided by operating activities	<u>\$ (216,152)</u>	<u>\$ 145,725</u>	<u>\$ (201,034)</u>	<u>\$ (271,461)</u>

**CITY OF ST. JOSEPH**  
**PENSION AND OTHER EMPLOYEE BENEFITS FUNDS**  
**Combining Statement of Net Assets**  
**June 30, 2012**

	<b>Employees' Retirement Fund</b>	<b>Flex Spending Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 270,353	\$ 13,358	\$ 283,711
Receivables:			
Due from other funds	\$ 208,357	\$ -	\$ 208,357
Interest receivable	160,421	-	160,421
Contributions receivable	<u>12,951</u>	<u>-</u>	<u>12,951</u>
Total Receivables	<u>\$ 381,729</u>	<u>\$ -</u>	<u>\$ 381,729</u>
Investments, at fair value			
Stocks	\$ 30,736,645	\$ -	\$ 30,736,645
Bonds	10,328,028	-	10,328,028
Governmental obligations	9,780,816	-	9,780,816
Other	<u>1,962,186</u>	<u>-</u>	<u>1,962,186</u>
Total Investments	<u>\$ 52,807,675</u>	<u>\$ -</u>	<u>\$ 52,807,675</u>
Total Assets	<u>\$ 53,459,757</u>	<u>\$ 13,358</u>	<u>\$ 53,473,115</u>
<b>Liabilities</b>			
Due to other funds	\$ -	\$ 10,042	\$ 10,042
Due to employees	<u>-</u>	<u>3,316</u>	<u>3,316</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 13,358</u>	<u>\$ 13,358</u>
<b>Net Assets</b>			
Held in trust for pension benefits and other purposes	<u>\$ 53,459,757</u>	<u>\$ -</u>	<u>\$ 53,459,757</u>

**CITY OF ST. JOSEPH**  
**PENSION AND OTHER EMPLOYEE BENEFITS FUNDS**  
**Combining Statement of Changes in Net Assets**  
**June 30, 2012**

	<u>Employees'</u> <u>Retirement</u> <u>Fund</u>	<u>Flex Spending</u> <u>Fund</u>	<u>Total</u>
<b>Additions:</b>			
Contributions:			
Plan members	\$ 315,851	\$ -	\$ 315,851
Employer	<u>1,225,758</u>	<u>-</u>	<u>1,225,758</u>
Total Contributions	<u>\$ 1,541,609</u>	<u>\$ -</u>	<u>\$ 1,541,609</u>
Investments Earnings:			
Interest & dividends	\$ 1,517,607	\$ -	\$ 1,517,607
Miscellaneous	<u>1,977</u>	<u>-</u>	<u>1,977</u>
Total Investments Earnings	<u>\$ 1,519,584</u>	<u>\$ -</u>	<u>\$ 1,519,584</u>
Less: investment expenses	<u>(216,295)</u>	<u>-</u>	<u>(216,295)</u>
Net Investment Earnings	<u>\$ 1,303,289</u>	<u>\$ -</u>	<u>\$ 1,303,289</u>
Total Additions	<u>\$ 2,844,898</u>	<u>\$ -</u>	<u>\$ 2,844,898</u>
<b>Deductions:</b>			
Benefits	\$ 2,464,223	\$ -	\$ 2,464,223
Refund of contributions	93,610	-	93,610
Administrative expense	32,895	-	32,895
Net decrease, FMV investments	<u>106,344</u>	<u>-</u>	<u>106,344</u>
Total Deductions	<u>\$ 2,697,072</u>	<u>\$ -</u>	<u>\$ 2,697,072</u>
Change in Net Assets	<u>\$ 147,826</u>	<u>\$ -</u>	<u>\$ 147,826</u>
Net Assets - Beginning of Year	<u>53,311,931</u>	<u>-</u>	<u>53,311,931</u>
NET ASSETS - END OF YEAR	<u>\$ 53,459,757</u>	<u>\$ -</u>	<u>\$ 53,459,757</u>

**CITY OF ST. JOSEPH**  
**AGENCY FUNDS**  
**Combining Statement of Net Assets**  
**June 30, 2012**

	<b>Treasurer's Tax Fund</b>	<b>Imprest Payroll Fund</b>	<b>Trust and Agency Fund</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 2,791	\$ 31	\$ 4,987	\$ 7,809
TOTAL ASSETS	<u>\$ 2,791</u>	<u>\$ 31</u>	<u>\$ 4,987</u>	<u>\$ 7,809</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 4,987	\$ 4,987
Undistributed taxes	1,080	-	-	1,080
Due to other funds	<u>1,711</u>	<u>31</u>	<u>-</u>	<u>1,742</u>
TOTAL LIABILITIES	<u>\$ 2,791</u>	<u>\$ 31</u>	<u>\$ 4,987</u>	<u>\$ 7,809</u>

**CITY OF ST. JOSEPH  
PERMANENT FUNDS  
Combining Balance Sheet  
June 30, 2012**

	<b>Cemetery Perpetual Care</b>	<b>Library Endowment</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ 207,456	\$ 53,925	\$ 261,381
Certificates of deposit	-	652,000	652,000
Due from other funds	<u>-</u>	<u>18,726</u>	<u>18,726</u>
TOTAL ASSETS	<u>\$ 207,456</u>	<u>\$ 724,651</u>	<u>\$ 932,107</u>
<b>Fund Balances</b>			
Nonspendable for:			
Endowment	\$ -	\$ 490,774	\$ 490,774
Restricted for:			
Perpetual care	207,456	-	207,456
Library	<u>-</u>	<u>233,877</u>	<u>233,877</u>
TOTAL FUND BALANCES	<u>\$ 207,456</u>	<u>\$ 724,651</u>	<u>\$ 932,107</u>

**CITY OF ST. JOSEPH  
PERMANENT FUNDS  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
For the Year Ended June 30, 2012**

	<b>Cemetery Perpetual <u>Care</u></b>	<b>Library Endowment</b>	<b><u>Total</u></b>
<b>Revenues:</b>			
Interest and rents	\$ 70	\$ 8,360	\$ 8,430
Other revenue	<u>-</u>	<u>1,875</u>	<u>1,875</u>
 Total Revenues	 \$ 70	 \$ 10,235	 \$ 10,305
<b>Other Financing Sources (Uses):</b>			
Operating transfers out	<u>-</u>	<u>(20,800)</u>	<u>(20,800)</u>
 Net Changes in Fund Balances	 \$ 70	 \$ (10,565)	 \$ (10,495)
Fund Balances - Beginning of Year	<u>207,386</u>	<u>735,216</u>	<u>942,602</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 207,456</u>	 <u>\$ 724,651</u>	 <u>\$ 932,107</u>

**CITY OF ST. JOSEPH**  
**Schedule of 2003 State Revolving Fund Bonds**  
**Project #5190-01**  
**June 30, 2012**

<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>		
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>\$ 1,301,231</u>	<u>\$ 91,488</u>	<u>\$ 77,333</u>	<u>\$ 1,132,410</u>	

**CITY OF ST. JOSEPH**  
**Schedule of 2004 State Revolving Fund Bonds**  
**Project #5190-02**  
**June 30, 2012**

<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>		
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>\$ 1,735,221</u>	<u>\$ 116,655</u>	<u>\$ 116,664</u>	<u>\$ 1,501,902</u>	

**CITY OF ST. JOSEPH**  
**Schedule of Capital Improvement Note**  
**Berrien County Revolving Loan Fund**  
**June 30, 2012**

<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>
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	-	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
		<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>	

**CITY OF ST. JOSEPH**  
**Schedule of Bluffside Installment Loan**  
**Fifth Third Bank**  
**June 30, 2012**

<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>	
2013	4.350%	\$ 128,049	\$ 24,992	\$ 24,143	\$ 39,033	\$ 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>\$ 1,472,553</u>	<u>\$ 168,262</u>	<u>\$ 155,211</u>	<u>\$ 600,027</u>	<u>\$ 549,053</u>	

**CITY OF ST. JOSEPH**  
**Schedule of 2010 Marina Improvement Loan**  
**June 30, 2012**

<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>	
2013	3.74%	\$ 66,520	\$ 3,006	\$ 2,388	\$ 30,254	\$ 30,872	\$ 95,839
2014	3.74%	66,520	1,837	1,216	31,423	32,044	32,372
2015	3.74%	<u>32,996</u>	<u>624</u>	<u>-</u>	<u>32,372</u>	<u>-</u>	<u>-</u>
		<u>\$ 166,036</u>	<u>\$ 5,467</u>	<u>\$ 3,604</u>	<u>\$ 94,049</u>	<u>\$ 62,916</u>	

**CITY OF ST. JOSEPH**  
**Schedule of 2010 Marina Property Note**  
**June 30, 2012**

<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>
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, 2012**

<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>		
2013	2.500%	\$ 202,012	\$ 36,006	\$ 36,006	\$ 130,000	\$ 2,750,496
2014	2.500%	198,762	34,381	34,381	130,000	2,620,496
2015	2.500%	200,512	32,756	32,756	135,000	2,485,496
2016	2.500%	202,138	31,069	31,069	140,000	2,345,496
2017	2.500%	198,638	29,319	29,319	140,000	2,205,496
2018	2.500%	200,138	27,569	27,569	145,000	2,060,496
2019	2.500%	201,512	25,756	25,756	150,000	1,910,496
2020	2.500%	202,762	23,881	23,881	155,000	1,755,496
2021	2.500%	198,888	21,944	21,944	155,000	1,600,496
2022	2.500%	200,012	20,006	20,006	160,000	1,440,496
2023	2.500%	201,012	18,006	18,006	165,000	1,275,496
2024	2.500%	201,888	15,944	15,944	170,000	1,105,496
2025	2.500%	202,638	13,819	13,819	175,000	930,496
2026	2.500%	203,262	11,631	11,631	180,000	750,496
2027	2.500%	198,762	9,381	9,381	180,000	570,496
2028	2.500%	199,262	7,131	7,131	185,000	385,496
2029	2.500%	199,638	4,819	4,819	190,000	195,496
2030	2.500%	200,384	2,444	2,444	195,496	-
		<u>\$ 3,612,220</u>	<u>\$ 365,862</u>	<u>\$ 365,862</u>	<u>\$2,880,496</u>	

**CITY OF ST. JOSEPH**  
**Schedule of 2009 Capital Improvement Bonds**  
**Project #5322-01**  
**June 30, 2012**

<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>	
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%	<u>15,375</u>	<u>187</u>	<u>188</u>	<u>15,000</u>	-
		<u>\$ 265,675</u>	<u>\$ 27,330</u>	<u>\$ 27,345</u>	<u>\$ 211,000</u>	

**CITY OF ST. JOSEPH**  
**Schedule of 2009 Capital Improvement Bonds**  
**Project #7237-01**  
**June 30, 2012**

<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>	
2013	2.500%	\$ 361,870	\$ 64,435	\$ 64,435	\$ 233,000	\$ 5,154,831
2014	2.500%	365,870	64,435	61,435	240,000	4,914,831
2015	2.500%	364,808	61,435	58,373	245,000	4,669,831
2016	2.500%	363,621	58,373	55,248	250,000	4,419,831
2017	2.500%	367,246	55,248	51,998	260,000	4,159,831
2018	2.500%	365,683	51,998	48,685	265,000	3,894,831
2019	2.500%	363,995	48,685	45,310	270,000	3,624,831
2020	2.500%	367,120	45,310	41,810	280,000	3,344,831
2021	2.500%	365,058	41,810	38,248	285,000	3,059,831
2022	2.500%	362,871	38,248	34,623	290,000	2,769,831
2023	2.500%	365,496	34,623	30,873	300,000	2,469,831
2024	2.500%	362,933	30,873	27,060	305,000	2,164,831
2025	2.500%	365,183	27,060	23,123	315,000	1,849,831
2026	2.500%	362,246	23,123	19,123	320,000	1,529,831
2027	2.500%	364,121	19,123	14,998	330,000	1,199,831
2028	2.500%	365,746	14,998	10,748	340,000	859,831
2029	2.500%	367,121	10,748	6,373	350,000	509,831
2030	2.500%	363,308	6,373	1,935	355,000	154,831
2031	2.500%	156,766	1,935	-	154,831	-
		<u>\$ 6,721,062</u>	<u>\$ 698,833</u>	<u>\$ 634,398</u>	<u>\$5,387,831</u>	

**CITY OF ST. JOSEPH**  
**Schedule of 2010 Capital Improvement Bonds**  
**Project #7286-01**  
**June 30, 2012**

<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>	
2013	2.500%	\$ 77,398	\$ 14,999	\$ 14,399	\$ 48,000	\$ 1,151,938
2014	2.500%	78,173	14,399	13,774	50,000	1,101,938
2015	2.500%	81,861	13,774	13,087	55,000	1,046,938
2016	2.500%	80,486	13,087	12,399	55,000	991,938
2017	2.500%	79,111	12,399	11,712	55,000	936,938
2018	2.500%	77,736	11,712	11,024	55,000	881,938
2019	2.500%	81,298	11,024	10,274	60,000	821,938
2020	2.500%	79,798	10,274	9,524	60,000	761,938
2021	2.500%	78,298	9,524	8,774	60,000	701,938
2022	2.500%	81,736	8,774	7,962	65,000	636,938
2023	2.500%	80,111	7,962	7,149	65,000	571,938
2024	2.500%	78,486	7,149	6,337	65,000	506,938
2025	2.500%	81,799	6,337	5,462	70,000	436,938
2026	2.500%	80,049	5,462	4,587	70,000	366,938
2027	2.500%	78,299	4,587	3,712	70,000	296,938
2028	2.500%	81,486	3,712	2,774	75,000	221,938
2029	2.500%	79,611	2,774	1,837	75,000	146,938
2030	2.500%	77,736	1,837	899	75,000	71,938
2031	2.500%	<u>72,837</u>	<u>899</u>	<u>-</u>	<u>71,938</u>	<u>-</u>
		<u>\$ 1,506,309</u>	<u>\$ 160,685</u>	<u>\$ 145,686</u>	<u>\$ 1,199,938</u>	

**CITY OF ST. JOSEPH**  
**Schedule of 2011 Refunding Bonds**  
**June 30, 2012**

<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>		
2013	2.000%	\$ 276,144	\$ 63,072	\$ 63,072	\$ 150,000	\$ 3,425,000
2014	2.000%	278,144	61,572	61,572	155,000	3,270,000
2015	2.500%	290,044	60,022	60,022	170,000	3,100,000
2016	2.500%	290,794	57,897	57,897	175,000	2,925,000
2017	3.000%	296,418	55,709	55,709	185,000	2,740,000
2018	3.000%	305,868	52,934	52,934	200,000	2,540,000
2019	3.500%	309,868	49,934	49,934	210,000	2,330,000
2020	3.500%	317,518	46,259	46,259	225,000	2,105,000
2021	4.000%	329,644	42,322	42,322	245,000	1,860,000
2022	4.000%	339,844	37,422	37,422	265,000	1,595,000
2023	4.000%	344,244	32,122	32,122	280,000	1,315,000
2024	4.000%	353,044	26,522	26,522	300,000	1,015,000
2025	4.000%	361,044	20,522	20,522	320,000	695,000
2026	4.000%	368,244	14,122	14,122	340,000	355,000
2027	4.125%	369,644	7,322	7,322	355,000	-
		<u>\$ 4,830,506</u>	<u>\$ 627,753</u>	<u>\$ 627,753</u>	<u>\$ 3,575,000</u>	

**CITY OF ST. JOSEPH**  
**Schedule of 2012 Capital Improvement Bonds**  
**Project #5518-01**  
**June 30, 2012**

<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>	
2013	2.500%	\$ 15,125	\$ 2,625	\$ 2,500	\$ 10,000	\$ 200,000
2014	2.500%	14,875	2,500	2,375	10,000	190,000
2015	2.500%	14,625	2,375	2,250	10,000	180,000
2016	2.500%	14,375	2,250	2,125	10,000	170,000
2017	2.500%	14,125	2,125	2,000	10,000	160,000
2018	2.500%	13,875	2,000	1,875	10,000	150,000
2019	2.500%	13,625	1,875	1,750	10,000	140,000
2020	2.500%	13,375	1,750	1,625	10,000	130,000
2021	2.500%	13,125	1,625	1,500	10,000	120,000
2022	2.500%	12,875	1,500	1,375	10,000	110,000
2023	2.500%	12,625	1,375	1,250	10,000	100,000
2024	2.500%	12,375	1,250	1,125	10,000	90,000
2025	2.500%	12,125	1,125	1,000	10,000	80,000
2026	2.500%	11,875	1,000	875	10,000	70,000
2027	2.500%	11,625	875	750	10,000	60,000
2028	2.500%	11,375	750	625	10,000	50,000
2029	2.500%	11,125	625	500	10,000	40,000
2030	2.500%	10,875	500	375	10,000	30,000
2031	2.500%	15,563	375	188	15,000	15,000
2032	2.500%	15,188	188	-	15,000	-
		<u>\$ 264,751</u>	<u>\$ 28,688</u>	<u>\$ 26,063</u>	<u>\$ 210,000</u>	

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

September 7, 2012

## 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, 2012, which collectively comprise the City of St. Joseph's basic financial statements and have issued our report thereon dated September 7, 2012. 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

Management of City of St. Joseph, is responsible for establishing and maintaining effective 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 7, 2012.

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.

*Beckel + Company, P.C.*

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

September 7, 2012

## **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, 2012. 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, 2012.

### 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.

*Seibel & Company, P.C.*

**City of Saint Joseph**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>	<b>Accrued (Deferred) Revenue June 30, 2011</b>
<b>DEPARTMENT OF TRANSPORTATION</b>			
Passed through MDOT			
Highways Research, Planning and Construction			
Project (020) (107686) - State St.	20.205	\$ 463,282	\$ -
Total Department of Transportation		<u>\$ 463,282</u>	<u>\$ -</u>
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
Passed through Michigan Drinking			
Water Revolving Fund Program			
Safe Drinking Water State Revolving Fund			
Project 7286-01 (Water Improvement Project)	66.468	\$ 1,034,400	\$ 115,789
Project 7237-01 (Water Intake)	66.468	1,804,062	-
Project 7237-01 (Water Intake) ARRA	66.468	<u>7,565,800</u>	<u>809,360</u>
Total Safe Drinking Water State Revolving Fund		\$ 10,404,262	\$ 925,149
ARRA TMDL Planning Grant	66.454	<u>62,396</u>	<u>-</u>
Total Environmental Protection Agency		<u>\$ 10,466,658</u>	<u>\$ 925,149</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<u><u>\$ 10,929,940</u></u>	<u><u>\$ 925,149</u></u>

<u>(Memo Only)</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Current</u> <u>Year</u> <u>Expenditures</u>	<u>Current Year</u> <u>Cash</u> <u>Receipts</u>	<u>Accrued</u> <u>(Deferred) Revenue</u> <u>June 30, 2012</u>	<u>Adjustments</u>
\$ -	\$ 463,282	\$ 463,282	\$ -	\$ -
\$ -	\$ 463,282	\$ 463,282	\$ -	\$ -
\$ 672,455	\$ 299,185	\$ 402,536	\$ 12,438	\$ -
833,313	624,060	1,441,024	16,349	(833,313)
<u>6,236,651</u>	<u>1,329,149</u>	<u>1,305,196</u>	<u>-</u>	<u>833,313</u>
\$ 7,742,419	\$ 2,252,394	\$ 3,148,756	\$ 28,787	\$ -
<u>43,594</u>	<u>18,802</u>	<u>18,802</u>	<u>-</u>	<u>-</u>
\$ <u>7,786,013</u>	\$ <u>2,271,196</u>	\$ <u>3,167,558</u>	\$ <u>28,787</u>	\$ <u>-</u>
\$ <u>7,786,013</u>	\$ <u>2,734,478</u>	\$ <u>3,630,840</u>	\$ <u>28,787</u>	\$ <u>-</u>

**CITY OF ST. JOSEPH**  
**Notes to Schedule of**  
**Expenditures of Federal Awards**  
**June 30, 2012**

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	\$ 482,084
Federal awards recorded in proprietary funds as notes payable	<u>2,252,394</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 2,734,478</u>
5. Adjustments were made to the Water Revolving Fund Program in the amount of \$833,313 to correct American Recovery and Reinvestment Act awards.

**CITY OF ST. JOSEPH**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2012**

**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**

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
66.468 20.205	Safe Drinking Water State Revolving Fund Project (020) (107686) - State St.

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,