

**CITY OF ST. JOSEPH**  
**BERRIEN COUNTY, MICHIGAN**  
**FINANCIAL REPORT**  
**June 30, 2014**

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

**FINANCIAL REPORT**

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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, 2014. We encourage readers to consider the overview presented here in conjunction with the additional information contained within the entire financial report.

### **Financial Highlights**

- The assets of the City of St. Joseph exceeded its liabilities at the close of the 2013-2014 Fiscal Year by \$103,595,405. Of this amount, \$20,517,026 may be used to meet the ongoing obligations to our citizens and creditors.
- The City's total net position increased by \$6,055,222.
- At the close of the current fiscal year, the City of St. Joseph's Governmental Funds reported combined ending fund balances of \$8,319,927, an increase of \$1,072,638 in comparison with the prior year. Approximately \$1,853,576 of this total amount is available for spending at the government's discretion.
- At the end of the current fiscal year, the General Fund unassigned fund balance together with the Budget Stabilization committed fund balance totals \$2,853,576 or approximately 41.3% of total general fund expenditures.
- The City of St. Joseph's total debt decreased by \$810,320 to \$17,377,064, well below the debt limitations set by State statutes, which equates to \$50,960,259 for the City of St. Joseph.

### **Overview of the Financial Statements**

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

Both of these Government-Wide Financial Statements distinguish City functions, which are principally supported by taxes and intergovernmental revenues from those City functions that are intended to recover all or significant portions of their costs through user fees and charges for services. The governmental activities of the City 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 and The City of St. Joseph Housing Commission for which the City is financially accountable. Financial information for these component units are reported separately from the financial information presented for the primary government itself.

## 2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City 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 20 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Major and Local Street Funds and the Capital Improvement Fund. Data from the other 16 government funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor 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 ice arena and marina operations, 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 nonmajor governmental funds and internal service funds are presented immediately following the notes to the financial statements.

**Government-Wide Financial Analysis**

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of St. Joseph, assets exceeded liabilities by \$103,595,405 at the close of the 2013-2014 Fiscal-Year.

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

**City of St. Joseph  
Net Position**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Current Year Total</b>	<b>Prior Year Total</b>	<b>Component Units</b>
Current and Other Assets	\$ 10,140,416	\$ 7,965,311	\$ 18,105,727	\$ 16,435,562	\$ 530,309
Capital Assets	61,621,145	45,453,426	107,074,571	104,689,778	1,463,121
<b>Total Assets</b>	<b>\$ 71,761,561</b>	<b>\$ 53,418,737</b>	<b>\$ 125,180,298</b>	<b>\$ 121,125,340</b>	<b>\$ 1,993,430</b>
Other Liabilities	\$ 1,264,588	\$1,798,218	\$ 3,062,806	\$ 3,051,193	\$ 126,467
Long-Term Liabilities Outstanding	8,227,854	10,294,233	18,522,087	20,533,964	173,006
<b>Total Liabilities</b>	<b>\$ 9,492,442</b>	<b>\$ 12,092,451</b>	<b>\$ 21,584,893</b>	<b>\$ 23,585,157</b>	<b>\$ 299,473</b>
Invested in Capital Assets, Net of Related Debt	\$ 42,873,696	\$ 21,883,027	\$ 64,756,723	\$ 61,397,984	\$ 1,281,192
Restricted					
Non-Expendable	12,613,192	-	12,613,192	12,949,866	-
Expendable	5,708,464		5,708,464	4,534,075	
Unrestricted	1,073,767	19,443,259	20,517,026	18,658,258	412,765
<b>Total Net Position</b>	<b>\$ 62,269,119</b>	<b>\$ 41,326,286</b>	<b>\$ 103,595,405</b>	<b>\$ 97,540,183</b>	<b>\$ 1,693,957</b>

A portion of the City of St. Joseph’s net position, \$18,321,656, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$20,517,026 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 position, both for the government as a whole, as well as for its separate governmental, business-type activities, and component units.

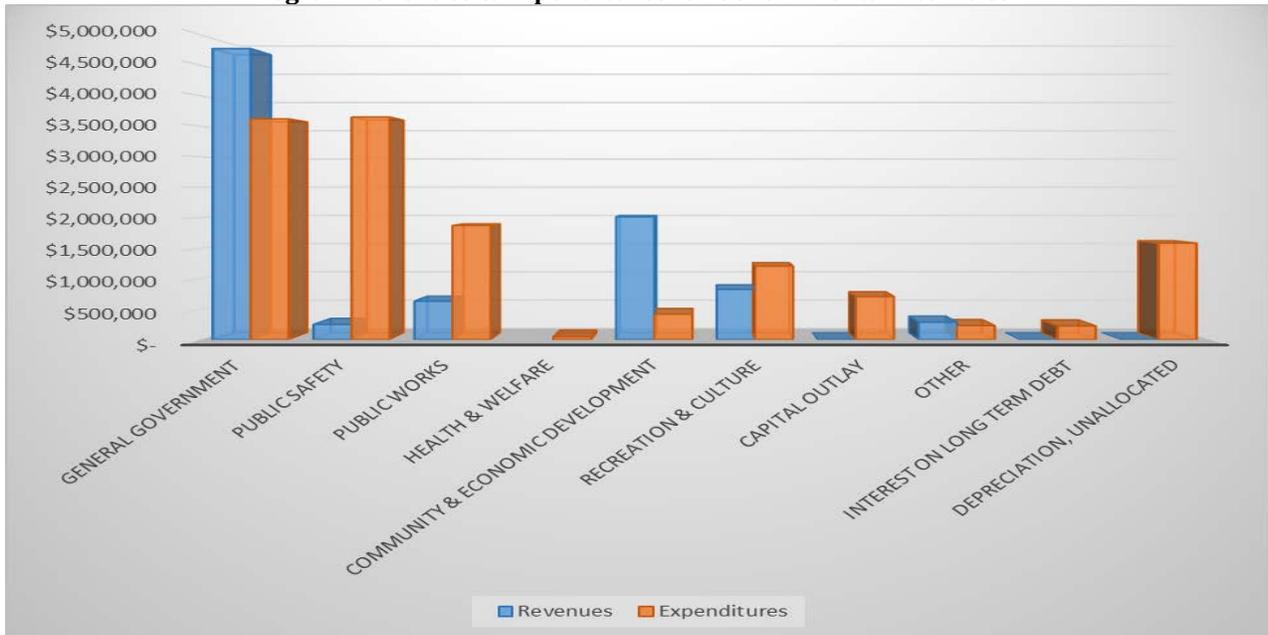
**City of St. Joseph  
Changes in Net Position**

	Governmental Activities	Business-Type Activities	Current Year Total	Prior Year Total	Component Units
<b>Revenues</b>					
<i>Program Revenues</i>					
Charges for Services	\$ 3,950,963	\$ 7,845,801	\$ 11,796,764	\$ 12,319,270	\$ 403,448
Grants and Contributions	4,823,389	-	4,823,389	3,514,983	299,451
<i>General Revenues</i>					
Property Taxes	7,413,189	-	7,413,189	7,358,648	50,088
State Revenue	830,202	-	830,202	743,375	-
Fines, Fees and Forfeits	257,726	149,324	407,050	385,313	-
Interest	45,799	9,964	55,763	48,742	883
Miscellaneous	1,022,252	117,967	1,140,219	512,164	29,359
Income from Joint Venture	(316,874)	153,247	(163,627)	(175,464)	-
Sale of Fixed Assets	27,370	6,500	33,870	40,434	-
<b>Total Revenues</b>	<b>\$ 18,054,016</b>	<b>\$ 8,282,803</b>	<b>\$ 26,336,819</b>	<b>\$ 24,747,465</b>	<b>\$ 783,229</b>
<b>Expenses</b>					
General Government	\$ 3,619,698	-	\$ 3,619,698	\$ 3,872,720	-
Public Safety	3,650,748	-	3,650,748	3,569,610	-
Public Works	1,871,084	-	1,871,084	2,002,458	-
Health and Welfare	48,099	-	48,099	49,724	-
Recreation and Cultural	1,205,609	-	1,205,609	1,535,333	-
Economic Development	417,512	-	417,512	451,530	-
Capital Outlay	706,045	-	706,045	1,281,687	-
Other	228,988	-	228,988	244,169	-
Interest on Long-Term Debt	223,307	-	223,307	233,325	-
Depreciation-unallocated	1,581,893	-	1,581,893	1,544,446	-
Sewer Fund	-	1,394,393	1,394,393	1,317,063	-
Water Fund	-	4,355,369	4,355,369	3,469,059	-
City Water Fund	-	291,473	291,473	388,225	-
Ice Arena Fund	-	206,423	206,423	279,720	-
Marina Fund	-	480,956	480,956	625,667	-
Downtown Development Authority	-	-	-	-	52,796
Housing Commission	-	-	-	-	646,881
<b>Total Expenses</b>	<b>\$ 13,552,983</b>	<b>\$ 6,728,614</b>	<b>\$ 20,281,597</b>	<b>\$ 20,864,736</b>	<b>\$ 699,677</b>
Increase (Decrease) in Net Position before Transfers	\$ 4,501,033	\$ 1,554,189	\$ 6,055,222	\$ 3,882,729	\$ 83,552
Transfers	<u>65,000</u>	<u>(65,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Position	<b>\$ 4,566,033</b>	<b>\$ 1,489,189</b>	<b>\$ 6,055,222</b>	<b>\$ 3,882,729</b>	<b>\$ 83,552</b>
Net Position Beginning of Year	\$57,703,086	\$39,837,097	\$ 97,540,183	\$ 80,813,931	\$1,610,405
Prior Year Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,843,523</u>	<u>-</u>
Adjusted Beginning of Year	\$57,703,086	\$39,837,097	\$ 97,540,183	\$93,657,454	\$1,610,405
<b>Net Position End of Year</b>	<b>\$ 62,269,119</b>	<b>\$ 41,326,286</b>	<b>\$ 103,595,405</b>	<b>\$ 97,540,183</b>	<b>\$ 1,693,957</b>

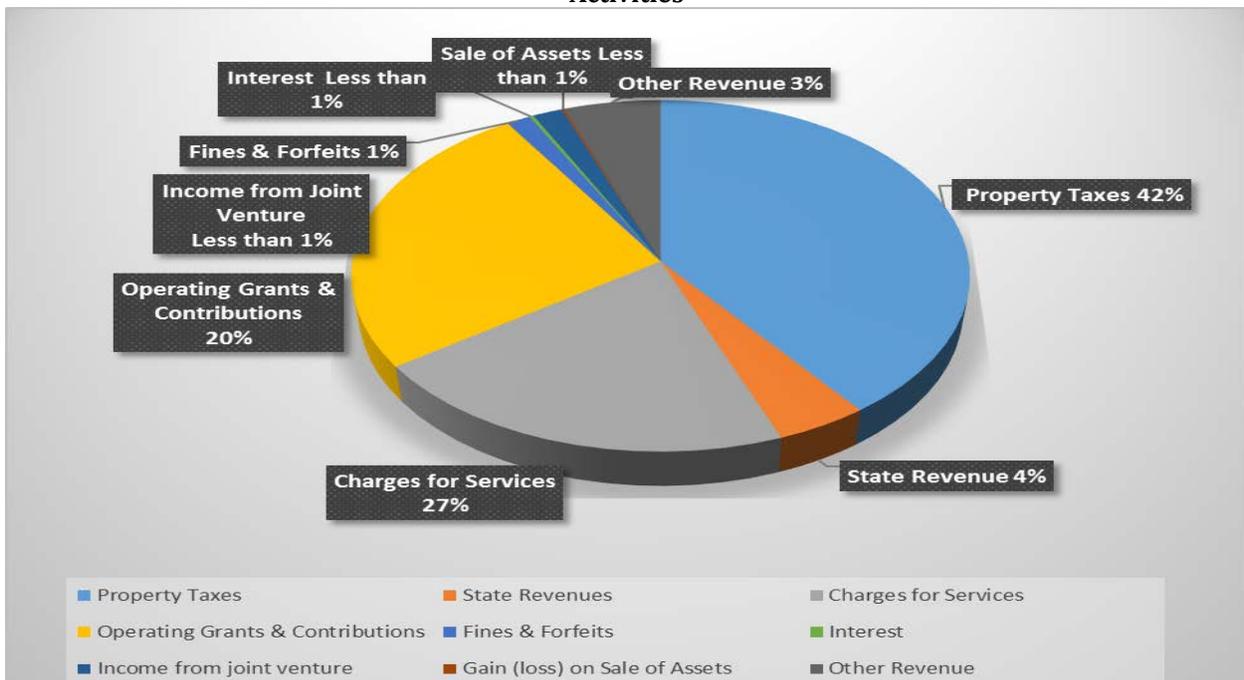
### Governmental Activities

Governmental Activities increased the City of St. Joseph’s net position by \$4,566,033. Property taxes were \$7,413,189 or 41% of the total governmental revenues. Grants and contributions were \$4,823,389 or 27% of the total governmental revenues. The remaining 32% is mostly composed of various charges for services, state revenues, and other miscellaneous revenue.

**Program Revenues & Expenditures for Governmental Activities**



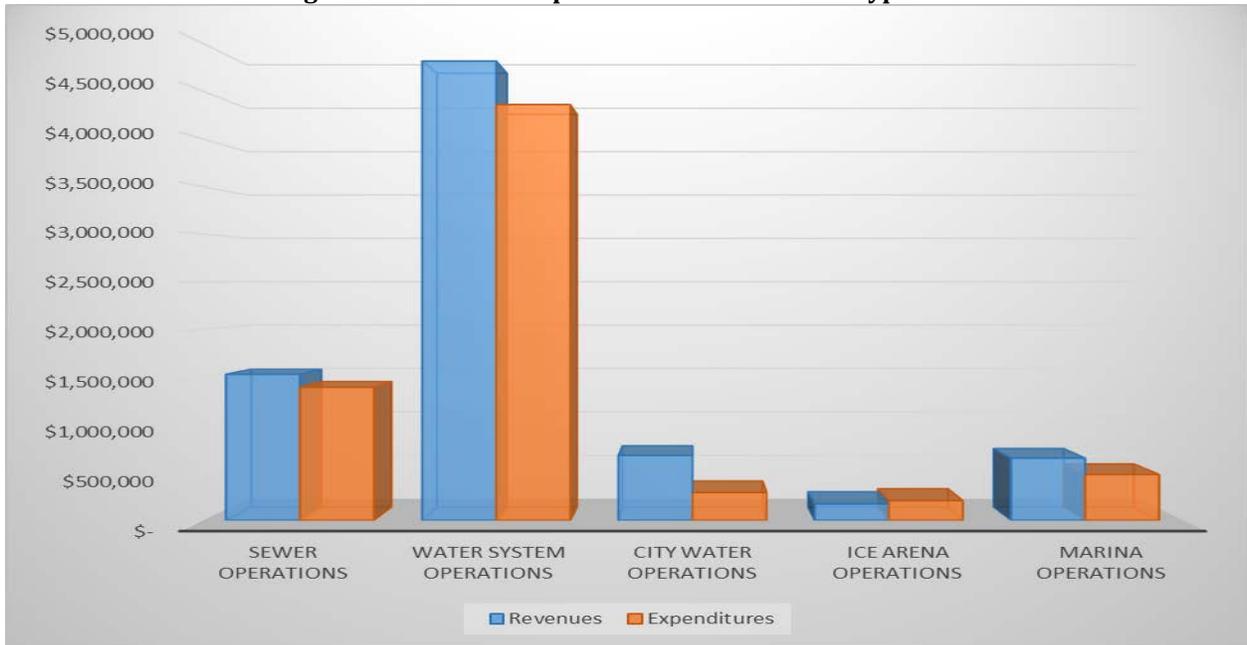
**Revenues by Source for Governmental Activities**



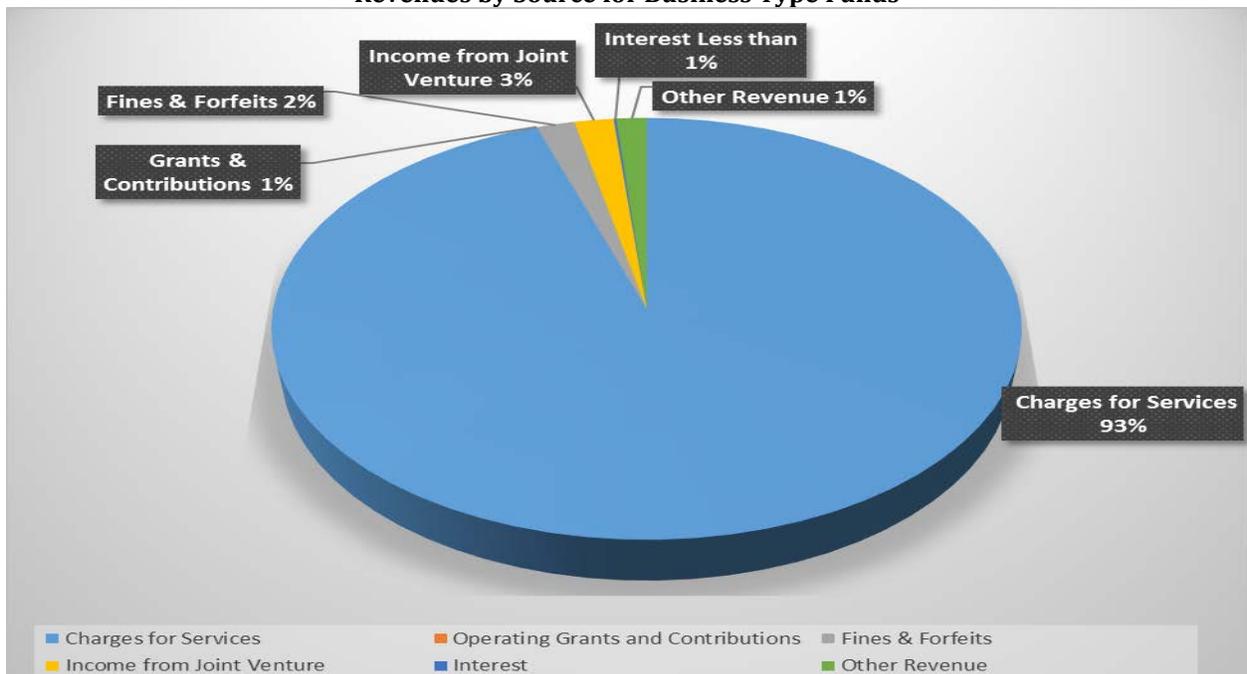
**Business-Type Activities**

Business-type Activities increased the City of St. Joseph’s net position by \$1,489,189. Charges for services, including water sales, were \$7,845,801 or 94.7% of the total business-type revenues with the remaining 5.3% mostly composed of various fees and interest revenue. Business-type expenditures increased overall by \$648,880 most dramatically in the Water Fund where new meters for installation in the Fairplain area (reimbursed by SJCT) and a brutal winter resulting in an extraordinary number of water main breaks increased spending in the distribution department by \$500,000.

**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 \$8,319,927, an increase of \$1,072,638 in comparison with the prior year. Approximately 22% of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The remaining 78% is reserved for specific government functions.

The General Fund is the chief operating fund of the City of St. Joseph. At the end of the current fiscal year, the fund balance of the General Fund (including Budget Stabilization) was \$2,853,576 which represents roughly 42.8% 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's General Fund increased \$144,985 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 2012-2013	Net Position	
		FY 2013-2014	Difference
Sewer Fund	\$ 16,114,084	\$ 16,460,118	\$ 346,034
Water Fund	\$ 12,720,586	\$ 13,372,314	\$ 651,728
City Water Fund	\$ 6,572,602	\$ 6,919,073	\$ 346,471
Ice Arena Fund	\$ 2,282,193	\$ 2,250,641	\$ (31,552)
Marina Fund	\$ 2,147,632	\$ 2,324,140	\$ 69,899

Net position in the Sewer, Water, and the City Water Funds were increased from the previous year by \$346,034, \$651,728, \$346,471, and \$176,508, respectively. The Ice Arena net position was decreased by \$31,552 from the prior year.

#### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were relatively insignificant. Revenues exceeded predictions by \$7,477 and spending was under budget by \$456,243.

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

The City of St. Joseph's investment in depreciable and non-depreciable capital assets for its governmental and business-type activities as of June 30, 2014 amounts to \$82,133,787 (net of depreciation), an increase of \$2,548,419 over the previous year. 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:

- Morrison Channel Crossing – Water main replacement
- St. Joseph Drive Reconstruction
- Highland Avenue Reconstruction
- 2013 CSO Project – Downtown Roof Drain Redirection
- Constructed Boat Launch Restroom Facility and Fish Cleaning Station
- Constructed Lions Beach Restroom Facility
- Constructed Third Lions Beach Pavilion
- Public Infrastructure Project – Harbor Shores
- Purchase and Installation of New In-Car Video System – Public Safety

### **Long-Term Debt**

At the end of the current fiscal year, the City of St. Joseph had total debt outstanding of \$17,377,064. The City's total debt increased as a result of the borrowing for several ongoing capital projects.

State statutes limit the amount of general obligation bond debt governmental entities may issue to 10% of its total state equalized valuation and the amount of general obligation installment note debt 1.25% of its total state equalized valuation, exclusive of interest. The current debt limitation for the City of St. Joseph is \$50,960,259 for bond debt and \$6,370,032 for note debt, which is significantly in excess of the City of St. Joseph's outstanding general obligation debt.

### **Other Potential Component Units**

Southwest Michigan Regional Airport Authority and the Benton Harbor - St. Joseph Joint Wastewater Treatment Board, both potential component units are disclosed as joint ventures because the City; (1) selects their portion of their governing authority, (2) may be responsible for future fund deficits, and (3) may have to provide subsidies. The financial statements of the Southwest Michigan Regional Airport Authority and the Benton Harbor - St. Joseph Joint Wastewater Treatment Board are separately audited for the fiscal year ending June 30, 2014 and copies of those statements are available through the Southwest Michigan Regional Airport Authority and the Benton Harbor - St. Joseph Joint Wastewater Treatment Board.

### **Next Year's Budget and Rates**

The City of St. Joseph anticipates revenues will equal expenditures in the General Fund for FY 2014-2015. The City will continue to maintain a strong minimum fund balance in the General Fund, as well as the maximum allowable Budget Stabilization Fund. In Fiscal Year 2014-2015, the City will continue to develop a comprehensive asset management plan. A well-developed asset management plan will allow city leaders to continue to provide the desired level of city services to citizens by effectively directing resources to manage municipal assets over the long-term. Initial steps toward that goal include a six year capital improvement plan and an extensive capital improvement plan for the water plant. Future plans call for a comprehensive asset management plan that includes all capital assets of the city.

### **Requests for Information**

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

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

September 15, 2014

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Joseph, Michigan, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of St. Joseph Housing Commission, which represent 96 percent, 96 percent and 94 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report had been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of St. Joseph Housing Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## INDEPENDENT AUDITOR'S REPORT- CONTINUED

### Opinion

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, Michigan, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages I through IX and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Joseph, Michigan's financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables, are presented for purposes of additional analysis and are not a required part of the financial statements. The 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, and Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, combining and individual nonmajor fund financial statements and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## INDEPENDENT AUDITOR'S REPORT - Continued

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2014, on our consideration of the City of St. Joseph, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of St. Joseph, Michigan's internal control over financial reporting and compliance.

*Bechtel & Company, P.C.*

**CITY OF ST. JOSEPH**  
**Statement of Net Position**  
**June 30, 2014**

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<b>Assets</b>				
Cash	\$ 7,904,650	\$ 6,556,733	\$ 14,461,383	\$ 512,034
Investments	1,381,717	-	1,381,717	-
Internal balances	113,146	(112,216)	930	-
Due from other governments	404,233	515,913	920,146	-
Receivables	225,063	883,744	1,108,807	64
Prepaid expenses	41,139	-	41,139	11,711
Inventory	70,468	121,137	191,605	6,500
Capital assets - NOTE 4:				
Non-depreciable assets	14,535,904	1,778,889	16,314,793	136,032
Depreciable assets (net of related depreciation)	34,990,664	30,828,330	65,818,994	1,327,089
Investment in joint ventures	12,094,577	12,846,207	24,940,784	-
 Total Assets	 <u>\$ 71,761,561</u>	 <u>\$ 53,418,737</u>	 <u>\$ 125,180,298</u>	 <u>\$ 1,993,430</u>
<b>Liabilities</b>				
Current:				
Accounts payable	\$ 117,659	\$ 320,899	\$ 438,558	\$ 59,167
Accrued liabilities	268,462	108,743	377,205	16,438
Accrued interest	50,717	-	50,717	-
Tenant security deposit	-	-	-	26,579
Unearned revenue	34,998	1,000	35,998	12,737
Due to other governments	-	739,737	739,737	-
Compensated absences	307,619	51,638	359,257	-
Bond premium	4,162	-	4,162	-
Bond and notes payable	480,971	576,201	1,057,172	11,546
Noncurrent liabilities:				
Net OPEB Obligation - NOTE 7	1,903,468	129,028	2,032,496	-
Compensated absences	102,539	17,214	119,753	2,623
Bond premium	49,946	-	49,946	-
Bond and notes payable	6,171,901	10,147,991	16,319,892	170,383
 Total Liabilities	 <u>\$ 9,492,442</u>	 <u>\$ 12,092,451</u>	 <u>\$ 21,584,893</u>	 <u>\$ 299,473</u>
<b>Net Position</b>				
Net investment in capital assets	\$ 42,873,696	\$ 21,883,027	\$ 64,756,723	\$ 1,281,192
Restricted:				
Nonexpendable	12,613,192	-	12,613,192	-
Expendable	5,708,464	-	5,708,464	-
Unrestricted	1,073,767	19,443,259	20,517,026	412,765
 TOTAL NET POSITION	 <u>\$ 62,269,119</u>	 <u>\$ 41,326,286</u>	 <u>\$ 103,595,405</u>	 <u>\$ 1,693,957</u>

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

**CITY OF ST. JOSEPH**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

<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	\$ 3,619,698	\$ 3,222,879	\$ 1,549,873	\$ -
Public safety	3,650,748	226,032	15,074	7,139
Public works	1,871,084	1,935	604,070	23,507
Health and welfare	48,099	-	-	-
Community and economic development	417,512	-	-	2,013,635
Recreation and culture	1,205,609	213,907	187,826	422,265
Capital outlay	706,045	-	-	-
Other	228,988	286,210	-	-
Interest on long-term debt	223,307	-	-	-
Depreciation, unallocated	1,581,893	-	-	-
Total Governmental Activities	<u>\$ 13,552,983</u>	<u>\$ 3,950,963</u>	<u>\$ 2,356,843</u>	<u>\$ 2,466,546</u>
Business-Type Activities:				
Sewer Fund	\$ 1,394,393	\$ 1,530,089	\$ -	\$ -
Water Fund	4,355,369	4,810,779	-	-
City Water Fund	291,473	681,347	-	-
Ice Arena Fund	206,423	172,344	-	-
Marina Fund	480,956	651,242	-	-
Total Business-type Activities	<u>\$ 6,728,614</u>	<u>\$ 7,845,801</u>	<u>\$ -</u>	<u>\$ -</u>
Total Primary Government	<u>\$ 20,281,597</u>	<u>\$ 11,796,764</u>	<u>\$ 2,356,843</u>	<u>\$ 2,466,546</u>
<b>Component Units:</b>				
Downtown Development Authority	\$ 52,796	\$ -	\$ -	\$ -
Housing Commission	646,881	403,448	113,991	185,460
Total Component Units	<u>\$ 699,677</u>	<u>\$ 403,448</u>	<u>\$ 113,991</u>	<u>\$ 185,460</u>

**General Revenues:**

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

Total General Revenues

Change in Net Position

Net Position - Beginning of Year

NET POSITION - END OF YEAR

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

**Net (Expense) Revenue and Changes in Net Assets**

**Primary Government**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ 1,153,054	\$ -	\$ 1,153,054	\$ -
(3,402,503)	-	(3,402,503)	-
(1,241,572)	-	(1,241,572)	-
(48,099)	-	(48,099)	-
1,596,123	-	1,596,123	-
(381,611)	-	(381,611)	-
(706,045)	-	(706,045)	-
57,222	-	57,222	-
(223,307)	-	(223,307)	-
(1,581,893)	-	(1,581,893)	-
<u>\$ (4,778,631)</u>	<u>\$ -</u>	<u>\$ (4,778,631)</u>	<u>\$ -</u>
\$ -	\$ 135,696	\$ 135,696	\$ -
-	455,410	455,410	-
-	389,874	389,874	-
-	(34,079)	(34,079)	-
-	170,286	170,286	-
<u>\$ -</u>	<u>\$ 1,117,187</u>	<u>\$ 1,117,187</u>	<u>\$ -</u>
<u>\$ (4,778,631)</u>	<u>\$ 1,117,187</u>	<u>\$ (3,661,444)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (52,796)
-	-	-	56,018
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,222</u>
\$ 7,413,189	\$ -	\$ 7,413,189	\$ 50,088
830,202	-	830,202	-
257,726	149,324	407,050	-
(316,874)	153,247	(163,627)	-
45,799	9,964	55,763	883
27,370	6,500	33,870	-
1,022,252	117,967	1,140,219	29,359
65,000	(65,000)	-	-
<u>\$ 9,344,664</u>	<u>\$ 372,002</u>	<u>\$ 9,716,666</u>	<u>\$ 80,330</u>
\$ 4,566,033	\$ 1,489,189	\$ 6,055,222	\$ 83,552
<u>57,703,086</u>	<u>39,837,097</u>	<u>97,540,183</u>	<u>1,610,405</u>
<u>\$ 62,269,119</u>	<u>\$ 41,326,286</u>	<u>\$ 103,595,405</u>	<u>\$ 1,693,957</u>

**CITY OF ST. JOSEPH  
GOVERNMENTAL FUNDS  
Balance Sheet  
June 30, 2014**

	<b><u>General Fund</u></b>	<b><u>Major Street Fund</u></b>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,856,989	\$ 794,396
Investments	979,717	-
Due from other funds	250,930	-
Due from other governments	-	-
Receivables	749	68,849
Inventory	-	-
	<hr/>	<hr/>
Total Current Assets	\$ 3,088,385	\$ 863,245
TOTAL ASSETS	<u>\$ 3,088,385</u>	<u>\$ 863,245</u>
<b>Liabilities, Deferred Inflow, and Fund Balances</b>		
Liabilities		
Current Liabilities:		
Accounts payable	\$ 40,963	\$ -
Accrued liabilities	156,323	3,336
Due to other funds	15,213	3,257
Unearned revenue	22,310	-
	<hr/>	<hr/>
Total Current Liabilities	\$ 234,809	\$ 6,593
Total Liabilities	<u>\$ 234,809</u>	<u>\$ 6,593</u>
Deferred Inflows:		
Unavailable revenue	\$ -	\$ -
Fund Balances:		
Nonspendable:		
Inventory	\$ -	\$ -
Endowment	-	-
Restricted for:		
Perpetual care	-	-
Library	-	-
Special revenue	-	856,652
Debt service	-	-
Committed for:		
Stabilization	1,000,000	-
Assigned for:		
Special revenue	-	-
Capital projects	-	-
Unassigned:		
General Fund	1,853,576	-
Lighthouse Improvement Fund	-	-
	<hr/>	<hr/>
Total Fund Balances	\$ 2,853,576	\$ 856,652
TOTAL LIABILITIES, DEFERRED INFLOW AND FUND BALANCES	<u>\$ 3,088,385</u>	<u>\$ 863,245</u>

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

<u>Local Street Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 184,592	\$ 565,075	\$ 3,628,363	\$ 7,029,415
-	-	402,000	1,381,717
-	100,000	100,042	450,972
-	404,233	-	404,233
25,991	13,688	112,124	221,401
<u>23,836</u>	<u>-</u>	<u>-</u>	<u>23,836</u>
<u>\$ 234,419</u>	<u>\$ 1,082,996</u>	<u>\$ 4,242,529</u>	<u>\$ 9,511,574</u>
<u>\$ 234,419</u>	<u>\$ 1,082,996</u>	<u>\$ 4,242,529</u>	<u>\$ 9,511,574</u>
\$ -	\$ 64,378	\$ 12,318	\$ 117,659
9,731	-	80,909	250,299
6,727	250,000	109,261	384,458
<u>-</u>	<u>12,688</u>	<u>-</u>	<u>34,998</u>
<u>\$ 16,458</u>	<u>\$ 327,066</u>	<u>\$ 202,488</u>	<u>\$ 787,414</u>
<u>\$ 16,458</u>	<u>\$ 327,066</u>	<u>\$ 202,488</u>	<u>\$ 787,414</u>
<u>\$ -</u>	<u>\$ 404,233</u>	<u>\$ -</u>	<u>\$ 404,233</u>
\$ 23,836	\$ -	\$ -	\$ 23,836
-	-	494,779	494,779
-	-	167,849	167,849
-	-	223,171	223,171
194,125	-	2,131,742	3,182,519
-	-	611,714	611,714
-	-	-	1,000,000
-	-	345,084	345,084
-	351,697	8,758	360,455
-	-	-	1,853,576
<u>-</u>	<u>-</u>	<u>56,944</u>	<u>56,944</u>
<u>\$ 217,961</u>	<u>\$ 351,697</u>	<u>\$ 4,040,041</u>	<u>\$ 8,319,927</u>
<u>\$ 234,419</u>	<u>\$ 1,082,996</u>	<u>\$ 4,242,529</u>	<u>\$ 9,511,574</u>

**CITY OF ST. JOSEPH**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2014**

Fund balances of governmental funds	\$ 8,319,927
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	48,332,106
The government investment in its joint venture is not a financial resource, and therefore, is not reported in the funds.	12,094,577
On the modified accrual basis of accounting, revenues are recorded when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (within 60 days). On the full accrual basis of accounting, revenues are recorded when earned. This reconciling item is for revenue that was received after the 60 day cutoff.	404,233
Compensated absences are not due and payable in the current period and are not reported in the funds.	(408,981)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported in the funds.	(6,706,980)
Net OPEB obligation is not due and payable in the current period and is not reported in the funds.	(1,892,834)
Internal service funds are used by management to charge the cost of fleet services and employee benefits to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	2,177,788
Governmental funds do not report accrued interest.	<u>(50,717)</u>
Net position of governmental activities	<u>\$ 62,269,119</u>

**CITY OF ST. JOSEPH  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
For the Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Major Street Fund</u>
<b>Revenues:</b>		
Taxes	\$ 5,183,854	\$ -
Federal revenues	-	-
State revenues	842,212	406,328
Contributions from local units	-	-
Charges for services	1,397,040	-
Licenses and permits	15,330	-
Fines, fees, and forfeits	77,497	-
Interest and rents	9,665	387
Other	<u>45,679</u>	<u>3,555</u>
 Total Revenues	 <u>\$ 7,571,277</u>	 <u>\$ 410,270</u>
<b>Expenditures:</b>		
Current:		
General government	\$ 985,415	\$ -
Public safety	3,339,439	-
Public works	898,452	177,973
Health and welfare	48,099	-
Community and economic development	392,687	-
Recreation and culture	636,829	-
Other	228,988	-
Debt service:		
Principal retirement	81,606	-
Interest	46,442	-
Capital outlay	<u>-</u>	<u>-</u>
 Total Expenditures	 <u>\$ 6,657,957</u>	 <u>\$ 177,973</u>
 Revenues Over (Under) Expenditures	 <u>\$ 913,320</u>	 <u>\$ 232,297</u>
<b>Other Financing Sources (Uses):</b>		
Sale of fixed assets	\$ -	\$ -
Operating transfers in	-	-
Operating transfers out	<u>(768,335)</u>	<u>(70,000)</u>
 Total Other Financing Sources (Uses)	 <u>\$ (768,335)</u>	 <u>\$ (70,000)</u>
 Net Changes in Fund Balance	 \$ 144,985	 \$ 162,297
 Fund Balances - Beginning of Year	 <u>2,708,591</u>	 <u>694,355</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 2,853,576</u>	 <u>\$ 856,652</u>

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

<u>Local Street Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 2,229,335	\$ 7,413,189
-	1,616,541	23,507	1,640,048
191,434	422,265	22,198	1,884,437
-	-	175,000	175,000
-	-	275,440	1,672,480
-	-	189,210	204,540
-	-	180,229	257,726
1,139	770	32,817	44,778
356	783,391	189,271	1,022,252
<u>\$ 192,929</u>	<u>\$ 2,822,967</u>	<u>\$ 3,317,007</u>	<u>\$ 14,314,450</u>
\$ -	\$ 82,418	\$ 122,079	\$ 1,189,912
-	149,356	218,119	3,706,914
220,782	6,835	871,541	2,175,583
-	-	-	48,099
-	2,573,970	-	2,966,657
-	128,348	828,704	1,593,881
-	-	-	228,988
-	25,000	355,000	461,606
-	-	184,188	230,630
-	380,469	325,576	706,045
<u>\$ 220,782</u>	<u>\$ 3,346,396</u>	<u>\$ 2,905,207</u>	<u>\$ 13,308,315</u>
<u>\$ (27,853)</u>	<u>\$ (523,429)</u>	<u>\$ 411,800</u>	<u>\$ 1,006,135</u>
\$ -	\$ -	\$ 1,503	\$ 1,503
70,000	768,335	518,335	1,356,670
-	(422,535)	(30,800)	(1,291,670)
<u>\$ 70,000</u>	<u>\$ 345,800</u>	<u>\$ 489,038</u>	<u>\$ 66,503</u>
\$ 42,147	\$ (177,629)	\$ 900,838	\$ 1,072,638
175,814	529,326	3,139,203	7,247,289
<u>\$ 217,961</u>	<u>\$ 351,697</u>	<u>\$ 4,040,041</u>	<u>\$ 8,319,927</u>

**CITY OF ST. JOSEPH**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year Ended June 30, 2014**

Net change in fund balances - total governmental funds \$ 1,072,638

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

Accounts payable and receivable that are not received or paid within 60 days are not reported in the funds. 404,233

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	\$ 3,412,115	
Loss on sale of fixed assets	(2,220)	
Depreciation expense	<u>(1,346,019)</u>	2,063,876

The change in the value of the investment in its joint venture is not a financial resource, and therefore is not reported in the funds. (316,874)

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 position and have no effect on the statement of activities. 461,606

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 position of the internal services funds is a reconciling item. (208,004)

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid. 7,324

Net OPEB obligations do not require the use of current financial resources and therefore, are not reported as expenditures in government funds. 1,166,771

Decrease in the liability for compensated absences is not reported in governmental funds. (85,537)

Changes in net position of governmental activities \$ 4,566,033

**CITY OF ST. JOSEPH  
 PROPRIETARY FUNDS  
 Statement of Net Position  
 June 30, 2014**

**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	\$ 1,252,771	\$ 3,769,643	\$ 1,219,114
Due from other funds	4,000	-	100
Due from other governments	358,718	157,195	-
Receivables	403,234	300,633	173,292
Prepaid expenses	-	-	-
Inventory	38	95,675	-
	<hr/>	<hr/>	<hr/>
Total Current Assets	\$ 2,018,761	\$ 4,323,146	\$ 1,392,506
Noncurrent Assets:			
Fixed Assets			
Land	\$ -	\$ -	\$ 827,081
Construction in process	52,339	46,826	722,854
Buildings and improvements	-	23,434,466	-
Infrastructure	-	-	-
Furniture and equipment	86,416	1,739,952	-
Utility systems	3,484,558	-	8,468,561
	<hr/>	<hr/>	<hr/>
	\$ 3,623,313	\$ 25,221,244	\$ 10,018,496
Less: Accumulated depreciation	<u>(516,796)</u>	<u>(8,443,046)</u>	<u>(1,673,478)</u>
	<hr/>	<hr/>	<hr/>
Total Fixed Assets	\$ 3,106,517	\$ 16,778,198	\$ 8,345,018
Investment in joint venture	<u>12,846,207</u>	<u>-</u>	<u>-</u>
	<hr/>	<hr/>	<hr/>
Total Noncurrent Assets	\$ 15,952,724	\$ 16,778,198	\$ 8,345,018
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 17,971,485</u>	<u>\$ 21,101,344</u>	<u>\$ 9,737,524</u>

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

<b>Enterprise Funds</b>			<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>Fund</b>	<b>Fund</b>	<b>Funds</b>	<b>Funds</b>
\$ 88,186	\$ 227,019	\$ 6,556,733	\$ 875,235
2,500	-	6,600	53,132
-	-	515,913	-
-	6,585	883,744	3,662
-	-	-	41,139
-	25,424	121,137	46,632
<u>\$ 90,686</u>	<u>\$ 259,028</u>	<u>\$ 8,084,127</u>	<u>\$ 1,019,800</u>
\$ -	\$ 129,789	\$ 956,870	\$ -
-	-	822,019	-
2,352,982	1,808,585	27,596,033	-
-	1,688,401	1,688,401	-
110,904	193,638	2,130,910	3,633,559
-	-	11,953,119	-
<u>\$ 2,463,886</u>	<u>\$ 3,820,413</u>	<u>\$ 45,147,352</u>	<u>\$ 3,633,559</u>
<u>(303,931)</u>	<u>(1,602,882)</u>	<u>(12,540,133)</u>	<u>(2,439,097)</u>
\$ 2,159,955	\$ 2,217,531	\$ 32,607,219	\$ 1,194,462
-	-	12,846,207	-
<u>\$ 2,159,955</u>	<u>\$ 2,217,531</u>	<u>\$ 45,453,426</u>	<u>\$ 1,194,462</u>
<u>\$ 2,250,641</u>	<u>\$ 2,476,559</u>	<u>\$ 53,537,553</u>	<u>\$ 2,214,262</u>

**CITY OF ST. JOSEPH  
 PROPRIETARY FUNDS  
 Statement of Net Position  
 June 30, 2014**

	<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>Liabilities</b>			
Current Liabilities:			
Accounts payable	\$ 163,784	\$ 13,915	\$ 128,951
Accrued liabilities	1,914	82,083	18,983
Due to other funds	50,021	18,774	50,021
Due to other governments	638,148	101,475	-
Unearned revenue	1,000	-	-
Net OPEB obligation - NOTE 7	35,447	93,581	-
Compensated absences	1,013	48,556	-
Bond and notes payable	<u>30,000</u>	<u>365,000</u>	<u>135,000</u>
Total Current Liabilities	<u>\$ 921,327</u>	<u>\$ 723,384</u>	<u>\$ 332,955</u>
Noncurrent Liabilities:			
Compensated absences	\$ 338	\$ 16,186	\$ -
Bond and notes payable	<u>589,702</u>	<u>6,989,460</u>	<u>2,485,496</u>
Total Noncurrent Liabilities	<u>\$ 590,040</u>	<u>\$ 7,005,646</u>	<u>\$ 2,485,496</u>
Total Liabilities	<u>\$ 1,511,367</u>	<u>\$ 7,729,030</u>	<u>\$ 2,818,451</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 2,486,815	\$ 9,423,738	\$ 5,724,522
Restricted for employee benefits	-	-	-
Unrestricted	<u>13,973,303</u>	<u>3,948,576</u>	<u>1,194,551</u>
TOTAL NET POSITION	<u>\$ 16,460,118</u>	<u>\$ 13,372,314</u>	<u>\$ 6,919,073</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>
\$ -	\$ 14,249	\$ 320,899	\$ -
-	5,763	108,743	18,163
-	-	118,816	6,500
-	114	739,737	-
-	-	1,000	-
-	-	129,028	10,634
-	2,069	51,638	883
-	46,201	576,201	-
<u>\$ -</u>	<u>\$ 68,396</u>	<u>\$ 2,046,062</u>	<u>\$ 36,180</u>
\$ -	\$ 690	\$ 17,214	\$ 294
-	83,333	10,147,991	-
<u>\$ -</u>	<u>\$ 84,023</u>	<u>\$ 10,165,205</u>	<u>\$ 294</u>
<u>\$ -</u>	<u>\$ 152,419</u>	<u>\$ 12,211,267</u>	<u>\$ 36,474</u>
\$ 2,159,955	\$ 2,087,997	\$ 21,883,027	\$ 1,194,462
-	-	-	523,211
<u>90,686</u>	<u>236,143</u>	<u>19,443,259</u>	<u>460,115</u>
<u>\$ 2,250,641</u>	<u>\$ 2,324,140</u>	<u>\$ 41,326,286</u>	<u>\$ 2,177,788</u>

**CITY OF ST. JOSEPH  
 PROPRIETARY FUNDS  
 Statement of Revenues, Expenses, and  
 Changes in Net Position  
 For the Year Ended June 30, 2014**

	<b>Business - Type Activities -</b>		
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>City Water Fund</b>
<b>Operating Revenues:</b>			
Charges for services	\$ 1,530,089	\$ 4,810,779	\$ 681,347
Fines and forfeitures	62,572	86,752	-
Other	<u>8,639</u>	<u>103,289</u>	<u>-</u>
Total Operating Revenues	<u>\$ 1,601,300</u>	<u>\$ 5,000,820</u>	<u>\$ 681,347</u>
<b>Operating Expenses:</b>			
Water distribution system	\$ -	\$ 1,390,343	\$ -
Water plant operations	-	1,570,385	-
Water administration	-	835,595	-
Sewer	1,321,250	-	-
Marina	-	-	-
Ice arena	-	-	-
Operations	-	-	33,236
Depreciation	<u>62,314</u>	<u>373,348</u>	<u>189,475</u>
Total Operating Expenses	<u>\$ 1,383,564</u>	<u>\$ 4,169,671</u>	<u>\$ 222,711</u>
Operating Income (Loss)	<u>\$ 217,736</u>	<u>\$ 831,149</u>	<u>\$ 458,636</u>
<b>Nonoperating Revenues (Expenses):</b>			
Income from joint venture	\$ 153,247	\$ -	\$ -
Interest income	1,880	6,277	1,597
Interest expense	(10,829)	(185,698)	(68,762)
Gain (loss) on disposition of assets	<u>4,000</u>	<u>-</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 148,298</u>	<u>\$ (179,421)</u>	<u>\$ (67,165)</u>
Income (Loss) Before Transfers	\$ 366,034	\$ 651,728	\$ 391,471
Operating transfers in	25,000	-	-
Operating transfers out	<u>(45,000)</u>	<u>-</u>	<u>(45,000)</u>
Change in Net Position	\$ 346,034	\$ 651,728	\$ 346,471
Total Net Assets - Beginning of Year	<u>16,114,084</u>	<u>12,720,586</u>	<u>6,572,602</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u><b>\$ 16,460,118</b></u>	<u><b>\$ 13,372,314</b></u>	<u><b>\$ 6,919,073</b></u>

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

<b>Enterprise Funds</b>			<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>
\$ 172,344	\$ 651,242	\$ 7,845,801	\$ 620,962
-	-	149,324	-
27	6,012	117,967	1,836,083
<u>\$ 172,371</u>	<u>\$ 657,254</u>	<u>\$ 8,113,092</u>	<u>\$ 2,457,045</u>
\$ -	\$ -	\$ 1,390,343	\$ -
-	-	1,570,385	-
-	-	835,595	-
-	-	1,321,250	-
-	419,898	419,898	-
131,080	-	131,080	-
-	-	33,236	2,458,283
75,343	58,065	758,545	235,874
<u>\$ 206,423</u>	<u>\$ 477,963</u>	<u>\$ 6,460,332</u>	<u>\$ 2,694,157</u>
<u>\$ (34,052)</u>	<u>\$ 179,291</u>	<u>\$ 1,652,760</u>	<u>\$ (237,112)</u>
\$ -	\$ -	\$ 153,247	\$ -
-	210	9,964	1,021
-	(2,993)	(268,282)	-
2,500	-	6,500	28,087
<u>\$ 2,500</u>	<u>\$ (2,783)</u>	<u>\$ (98,571)</u>	<u>\$ 29,108</u>
\$ (31,552)	\$ 176,508	\$ 1,554,189	\$ (208,004)
-	-	25,000	-
-	-	(90,000)	-
<u>\$ (31,552)</u>	<u>\$ 176,508</u>	<u>\$ 1,489,189</u>	<u>\$ (208,004)</u>
<u>2,282,193</u>	<u>2,147,632</u>	<u>39,837,097</u>	<u>2,385,792</u>
<u>\$ 2,250,641</u>	<u>\$ 2,324,140</u>	<u>\$ 41,326,286</u>	<u>\$ 2,177,788</u>

**CITY OF ST. JOSEPH  
 PROPRIETARY FUNDS  
 Combining Statement of Cash Flows  
 For the Year Ended June 30, 2014**

**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	1,354,159	4,934,826	728,107
Cash receipts from other governments	106,331	(25,831)	-
Other receipts	8,639	103,289	-
Other payments	-	(14,895)	-
Payments to employees	(68,586)	(1,428,559)	-
Payments for interfund services provided	(268,258)	(824,876)	50,021
Payments to suppliers	<u>(936,715)</u>	<u>(1,434,426)</u>	<u>95,715</u>
Net cash provided (used) by operating activities	<u>\$ 195,570</u>	<u>\$ 1,309,528</u>	<u>\$ 873,843</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Transfer from other funds	\$ 25,000	\$ -	\$ -
Transfer to other funds	<u>(45,000)</u>	<u>-</u>	<u>(45,000)</u>
Net cash provided (used) by noncapital financing activities	<u>\$ (20,000)</u>	<u>\$ -</u>	<u>\$ (45,000)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Purchase of capital assets	\$ (385,706)	\$ -	\$ (772,875)
Proceeds from sale of capital assets	4,000	-	-
Proceeds from debt	248,702	-	-
Principal paid on debt	(30,000)	(360,000)	(130,000)
Interest paid on capital debt	<u>(10,829)</u>	<u>(185,698)</u>	<u>(68,762)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (173,833)</u>	<u>\$ (545,698)</u>	<u>\$ (971,637)</u>
<b>Cash Flows From Investing Activities:</b>			
Interest and dividends received	<u>\$ 1,880</u>	<u>\$ 6,277</u>	<u>\$ 1,597</u>
Net cash provided by investing activities	<u>\$ 1,880</u>	<u>\$ 6,277</u>	<u>\$ 1,597</u>
Net change in cash and cash equivalents	\$ 3,617	\$ 770,107	\$ (141,197)
Balances - Beginning of Year	<u>1,249,154</u>	<u>2,999,536</u>	<u>1,360,311</u>
<b>BALANCES - END OF YEAR</b>	<u><b>\$ 1,252,771</b></u>	<u><b>\$ 3,769,643</b></u>	<u><b>\$ 1,219,114</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>	<b>Funds</b>	<b>Funds</b>
\$ -	\$ -	\$ -	\$ 2,420,211
174,716	645,077	7,836,885	67,233
-	-	80,500	-
27	6,012	117,967	-
-	-	(14,895)	-
(64,781)	(130,761)	(1,692,687)	(158,328)
(8,845)	-	(1,051,958)	(350,782)
<u>(67,650)</u>	<u>(289,880)</u>	<u>(2,632,956)</u>	<u>(1,926,587)</u>
<u>\$ 33,467</u>	<u>\$ 230,448</u>	<u>\$ 2,642,856</u>	<u>\$ 51,747</u>
\$ -	\$ -	\$ 25,000	\$ -
-	-	(90,000)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (65,000)</u>	<u>\$ -</u>
\$ (8,778)	\$ -	\$ (1,167,359)	\$ (329,982)
2,500	-	6,500	46,465
-	-	248,702	-
-	(77,416)	(597,416)	-
-	(2,993)	(268,282)	-
<u>\$ (6,278)</u>	<u>\$ (80,409)</u>	<u>\$ (1,777,855)</u>	<u>\$ (283,517)</u>
<u>\$ -</u>	<u>\$ 210</u>	<u>\$ 9,964</u>	<u>\$ 1,021</u>
<u>\$ -</u>	<u>\$ 210</u>	<u>\$ 9,964</u>	<u>\$ 1,021</u>
\$ 27,189	\$ 150,249	\$ 809,965	\$ (230,749)
<u>60,997</u>	<u>76,770</u>	<u>5,746,768</u>	<u>1,105,984</u>
<u>\$ 88,186</u>	<u>\$ 227,019</u>	<u>\$ 6,556,733</u>	<u>\$ 875,235</u>

**CITY OF ST. JOSEPH  
 PROPRIETARY FUNDS  
 Combining Statement of Cash Flows - Continued  
 For the Year Ended June 30, 2014**

	<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)	\$ 217,736	\$ 831,149	\$ 458,636
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Deprecation expense	\$ 62,314	\$ 373,348	\$ 189,475
(Increase) decrease in:			
Receivables	30,777	37,295	(3,142)
Due from other funds	(2,805)	47,862	49,902
Due from other governments	(159,644)	(25,831)	-
Prepaid expenses	-	-	-
Inventory	875	142,386	-
Increase (decrease) in:			
Accounts payable	(91,442)	8,215	128,951
Retainages payable	-	-	-
Accrued liabilities	1,914	(3,405)	-
Due to other funds	458	(71,621)	50,021
Due to other governments	138,397	6,416	-
Deferred revenue	(500)	-	-
Compensated absences	1,351	167	-
Net OPEB obligation	(3,861)	(36,453)	-
Total Adjustments	<u>\$ (22,166)</u>	<u>\$ 478,379</u>	<u>\$ 415,207</u>
Net cash provided by operating activities	<u>\$ 195,570</u>	<u>\$ 1,309,528</u>	<u>\$ 873,843</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>	<b>Funds</b>	<b>Funds</b>
\$ (34,052)	\$ 179,291	\$ 1,652,760	\$ (237,112)
\$ 75,343	\$ 58,065	\$ 758,545	\$ 235,874
2,372	(6,165)	61,137	(665)
(2,500)	-	92,459	31,064
-	-	(185,475)	53
-	-	-	(5,872)
-	(13,276)	129,985	9,859
-	14,249	59,973	-
-	-	-	16,694
(2,023)	1,911	(1,603)	-
(1,136)	(3,361)	(25,639)	-
-	33	144,846	5,512
-	-	(500)	-
(4,537)	(299)	(3,318)	-
-	-	(40,314)	(3,660)
<u>\$ 67,519</u>	<u>\$ 51,157</u>	<u>\$ 990,096</u>	<u>\$ 288,859</u>
<u>\$ 33,467</u>	<u>\$ 230,448</u>	<u>\$ 2,642,856</u>	<u>\$ 51,747</u>

**CITY OF ST. JOSEPH  
FIDUCIARY FUNDS  
Statement of Net Position  
June 30, 2014**

	<b>Pension and Other Employee <u>Benefits</u></b>	<b>Agency <u>Funds</u></b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,176,110	\$ 6,151
Receivables:		
Interest receivable	\$ 164,693	\$ -
Contribution receivable	<u>13,695</u>	<u>-</u>
Total Receivables	\$ <u>178,388</u>	\$ <u>-</u>
Investments at fair value:		
Stocks	\$ 38,245,618	\$ -
Bonds	20,261,424	-
Government obligations	2,065,699	-
Other	<u>1,475,152</u>	<u>-</u>
Total Investments	\$ <u>62,047,893</u>	\$ <u>-</u>
Total Assets	\$ <u>63,402,391</u>	\$ <u>6,151</u>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 5,227
Due to employees	600	-
Due to other funds	<u>6</u>	<u>924</u>
Total Liabilities	\$ <u>606</u>	\$ <u>6,151</u>
<b>Net Position</b>		
Held in trust for pension benefits and other purposes	\$ <u>63,401,785</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 Position  
For the Year Ended June 30, 2014**

	<b>Pension and Other Employee <u>Benefits</u></b>
<b>Additions</b>	
Contributions:	
Plan members	\$ 347,439
Employer	<u>1,117,203</u>
Total Contributions	<u>\$ 1,464,642</u>
Investment Earnings:	
Interest and dividends	\$ 1,618,666
Net increase, FMV investments	7,255,572
Miscellaneous	<u>142,156</u>
Total Investment Earnings	\$ 9,016,394
Less investment expense	<u>(337,806)</u>
Net Investment Earnings	<u>\$ 8,678,588</u>
Total Additions	<u>\$ 10,143,230</u>
<b>Deductions</b>	
Benefits	\$ 3,034,289
Refunds of contributions	76,804
Administrative expense	<u>109,294</u>
Total Deductions	<u>\$ 3,220,387</u>
Change in Net Position	\$ 6,922,843
Net Position - Beginning of Year	<u>56,478,942</u>
NET POSITION - END OF YEAR	<u>\$ 63,401,785</u>

**CITY OF ST. JOSEPH  
COMPONENT UNITS  
Statement of Net Position  
June 30, 2014**

	<u>Downtown Development Authority</u>	<u>Housing Commission*</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 75,430	\$ 436,604	\$ 512,034
Receivables	-	64	64
Prepaid expenses and other assets	-	11,711	11,711
Inventory	-	6,500	6,500
Capital assets - NOTE 4:			
Non-depreciable assets	-	136,032	136,032
Depreciable assets (net of related depreciation)	<u>-</u>	<u>1,327,089</u>	<u>1,327,089</u>
Total Assets	<u>\$ 75,430</u>	<u>\$ 1,918,000</u>	<u>\$ 1,993,430</u>
<b>Liabilities</b>			
Current:			
Accounts payable	\$ -	\$ 59,167	\$ 59,167
Tenant security deposit liability	-	26,579	26,579
Accrued liabilities	400	16,038	16,438
Deferred revenue	-	12,737	12,737
Notes payable	-	11,546	11,546
Noncurrent:			
Compensated absences	-	2,623	2,623
Notes payable	<u>-</u>	<u>170,383</u>	<u>170,383</u>
Total Liabilities	<u>\$ 400</u>	<u>\$ 299,073</u>	<u>\$ 299,473</u>
<b>Net Position</b>			
Net investment in capital assets	\$ -	\$ 1,281,192	\$ 1,281,192
Unrestricted	<u>75,030</u>	<u>337,735</u>	<u>412,765</u>
Total Net Position	<u>\$ 75,030</u>	<u>\$ 1,618,927</u>	<u>\$ 1,693,957</u>

\* Balances are as of March 31, 2014 for the Housing Commission.

**CITY OF ST. JOSEPH  
 COMPONENT UNITS  
 Statement of Activities  
 For the Year Ended June 30, 2014**

<b>Functions/Programs</b>	<b><u>Expenses</u></b>	<b>Program Revenues</b>		
		<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	<b><u>Capital Grants and Contributions</u></b>
Downtown Development Authority	\$ 52,796	\$ -	\$ -	\$ -
Housing Commission	<u>646,881</u>	<u>403,448</u>	<u>113,991</u>	<u>185,460</u>
Total Component units	<u>\$ 699,677</u>	<u>\$ 403,448</u>	<u>\$ 113,991</u>	<u>\$ 185,460</u>

**General Revenues:**

Property taxes  
 Interest  
 Other revenue

Total General Revenues

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

\* Balances are as of March 31, 2014 for the Housing Commission.

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

**Net (Expense) Revenue and Changes in Net Assets**

<b>Downtown Development Authority</b>	<b>Housing Commission*</b>	<b>Total</b>
\$ (52,796)	\$ -	\$ (52,796)
<u>-</u>	<u>56,018</u>	<u>56,018</u>
<b>\$ (52,796)</b>	<b>\$ 56,018</b>	<b>\$ 3,222</b>
\$ 50,088	\$ -	\$ 50,088
99	784	883
<u>-</u>	<u>29,359</u>	<u>29,359</u>
<b>\$ 50,187</b>	<b>\$ 30,143</b>	<b>\$ 80,330</b>
\$ (2,609)	\$ 86,161	\$ 83,552
<u>77,639</u>	<u>1,532,766</u>	<u>1,610,405</u>
<b>\$ 75,030</b>	<b>\$ 1,618,927</b>	<b>\$ 1,693,957</b>

**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.

***Discretely Presented Component Units***

**City of St. Joseph Downtown Development Authority**

This potential component unit is disclosed as a discretely presented component unit due to the following items:

- 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

**City of St. Joseph Housing Commission**

This potential component unit is disclosed as a discretely presented component unit. The City of St. Joseph Housing Commission is a nonprofit corporation that was organized under the laws of the State of Michigan to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD). The City of St. Joseph Housing Commission operates with a fiscal year ended March 31. This is a legally separate entity, but is considered a component unit due to the City's ability to influence the Housing Commission's actions through representation on the Housing Commission Board and because of its ability to impose its will by removing an appointed member.

A complete financial statement for the City of St. Joseph Housing Commission can be obtained at 601 Port Street, St. Joseph, MI 49085.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**A. Reporting Entity - Continued**

***Joint Ventures***

**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.

***Jointly Governed Organization***

**Community Emergency Services, Inc., operating as Medic 1 Ambulance (nonprofit).** This potential component unit is disclosed as a jointly governed organization because it is jointly governed by various municipal governments, including City of St. Joseph, but the City does not have an ongoing financial interest or ongoing financial responsibility. The City is entitled to the rights and privileges of one voting board member. Medic 1 is organized for the purpose of providing emergency ambulance service to surrounding communities. The City's portion of the community operating subsidies for the year ended June 30, 2014 was

**B. Government-Wide and Fund Financial Statements**

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

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.

The City reports three categories of net position, as follows:

**Net Investment in Capital Assets** - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources to those assets.

**Restricted Net Position** - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the City's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

**Unrestricted Net Position** - consists of all other net position that does not meet the definition of the above two components and is available for general use by the City.

The **fund 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.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B. Government-Wide and Fund Financial Statements - Continued**

**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.

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.

**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**

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.

The **Major Street Fund** is used to account for the maintenance and construction of the City's major street system.

The **Local Street Fund** is used to account for the maintenance and construction of the City's local street system.

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

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.

**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**

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.

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. Cash and Cash Equivalents**

For the purpose of the Statement of Net Position and Statement of Cash Flows, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

**G. Receivables**

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**H. 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.

**I. 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 position. 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

**J. 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 position. 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**

**J. Long-Term Liabilities - Continued**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuances costs, whether or not withheld from the actual debt received, are reported as debt service.

**K. Property Taxes**

City property taxes are assessed as of December 31 and attached as an enforceable lien on property as of July 1 of the following year. The taxes are due without penalty on or before September 15. Real property taxes not collected as of March 1 are turned over to Berrien County for collection. The County advances the City 100% of the delinquent taxes on real property. The City 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.

**L. Compensated Absences**

Sick leave is paid upon illness while in the employment of the City or upon retirement as limited by various employment contracts and agreements. Earned vacation time can be accrued up to a maximum of 21 days per year. 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.

**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.

**N. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of new position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that amounts become available.

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

**NOTE 2 - DEPOSITS 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. Deposits**

**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, 2014.

**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, 2014, the carrying amount of the City's deposits was \$17,117,394. The combined bank balance of these deposits was \$17,452,703 of which \$16,452,703 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>Units</u>	<u>Funds</u>	<u>Total</u>
Bank deposits	\$ 14,459,333	\$ 195,172	\$ 1,182,261	\$ 15,836,766
Imprest cash	2,050	250	-	2,300
Money markets	559,717	276,602	-	836,319
Certificate of deposits	<u>402,000</u>	<u>40,010</u>	-	<u>442,010</u>
 Total Deposits	 <u>\$ 15,423,100</u>	 <u>\$ 512,034</u>	 <u>\$ 1,182,261</u>	 <u>\$ 17,117,395</u>

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

**NOTE 2 - DEPOSITS 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 investments for both the primary government and the component units are reported at fair value.

	<b><u>Market Value</u></b>
<b>Primary Government</b>	
Municipal Bonds	\$ <u>420,000</u>
Total Primary Government	\$ <u>420,000</u>
<b>Fiduciary Funds</b>	
T-bonds	\$ 2,065,699
Corporate bonds	20,261,424
Common stock	38,245,618
Other	<u>1,475,152</u>
Total Fiduciary Funds	\$ <u>62,047,893</u>
Total Reporting Entity	\$ <u>62,467,893</u>

**NOTE 3 - JOINT VENTURES**

**Southwest Michigan Regional Airport Authority**

In 1997, four municipalities approved the establishment of an Airport Authority to oversee airport operations. Operations are partially funded by property taxes. In late July 1998, control of airport operations was transferred to the Airport Authority. The Airport Authority is governed by a board of five members, including one from each participating municipality. Upon dissolution, net assets will be shared on a pro rata basis based on amounts contributed to the Airport Authority. The City's equity interest of \$12,094,577 is recorded in governmental activities in the government-wide financial statements. Complete financial statements for the Airport Authority are available from the Southwest Michigan Regional Airport Authority.

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

**NOTE 3 - JOINT VENTURES - Continued**

**Benton Harbor - St. Joseph Joint Wastewater Treatment Plant**

The City is a participant with the City of Benton Harbor in a joint venture to provide sanitary sewage treatment and collection facilities for the residents of these communities. The Benton Harbor - St. Joseph Joint Wastewater Treatment Plant was created for that purpose. Upon dissolution of the plant, the net assets will be shared on an equal basis with the City of Benton Harbor. The plant is governed by a board of eight members consisting of three members from Benton Harbor and St. Joseph and two members chosen from neighboring communities. The City's equity interest of \$12,846,207 is recorded in business-type activities on the government-wide financial statements and on the proprietary fund statement of net position in the fund statements. Complete financial statements for the plant can be obtained from the Joint Wastewater Treatment Plant.

The City does not anticipate any additional financial benefits or burdens related to its investment in these entities.

**NOTE 4 - CAPITAL ASSETS**

Capital assets activities for the year ended June 30, 2014 were as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Governmental Activities</b>					
Nondepreciable assets					
Land	\$ 11,871,216	\$ -	\$ 27,986	\$ -	\$ 11,899,202
Historical art	22,000	-	-	-	22,000
Construction in progress	612,485	(1,193,272)	3,195,489	-	2,614,702
	<u>12,505,701</u>	<u>(1,193,272)</u>	<u>3,223,475</u>	<u>-</u>	<u>14,535,904</u>
Total Nondepreciable Assets	<u>\$ 12,505,701</u>	<u>\$ (1,193,272)</u>	<u>\$ 3,223,475</u>	<u>\$ -</u>	<u>\$ 14,535,904</u>
Depreciable assets					
Buildings and improvements	\$ 22,215,679	\$ 470,889	\$ 52,085	\$ -	\$ 22,738,653
Infrastructure	23,697,146	285,083	-	-	23,982,229
Books	1,025,692	-	28,985	(345,778)	708,899
Furniture and equipment	6,067,017	437,300	437,552	(289,830)	6,652,039
Land improvements	1,192,440	-	-	-	1,192,440
	<u>54,197,974</u>	<u>1,193,272</u>	<u>518,622</u>	<u>(635,608)</u>	<u>55,274,260</u>
Subtotal	<u>\$ 54,197,974</u>	<u>\$ 1,193,272</u>	<u>\$ 518,622</u>	<u>\$ (635,608)</u>	<u>\$ 55,274,260</u>
Accumulated depreciation					
Buildings and improvements	\$ (4,781,784)	\$ -	\$ (485,576)	\$ -	\$ (5,267,360)
Infrastructure	(9,326,386)	-	(637,803)	-	(9,964,189)
Books	(961,284)	-	(33,491)	345,778	(648,997)
Furniture and equipment	(4,056,326)	-	(375,714)	269,231	(4,162,809)
Land improvements	(190,932)	-	(49,309)	-	(240,241)
	<u>(19,316,712)</u>	<u>-</u>	<u>(1,581,893)</u>	<u>615,009</u>	<u>(20,283,596)</u>
Subtotal	<u>\$ (19,316,712)</u>	<u>\$ -</u>	<u>\$ (1,581,893)</u>	<u>\$ 615,009</u>	<u>\$ (20,283,596)</u>
Total Depreciable Capital Assets	<u>\$ 34,881,262</u>	<u>\$ 1,193,272</u>	<u>\$ (1,063,271)</u>	<u>\$ (20,599)</u>	<u>\$ 34,990,664</u>

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

**NOTE 4 - CAPITAL ASSETS - Continued**

	<u>Balance</u> <u>July 1, 2013</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Business Activities</b>					
Nondepreciable assets					
Land	\$ 956,870	\$ -	\$ -	\$ -	\$ 956,870
Construction in progress	<u>198,436</u>	<u>(151,586)</u>	<u>775,169</u>	<u>-</u>	<u>822,019</u>
Total Nondepreciable Assets	<u>\$ 1,155,306</u>	<u>\$ (151,586)</u>	<u>\$ 775,169</u>	<u>\$ -</u>	<u>\$ 1,778,889</u>
Depreciable assets					
Buildings and improvements	\$ 27,596,033	\$ -	\$ -	\$ -	\$ 27,596,033
Infrastructure	1,688,401	-	-	-	1,688,401
Furniture and equipment	2,171,936	-	8,778	(49,804)	2,130,910
Utility systems	<u>11,418,121</u>	<u>151,586</u>	<u>383,412</u>	<u>-</u>	<u>11,953,119</u>
Subtotal	<u>\$ 42,874,491</u>	<u>\$ 151,586</u>	<u>\$ 392,190</u>	<u>\$ (49,804)</u>	<u>\$ 43,368,463</u>
Accumulated depreciation					
Buildings and improvements	\$ (7,887,881)		\$ (386,686)	\$ -	\$ (8,274,567)
Infrastructure	(1,018,029)	-	(14,983)	-	(1,033,012)
Furniture and equipment	(1,047,342)		(109,116)	49,804	(1,106,654)
Utility systems	<u>(1,878,140)</u>	<u>-</u>	<u>(247,760)</u>	<u>-</u>	<u>(2,125,900)</u>
Subtotal	<u>\$ (11,831,392)</u>	<u>\$ -</u>	<u>\$ (758,545)</u>	<u>\$ 49,804</u>	<u>\$ (12,540,133)</u>
Total Depreciable Capital Assets	<u>\$ 31,043,099</u>	<u>\$ 151,586</u>	<u>\$ (366,355)</u>	<u>\$ -</u>	<u>\$ 30,828,330</u>

Capital assets activities for the year ended March 31, 2014 were as follows:

	<u>Balance</u> <u>April 1, 2013</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2014</u>
<b>Component Units - Housing Commission</b>					
Nondepreciable assets					
Land	\$ 19,800	\$ -	\$ -	\$ -	\$ 19,800
Construction in progress	<u>-</u>	<u>-</u>	<u>116,232</u>	<u>-</u>	<u>116,232</u>
Total Nondepreciable Assets	<u>\$ 19,800</u>	<u>\$ -</u>	<u>\$ 116,232</u>	<u>\$ -</u>	<u>\$ 136,032</u>
Depreciable assets					
Buildings and improvements	\$ 4,071,370	\$ -	\$ 286,564	\$ -	\$ 4,357,934
Furniture and equipment - dwelling	73,526	-	-	-	73,526
Furniture and equipment - administration	<u>118,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,412</u>
Subtotal	<u>\$ 4,263,308</u>	<u>\$ -</u>	<u>\$ 286,564</u>	<u>\$ -</u>	<u>\$ 4,549,872</u>
Less accumulated depreciation	<u>(3,085,862)</u>	<u>-</u>	<u>(136,921)</u>	<u>-</u>	<u>(3,222,783)</u>
Total Depreciable Assets	<u>\$ 1,177,446</u>	<u>\$ -</u>	<u>\$ 149,643</u>	<u>\$ -</u>	<u>\$ 1,327,089</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, 2014:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
<b>Bonds and notes payable consist of the following:</b>					
\$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	\$ 1,037,410	\$ -	\$ (95,000)	\$ 942,410	\$ 95,000
\$2,015,205 2004 State Revolving Fund Bonds due in annual installments of \$105,000 to \$130,000 through April 1, 2025; interest at 2.125% - Debt Service Fund	1,406,902	-	(105,000)	1,301,902	105,000
\$250,000 Installment loan from Berrien County Revolving Loan Fund due in annual installments of \$25,000 through January 1, 2020 - Capital Improvement Fund	175,000	-	(25,000)	150,000	25,000
\$1,400,000 2008 Bluffside Installment Loan due in semi-annual installments of \$40,748 to \$62,661 including interest at 4.35% through August 8, 2024 - General Fund	1,070,166	-	(81,606)	988,560	85,971
\$3,575,000 2011 Refunding Bonds due in annual installments of \$155,000 to \$355,000 through May 1, 2027; interest from 2.00% to 4.125% - Debt Service	<u>3,425,000</u>	<u>-</u>	<u>(155,000)</u>	<u>3,270,000</u>	<u>170,000</u>
Total Bonds and Notes Payable	\$ 7,114,478	\$ -	\$ (461,606)	\$ 6,652,872	\$ 480,971
Compensated Absences	<u>323,714</u>	<u>86,444</u>	<u>-</u>	<u>410,158</u>	<u>307,619</u>
Total Governmental Activities	<u>\$ 7,438,192</u>	<u>\$ 86,444</u>	<u>\$ (461,606)</u>	<u>\$ 7,063,030</u>	<u>\$ 788,590</u>

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

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

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
<b>Business Activities</b>					
\$300,000 2010 Marina Improvement Installment Loan due in semi-annual installments of \$33,260 including interest at 3.74% through November 1, 2014	\$ 95,839	\$ -	\$ (63,527)	\$ 32,312	\$ 32,312
\$125,000 Marina Installment Loan for Land acquired from Whirlpool Corporation in annual installments of \$13,889 beginning on December 31, 2012, through December 31, 2020	111,111	-	(13,889)	97,222	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	2,750,496	-	(130,000)	2,620,496	135,000
\$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	201,000	-	(10,000)	191,000	10,000
\$5,972,460 2010 Clean Water Bond due in semi-annual installments of \$245,000 to \$375,000 through October 1, 2031; interest at 2.50% - Water Fund	5,739,460	-	(245,000)	5,494,460	245,000
\$1,293,000 2010 Clean Water Bond due in semi-annual installments of \$50,000 to \$85,000 through October 1, 2031; interest at 2.50% - Water Fund	1,245,000	-	(50,000)	1,195,000	55,000
\$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	200,000	-	(10,000)	190,000	10,000

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

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

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
<b>Business Activities - Continued</b>					
\$730,000 2012 General Obligation Limited Tax Bonds due in annual installments of \$65,000 to \$80,000 through April 1, 2032; interest from 1.200% to 3.350% - Water Fund	730,000	-	(65,000)	665,000	65,000
\$248,702 2013 Clean Water Bond due in annual installments of \$10,000 to \$15,000 through April 1, 2031; interest at 2.00% - Sewer Fund	-	248,702	(10,000)	238,702	10,000
Total Bonds and Notes Payable	\$ 11,072,906	\$ 248,702	\$ (597,416)	\$ 10,724,192	\$ 576,201
Compensated Absences - Water Fund, Sewer Fund, Marina Fund	72,170	-	(3,318)	68,852	51,638
Total Business Activities	<u>\$ 11,145,076</u>	<u>\$ 248,702</u>	<u>\$ (600,734)</u>	<u>\$ 10,793,044</u>	<u>\$ 627,839</u>

The following is a summary of long-term debt transactions of the component unit - housing commission for the year ended March 31, 2014:

	<u>Balance April 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance March 31, 2014</u>	<u>Due Within One Year</u>
<b>Component Unit - Housing Commission</b>					
\$185,479 note payable due in quarterly payments of \$5,200 to \$6,600 through December 1, 2023; interest at 5.430%	\$ -	\$ 185,479	\$ (3,550)	\$ 181,929	\$ 11,546
Compensated absences	15,507	-	(12,884)	2,623	11,255
	<u>\$ 15,507</u>	<u>\$ 185,479</u>	<u>\$ (16,434)</u>	<u>\$ 184,552</u>	<u>\$ 22,801</u>

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

Year Ending June 30,	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2015	\$ 480,971	\$ 212,159	\$ 576,201	\$ 259,293
2016	494,751	199,523	563,889	241,561
2017	508,698	186,488	573,889	228,656
2018	532,818	172,105	583,889	215,390
2019	547,119	156,985	603,889	201,541
2020-2024	2,946,613	509,850	3,098,777	780,917
2025-2029	1,141,902	86,629	3,120,000	404,744
2030-2033	-	-	1,603,658	58,167
Total	<u>\$ 6,652,872</u>	<u>\$ 1,523,739</u>	<u>\$ 10,724,192</u>	<u>\$ 2,390,269</u>

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

**NOTE 6 - PENSION PLAN**

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. A stand alone financial statement was prepared for the retirement plan, which can be obtained from the City of St. Joseph.

**NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS**

**A. Plan Description**

The City has eliminated post-retirement health care for all employees except those public safety employees hired on or before June 30, 2012. Current retirees and those public safety employees hired on or before June 30, 2012 may elect to continue the City's health insurance benefit for themselves, their spouse and dependents. In this case the City will pay one-half the cost of the benefit until the retiree reaches the age of 65. Once the retiree reaches the age of 65, he and his/her dependents will no longer be eligible for health care benefits through the City's health care plan, except as provided by COBRA.

**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, 2014, the City made payments for post-employment health benefit premiums of \$124,764 computed as follows:

Annual required contribution	\$ 411,763
Retired employees' contribution of current premiums	<u>(286,999)</u>
City paid portion of retired employees' health care benefits	<u>\$ 124,764</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	\$ 23,168	General Fund	\$ 768,335
Local Streets	70,000	Major Streets	70,000
Library Fund	73,100	Library Endowment	5,800
Capital Improvement	768,335	Capital Improvement	422,535
Lighthouse Improvement	32,067	Street Improvement	25,000
Street Improvement	390,000	Sewer Fund	45,000
Sewer Fund	<u>25,000</u>	City Water	<u>45,000</u>
 Total:	 <u>\$ 1,381,670</u>	 Total:	 <u>\$ 1,381,670</u>

The composition of interfund balances as of June 30, 2014, 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	\$ 250,930	General Fund	\$ 15,213
Capital Improvement	100,000	Major Streets	3,257
Street Improvement	100,042	Local Streets	6,727
Motor Pool	53,132	Garbage and Rubbish	9,261
City Water	100	Capital Improvement	250,000
Sewer	4,000	Lighthouse Improvement	100,000
Ice Arena	<u>2,500</u>	Sewer	50,021
		Water	18,774
		City Water	50,021
		Motor Pool	6,500
		Flex Spending	6
		Treasurer's Tax	850
		Imprest Payroll Fund	<u>74</u>
 Total:	 <u>\$ 510,704</u>	 Total:	 <u>\$ 510,704</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	\$ 510,704
Internal Service Funds (Self Insurance, Employee Health Care and Motor Pool)	(53,132)
Enterprise Funds (Water, Sewer, City Water, Ice Arena and Marina)	<u>(6,600)</u>
 Total governmental funds "due from other funds"	 <u>\$ 450,972</u>

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

Total interfund payables	\$ 510,704
Internal Service Funds (Self Insurance, Employee Health Care and Motor Pool)	(6,500)
Agency Funds (Treasurer's Tax, Imprest Payroll, and Flex Spending)	(924)
Enterprise Funds (Water, Sewer, City Water, Ice Arena and Marina)	(118,816)
Pension Funds (Employees' Retirement and Flex Spending)	<u>(6)</u>
 Total governmental funds "due to other funds"	 <u>\$ 384,458</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.

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

**NOTE 12 - USE OF ESTIMATES**

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

**NOTE 13 - RELATED PARTY TRANSACTIONS**

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. \$138. Commissioner Garey abstained from approving Garey Roofing, Inc.'s contract.

**NOTE 14 - 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:			
Debt service - principal retirement	\$ 78,900	\$ 81,606	\$ 2,706
Major Street Fund expenditures	177,000	177,973	973

**NOTE 15 - COMMITMENTS**

Construction was in process as of June 30, 2014 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, 2014</u>
St. Joseph Drive Resurface	\$ 213,600	\$ 3,428
Park Street Bridge Refurbish	664,500	649,592
2013 S2 Grant Flow Monitoring	195,596	143,290
Morrison Channel Water Crossing	786,360	192,057

**NOTE 16 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 15, 2014, the date on which the financial statements were available to be issued. There were no material subsequent events.

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

**NOTE 17 - IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES**

For the year ending June 30, 2014, the City implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. The objective of Statement 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues).

For the year ending June 30, 2014, the City implemented GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. Statement No. 67 replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, and it establishes standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measuring the liability of employer and certain nonemployer contributing entities, about which information is required to be disclosed.

**NOTE 18 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

**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.

**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.

**Lighthouse Improvement Fund** - This accounts for financial resources to be used for the capital improvements to the lighthouse.

**CITY OF ST. JOSEPH  
GENERAL FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 5,197,600	\$ 5,198,600	\$ 5,183,854	\$ (14,746)
State revenues	835,000	835,000	842,212	7,212
Charges for services	1,370,300	1,380,300	1,397,040	16,740
Licenses and permits	4,800	12,300	15,330	3,030
Fines, fees, and forfeits	85,000	85,000	77,497	(7,503)
Interest	17,600	17,600	9,665	(7,935)
Other	11,000	35,000	45,679	10,679
	<u>\$ 7,521,300</u>	<u>\$ 7,563,800</u>	<u>\$ 7,571,277</u>	<u>\$ 7,477</u>
<b>Total Revenues</b>				
<b>Expenditures:</b>				
Current:				
General government	\$ 1,076,300	\$ 1,099,200	\$ 985,415	\$ 113,785
Public safety	3,420,100	3,457,100	3,339,439	117,661
Public works	980,900	1,026,900	898,452	128,448
Health and welfare	50,000	50,000	48,099	1,901
Community and economic development	380,200	427,100	392,687	34,413
Recreation and cultural	605,800	686,300	636,829	49,471
Other	258,700	239,000	228,988	10,012
Debt service:				
Principal retirement	78,900	78,900	81,606	(2,706)
Interest	49,200	49,700	46,442	3,258
	<u>\$ 6,900,100</u>	<u>\$ 7,114,200</u>	<u>\$ 6,657,957</u>	<u>\$ 456,243</u>
<b>Total Expenditures</b>				
	<u>\$ 621,200</u>	<u>\$ 449,600</u>	<u>\$ 913,320</u>	<u>\$ 463,720</u>
<b>Revenues Over Expenditures</b>				
<b>Other Financing Uses:</b>				
Operating transfers out	\$ (213,000)	\$ (759,600)	\$ (768,335)	\$ (8,735)
	<u>\$ (213,000)</u>	<u>\$ (759,600)</u>	<u>\$ (768,335)</u>	<u>\$ (8,735)</u>
<b>Total Other Financing Uses</b>				
Net Change in Fund Balances	\$ 408,200	\$ (310,000)	\$ 144,985	\$ 454,985
Fund Balances - Beginning of Year	<u>2,708,591</u>	<u>2,708,591</u>	<u>2,708,591</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 3,116,791</u></u>	<u><u>\$ 2,398,591</u></u>	<u><u>\$ 2,853,576</u></u>	<u><u>\$ 454,985</u></u>

**CITY OF ST. JOSEPH  
MAJOR STREET FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
State revenues	\$ 375,100	\$ 375,100	\$ 406,328	\$ 31,228
Interest	100	100	387	287
Other	<u>-</u>	<u>-</u>	<u>3,555</u>	<u>3,555</u>
Total Revenues	<u>\$ 375,200</u>	<u>\$ 375,200</u>	<u>\$ 410,270</u>	<u>\$ 35,070</u>
<b>Expenditures:</b>				
Current:				
Public works	<u>\$ 176,000</u>	<u>\$ 177,000</u>	<u>\$ 177,973</u>	<u>\$ (973)</u>
Total Expenditures	<u>\$ 176,000</u>	<u>\$ 177,000</u>	<u>\$ 177,973</u>	<u>\$ (973)</u>
Revenues Over Expenditures	<u>\$ 199,200</u>	<u>\$ 198,200</u>	<u>\$ 232,297</u>	<u>\$ 34,097</u>
<b>Other Financing Uses:</b>				
Operating transfers out	<u>\$ (70,000)</u>	<u>\$ (70,000)</u>	<u>\$ (70,000)</u>	<u>-</u>
Total Other Financing Uses	<u>\$ (70,000)</u>	<u>\$ (70,000)</u>	<u>\$ (70,000)</u>	<u>\$ -</u>
Net Change in Fund Balances	\$ 129,200	\$ 128,200	\$ 162,297	\$ 34,097
Fund Balances - Beginning of Year	<u>694,355</u>	<u>694,355</u>	<u>694,355</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 823,555</u>	<u>\$ 822,555</u>	<u>\$ 856,652</u>	<u>\$ 34,097</u>

**CITY OF ST. JOSEPH  
LOCAL STREET FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
State revenues	\$ 149,600	\$ 149,600	\$ 191,434	\$ 41,834
Interest	100	100	1,139	1,039
Other	<u>7,500</u>	<u>7,500</u>	<u>356</u>	<u>(7,144)</u>
 Total Revenues	 <u>\$ 157,200</u>	 <u>\$ 157,200</u>	 <u>\$ 192,929</u>	 <u>\$ 35,729</u>
<b>Expenditures:</b>				
Current:				
Public works	\$ 159,700	\$ 221,500	\$ 220,782	\$ 718
 Total Expenditures	 <u>\$ 159,700</u>	 <u>\$ 221,500</u>	 <u>\$ 220,782</u>	 <u>\$ 718</u>
 Revenues Over (Under) Expenditures	 <u>\$ (2,500)</u>	 <u>\$ (64,300)</u>	 <u>\$ (27,853)</u>	 <u>\$ 36,447</u>
<b>Other Financing Sources:</b>				
Operating transfers in	\$ 70,000	\$ 70,000	\$ 70,000	\$ -
 Total Other Financing Sources	 <u>\$ 70,000</u>	 <u>\$ 70,000</u>	 <u>\$ 70,000</u>	 <u>\$ -</u>
 Net Change in Fund Balances	 \$ 67,500	 \$ 5,700	 \$ 42,147	 \$ 36,447
 Fund Balances - Beginning of Year	 <u>175,814</u>	 <u>175,814</u>	 <u>175,814</u>	 <u>-</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 243,314</u>	 <u>\$ 181,514</u>	 <u>\$ 217,961</u>	 <u>\$ 36,447</u>

**CITY OF ST. JOSEPH  
GENERAL FUND  
Statement of Revenues - Budget and Actual  
For the Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Taxes:			
General and industrial facilities		\$ 4,969,130	
Penalty and interest on taxes		19,915	
Administration		<u>194,809</u>	
Total Taxes	\$ 5,198,600	\$ <u>5,183,854</u>	\$ (14,746)
State Revenues:			
State shared revenues		\$ 830,202	
Other		<u>12,010</u>	
Total State Revenues	835,000	\$ <u>842,212</u>	7,212
Charges for Services:			
Administration		\$ 1,043,300	
Fees		150,186	
Services rendered		4,404	
Use and admissions		<u>199,150</u>	
Total Charges for Services	1,380,300	\$ <u>1,397,040</u>	16,740
Licenses and Permits:			
Licenses	12,300	\$ <u>15,330</u>	3,030
Fines and Forfeitures:			
District Court		\$ 19,509	
Parking fines		<u>57,988</u>	
Total Fines and Forfeitures	85,000	\$ <u>77,497</u>	(7,503)
Interest and Rents	17,600	\$ <u>9,665</u>	(7,935)
Other	<u>35,000</u>	\$ <u>45,679</u>	<u>10,679</u>
TOTAL REVENUES	\$ <u>7,563,800</u>	\$ <u>7,571,277</u>	\$ <u>7,477</u>

**CITY OF ST. JOSEPH  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>General Government</b>			
<b>Legislative</b>			
Commission			
Salaries and wages		\$ 15,883	
Benefits and insurance		1,249	
Supplies		178	
Other services and charges		<u>10,938</u>	
Total Legislative	<u>\$ 32,100</u>	<u>\$ 28,248</u>	<u>\$ 3,852</u>
<b>Chief Executive</b>			
City Manager			
Salaries and wages		\$ 139,076	
Benefits and insurance		40,433	
Supplies		121	
Other services and charges		<u>6,546</u>	
Total City Manager	<u>\$ 208,900</u>	<u>\$ 186,176</u>	<u>\$ 22,724</u>
General Administration			
Supplies		\$ 25,063	
Other services and charges		<u>87,013</u>	
Total General Administration	<u>139,000</u>	<u>\$ 112,076</u>	<u>26,924</u>
Total Chief Executive	<u>\$ 347,900</u>	<u>\$ 298,252</u>	<u>\$ 49,648</u>
<b>Financial and Tax Administration</b>			
Clerk			
Salaries and wages		\$ 38,560	
Benefits and insurance		24,480	
Supplies		5,377	
Other services and charges		<u>14,391</u>	
Total Clerk	<u>\$ 95,700</u>	<u>\$ 82,808</u>	<u>\$ 12,892</u>
Treasurer			
Salaries and wages		\$ 127,703	
Benefits and insurance		45,621	
Supplies		2,855	
Other services and charges		<u>29,212</u>	
Total Treasurer	215,600	<u>\$ 205,391</u>	10,209

**CITY OF ST. JOSEPH  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30, 2014**

	<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		\$ 58,084	
Benefits and insurance		17,505	
Supplies		2,563	
Other services and charges		<u>4,030</u>	
Total City Assessor	<u>97,400</u>	<u>\$ 82,182</u>	<u>15,218</u>
Total Financial and Tax Administration	<u>\$ 408,700</u>	<u>\$ 370,381</u>	<u>\$ 38,319</u>
<b>Building and Grounds</b>			
Municipal Buildings			
Salaries and wages		\$ 27,394	
Benefits and insurance		20,065	
Supplies		8,443	
Other services and charges		<u>79,700</u>	
Total Building and Grounds	<u>\$ 144,900</u>	<u>\$ 135,602</u>	<u>\$ 9,298</u>
<b>Other General Government</b>			
City Attorney			
Other services and charges		<u>\$ 82,706</u>	
Total City Attorney	<u>\$ 88,000</u>	<u>\$ 82,706</u>	<u>\$ 5,294</u>
Personnel Department			
Salaries and wages		\$ 42,389	
Benefits and insurance		14,419	
Supplies		1,397	
Other services and charges		<u>12,021</u>	
Total Personnel Department	<u>77,600</u>	<u>\$ 70,226</u>	<u>7,374</u>
Total Other General Government	<u>\$ 165,600</u>	<u>\$ 152,932</u>	<u>\$ 12,668</u>
Total General Government	<u>\$ 1,099,200</u>	<u>\$ 985,415</u>	<u>\$ 113,785</u>
<b>Public Safety</b>			
Fire Department			
Salaries and wages		\$ 711,188	
Benefits and insurance		378,093	
Supplies		20,275	
Other services and charges		<u>67,393</u>	
Total Fire Department	<u>\$ 1,187,300</u>	<u>\$ 1,176,949</u>	<u>\$ 10,351</u>

**CITY OF ST. JOSEPH  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Public Safety - Continued</b>			
Public Safety Department			
Salaries and wages		\$ 1,290,857	
Benefits and insurance		692,476	
Supplies		37,990	
Other services and charges		<u>141,167</u>	
Total Public Safety Department	<u>2,269,800</u>	<u>\$ 2,162,490</u>	<u>107,310</u>
Total Public Safety	<u>\$ 3,457,100</u>	<u>\$ 3,339,439</u>	<u>\$ 117,661</u>
<b>Public Works</b>			
Engineer			
Salaries and wages		\$ 89,980	
Benefits and insurance		35,929	
Supplies		566	
Other services and charges		<u>31,700</u>	
Total Engineer	\$ 189,500	<u>\$ 158,175</u>	\$ 31,325
Public Works - Other			
Salaries and wages		\$ 338,069	
Benefits and insurance		241,698	
Supplies		11,749	
Other services and charges		<u>65,674</u>	
Total Public Works - Other	717,400	<u>\$ 657,190</u>	60,210
Public Works - Street Lighting			
Other services and charges	<u>120,000</u>	<u>\$ 83,087</u>	<u>36,913</u>
Total Public Works	<u>\$ 1,026,900</u>	<u>\$ 898,452</u>	<u>\$ 128,448</u>
<b>Health and Welfare</b>			
Ambulance			
Other services and charges		<u>\$ 48,099</u>	
Total Health and Welfare	<u>\$ 50,000</u>	<u>\$ 48,099</u>	<u>\$ 1,901</u>

**CITY OF ST. JOSEPH  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Community and Economic Development</b>			
Planning			
Salaries and wages		\$ 103,355	
Benefits and insurance		40,067	
Supplies		370	
Other services and charges		<u>15,875</u>	
Total Planning	<u>\$ 185,400</u>	<u>\$ 159,667</u>	<u>\$ 25,733</u>
Economic Development			
Other services and charges		<u>\$ 65,000</u>	
Total Economic Development	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$ -</u>
Other Development Activities			
Communications and Marketing			
Salaries and wages		\$ 61,679	
Benefits and insurance		18,278	
Supplies		6,023	
Other services and charges		<u>45,548</u>	
Total Communications and Marketing	<u>\$ 138,700</u>	<u>\$ 131,528</u>	<u>\$ 7,172</u>
Community Activities			
Other services and charges		<u>\$ 36,492</u>	
Total Community Activities	<u>38,000</u>	<u>\$ 36,492</u>	<u>1,508</u>
Total Other Development Activities	<u>\$ 176,700</u>	<u>\$ 168,020</u>	<u>\$ 8,680</u>
Total Community and Economic Development	<u>\$ 427,100</u>	<u>\$ 392,687</u>	<u>\$ 34,413</u>
<b>Recreation and Culture</b>			
Parks and Recreation			
Parks			
Salaries and wages		\$ 292,241	
Benefits and insurance		99,207	
Supplies		61,143	
Other services and charges		<u>148,156</u>	
Total Parks	<u>\$ 652,600</u>	<u>\$ 600,747</u>	<u>\$ 51,853</u>

**CITY OF ST. JOSEPH  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Recreation and Culture - Continued</b>			
City Recreation Program			
Salaries and wages		\$ 22,417	
Benefits and insurance		2,467	
Supplies		1,190	
Other services and charges		<u>10,008</u>	
Total City Recreation Program	<u>33,700</u>	<u>\$ 36,082</u>	<u>(2,382)</u>
Total Recreation and Culture	<u>\$ 686,300</u>	<u>\$ 636,829</u>	<u>\$ 49,471</u>
<b>Other</b>			
Benefits and insurance		\$ 124,764	
Supplies		3,700	
Other services and charges		<u>100,524</u>	
Total Other	<u>\$ 239,000</u>	<u>\$ 228,988</u>	<u>\$ 10,012</u>
<b>Debt Service</b>			
Principal retirement	\$ 78,900	\$ 81,606	
Interest expense	<u>49,700</u>	<u>46,442</u>	
Total Debt Service	<u>\$ 128,600</u>	<u>\$ 128,048</u>	<u>\$ 552</u>
TOTAL EXPENDITURES	<u>\$ 7,114,200</u>	<u>\$ 6,657,957</u>	<u>\$ 456,243</u>

**CITY OF ST. JOSEPH**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Combining Balance Sheet**  
**June 30, 2014**

	<u>Special Revenue</u>	<u>Debt Service</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,449,923	\$ 611,714
Investments	-	-
Due from other funds	100,042	-
Receivables	<u>18,022</u>	<u>-</u>
Total Current Assets	<u>\$ 2,567,987</u>	<u>\$ 611,714</u>
TOTAL ASSETS	<u>\$ 2,567,987</u>	<u>\$ 611,714</u>
<b>Liabilities and Fund Balances</b>		
Current Liabilities:		
Accounts payable	\$ 991	\$ -
Accrued liabilities	80,909	-
Due to other funds	<u>9,261</u>	<u>-</u>
Total Current Liabilities	<u>\$ 91,161</u>	<u>\$ -</u>
Total Liabilities	<u>\$ 91,161</u>	<u>\$ -</u>
Fund Balances (Deficits):		
Nonspendable:		
Endowment	\$ -	\$ -
Restricted for:		
Perpetual care	-	-
Library	-	-
Special revenue	2,131,742	-
Debt service	-	611,714
Assigned for:		
Special revenue	345,084	-
Capital projects	-	-
Unassigned, reported in:		
Capital projects	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 2,476,826</u>	<u>\$ 611,714</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,567,987</u>	<u>\$ 611,714</u>

<u>Permanent Funds</u>	<u>Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 483,797	\$ 82,929	\$ 3,628,363
402,000	-	402,000
-	-	100,042
<u>2</u>	<u>94,100</u>	<u>112,124</u>
<u>\$ 885,799</u>	<u>\$ 177,029</u>	<u>\$ 4,242,529</u>
<u>\$ 885,799</u>	<u>\$ 177,029</u>	<u>\$ 4,242,529</u>
\$ -	\$ 11,327	\$ 12,318
-	-	80,909
<u>-</u>	<u>100,000</u>	<u>109,261</u>
<u>\$ -</u>	<u>\$ 111,327</u>	<u>\$ 202,488</u>
<u>\$ -</u>	<u>\$ 111,327</u>	<u>\$ 202,488</u>
\$ 494,779	\$ -	\$ 494,779
167,849	-	167,849
223,171	-	223,171
-	-	2,131,742
-	-	611,714
-	-	345,084
-	8,758	8,758
<u>-</u>	<u>56,944</u>	<u>56,944</u>
<u>\$ 885,799</u>	<u>\$ 65,702</u>	<u>\$ 4,040,041</u>
<u>\$ 885,799</u>	<u>\$ 177,029</u>	<u>\$ 4,242,529</u>

**CITY OF ST. JOSEPH**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**For the Year Ended June 30, 2014**

	<u>Special Revenue</u>	<u>Debt Service</u>
<b>Revenues:</b>		
Taxes	\$ 1,597,723	\$ 631,612
Federal revenues	23,507	-
State revenues	22,198	-
Contributions from local units	175,000	-
Charges for services	275,440	-
Licenses and permits	189,210	-
Fines and forfeitures	180,229	-
Interest and rents	24,653	709
Other	<u>65,691</u>	<u>-</u>
Total Revenues	<u>\$ 2,553,651</u>	<u>\$ 632,321</u>
<b>Expenditures:</b>		
Current:		
General government	\$ 122,079	\$ -
Public safety	218,119	-
Public works	871,541	-
Recreation and culture	731,831	-
Debt service:		
Principal	-	355,000
Interest	-	184,188
Capital outlay	<u>302,408</u>	<u>-</u>
Total Expenditures	<u>\$ 2,245,978</u>	<u>\$ 539,188</u>
Revenues Over (Under) Expenditures	<u>\$ 307,673</u>	<u>\$ 93,133</u>
<b>Other Financing Sources (Uses):</b>		
Sale of fixed assets	\$ 1,503	\$ -
Operating transfers in	463,100	-
Operating transfers out	<u>(25,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ 439,603</u>	<u>\$ -</u>
Net Change in Fund Balances	\$ 747,276	\$ 93,133
Fund Balances - Beginning of Year	<u>1,729,550</u>	<u>518,581</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,476,826</u>	<u>\$ 611,714</u>

<u>Permanent Funds</u>	<u>Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 2,229,335
-	-	23,507
-	-	22,198
-	-	175,000
-	-	275,440
-	-	189,210
-	-	180,229
7,455	-	32,817
<u>1,705</u>	<u>121,875</u>	<u>189,271</u>
<u>\$ 9,160</u>	<u>\$ 121,875</u>	<u>\$ 3,317,007</u>
\$ -	\$ -	\$ 122,079
-	-	218,119
-	-	871,541
-	96,873	828,704
-	-	355,000
-	-	184,188
-	<u>23,168</u>	<u>325,576</u>
<u>\$ -</u>	<u>\$ 120,041</u>	<u>\$ 2,905,207</u>
<u>\$ 9,160</u>	<u>\$ 1,834</u>	<u>\$ 411,800</u>
\$ -	\$ -	\$ 1,503
-	55,235	518,335
<u>(5,800)</u>	<u>-</u>	<u>(30,800)</u>
<u>\$ (5,800)</u>	<u>\$ 55,235</u>	<u>\$ 489,038</u>
\$ 3,360	\$ 57,069	\$ 900,838
<u>882,439</u>	<u>8,633</u>	<u>3,139,203</u>
<u>\$ 885,799</u>	<u>\$ 65,702</u>	<u>\$ 4,040,041</u>

**CITY OF ST. JOSEPH**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Combining Balance Sheet**  
**June 30, 2014**

	<u>Street</u> <u>Improvement</u>	<u>Cemetery</u>	<u>Depot</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,351,773	\$ 121,492	\$ 121,592
Due from other funds	100,042	-	-
Receivables	<u>-</u>	<u>418</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 1,451,815</u>	 <u>\$ 121,910</u>	 <u>\$ 121,592</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	2,386	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
 Total Liabilities	 <u>\$ -</u>	 <u>\$ 2,386</u>	 <u>\$ -</u>
Fund Balances:			
Restricted	\$ 1,451,815	\$ 119,524	\$ -
Assigned	<u>-</u>	<u>-</u>	<u>121,592</u>
 Total Fund Balances	 <u>\$ 1,451,815</u>	 <u>\$ 119,524</u>	 <u>\$ 121,592</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 1,451,815</u>	 <u>\$ 121,910</u>	 <u>\$ 121,592</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>
\$ 208,744	\$ 33,530	\$ 227,850	\$ 14,165	\$ 2,047
-	-	-	-	-
-	-	3,021	-	-
<u>\$ 208,744</u>	<u>\$ 33,530</u>	<u>\$ 230,871</u>	<u>\$ 14,165</u>	<u>\$ 2,047</u>
\$ -	\$ -	\$ -	\$ -	\$ -
1,976	-	62,184	-	-
<u>9,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 11,237</u>	<u>\$ -</u>	<u>\$ 62,184</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 197,507	\$ -	\$ -	\$ -	\$ -
-	33,530	168,687	14,165	2,047
<u>\$ 197,507</u>	<u>\$ 33,530</u>	<u>\$ 168,687</u>	<u>\$ 14,165</u>	<u>\$ 2,047</u>
<u>\$ 208,744</u>	<u>\$ 33,530</u>	<u>\$ 230,871</u>	<u>\$ 14,165</u>	<u>\$ 2,047</u>

**CITY OF ST. JOSEPH**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Combining Balance Sheet - Continued**  
**June 30, 2014**

	<u>Band</u>	<u>Public Library</u>	<u>Justice Training</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 141,196	\$ 222,471	\$ 5,063	\$ 2,449,923
Due from other funds	-	-	-	100,042
Receivables	<u>-</u>	<u>14,583</u>	<u>-</u>	<u>18,022</u>
 TOTAL ASSETS	 <u>\$ 141,196</u>	 <u>\$ 237,054</u>	 <u>\$ 5,063</u>	 <u>\$ 2,567,987</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ 991	\$ -	\$ 991
Accrued liabilities	-	14,363	-	80,909
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,261</u>
 Total Liabilities	 <u>\$ -</u>	 <u>\$ 15,354</u>	 <u>\$ -</u>	 <u>\$ 91,161</u>
Fund Balances:				
Restricted	\$ 141,196	\$ 221,700	\$ -	\$ 2,131,742
Assigned	<u>-</u>	<u>-</u>	<u>5,063</u>	<u>345,084</u>
 Total Fund Balances	 <u>\$ 141,196</u>	 <u>\$ 221,700</u>	 <u>\$ 5,063</u>	 <u>\$ 2,476,826</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 141,196</u>	 <u>\$ 237,054</u>	 <u>\$ 5,063</u>	 <u>\$ 2,567,987</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, 2014**

	<u>Street</u> <u>Improvement</u>	<u>Cemetery</u>	<u>Depot</u>
<b>Revenues:</b>			
Taxes	\$ 430,661	\$ -	\$ -
Federal revenue	23,507	-	-
State revenue	6,308	-	-
Contributions from local units	-	-	-
Charges for services	-	221,926	-
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Interest and rents	441	18	22,881
Other	-	200	1,298
	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	<u>\$ 460,917</u>	<u>\$ 222,144</u>	<u>\$ 24,179</u>
<b>Expenditures:</b>			
Personal services:			
Salaries and wages	\$ 3,240	\$ 52,576	\$ -
Benefits and insurance	248	28,753	-
Supplies	-	11,640	-
Other services and charges	137,678	17,859	11,251
Capital outlay	242,706	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	<u>\$ 383,872</u>	<u>\$ 110,828</u>	<u>\$ 11,251</u>
Revenues Over (Under) Expenditures	<u>\$ 77,045</u>	<u>\$ 111,316</u>	<u>\$ 12,928</u>
<b>Other Financing Sources (Uses):</b>			
Sale of fixed assets	\$ -	\$ -	\$ -
Operating transfers in	390,000	-	-
Operating transfers out	(25,000)	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Other Financing Sources (Uses)	<u>\$ 365,000</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 442,045</u>	<u>\$ 111,316</u>	<u>\$ 12,928</u>
Fund Balances - Beginning of Year	<u>1,009,770</u>	<u>8,208</u>	<u>108,664</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 1,451,815</u></u>	<u><u>\$ 119,524</u></u>	<u><u>\$ 121,592</u></u>

<u>Garbage and Rubbish Collection</u>	<u>Brownfield Authority</u>	<u>Building Inspection</u>	<u>Drug Forfeiture</u>	<u>Criminal Forfeiture</u>
\$ 766,576	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
1,935	-	36,822	-	-
-	-	189,210	-	-
-	-	-	1,447	-
242	45	280	29	9
-	-	5,515	875	-
<u>\$ 768,753</u>	<u>\$ 45</u>	<u>\$ 231,827</u>	<u>\$ 2,351</u>	<u>\$ 9</u>
\$ 105,121	\$ -	\$ 121,101	\$ -	\$ -
24,261	-	53,797	-	-
1,935	-	5,402	4,138	-
599,058	-	27,227	462	1,155
-	-	-	-	-
<u>\$ 730,375</u>	<u>\$ -</u>	<u>\$ 207,527</u>	<u>\$ 4,600</u>	<u>\$ 1,155</u>
<u>\$ 38,378</u>	<u>\$ 45</u>	<u>\$ 24,300</u>	<u>\$ (2,249)</u>	<u>\$ (1,146)</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 38,378	\$ 45	\$ 24,300	\$ (2,249)	\$ (1,146)
<u>159,129</u>	<u>33,485</u>	<u>144,387</u>	<u>16,414</u>	<u>3,193</u>
<u>\$ 197,507</u>	<u>\$ 33,530</u>	<u>\$ 168,687</u>	<u>\$ 14,165</u>	<u>\$ 2,047</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, 2014**

	<u>Band</u>	<u>Public Library</u>	<u>Justice Training</u>	<u>Total</u>
<b>Revenues:</b>				
Taxes	\$ 107,650	\$ 292,836	\$ -	\$ 1,597,723
Federal revenue	-	-	-	23,507
State revenue	-	12,826	3,064	22,198
Contributions from local units	-	175,000	-	175,000
Charges for services	7,885	6,872	-	275,440
Licenses and permits	-	-	-	189,210
Fines and forfeitures	-	178,782	-	180,229
Interest and rents	130	565	13	24,653
Other	1,081	56,722	-	65,691
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	\$ 116,746	\$ 723,603	\$ 3,077	\$ 2,553,651
<b>Expenditures:</b>				
Personal services:				
Salaries and wages	\$ 9,642	\$ 383,745	\$ -	\$ 675,425
Benefits and insurance	1,023	91,406	-	199,488
Supplies	1,044	32,842	-	57,001
Other services and charges	74,081	138,048	4,837	1,011,656
Capital outlay	9,672	50,030	-	302,408
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	\$ 95,462	\$ 696,071	\$ 4,837	\$ 2,245,978
Revenues Over (Under) Expenditures	\$ 21,284	\$ 27,532	\$ (1,760)	\$ 307,673
<b>Other Financing Sources (Uses):</b>				
Sale of fixed assets	\$ -	\$ 1,503	\$ -	\$ 1,503
Operating transfers in	-	73,100	-	463,100
Operating transfers out	-	-	-	(25,000)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Other Financing Sources (Uses)	\$ -	\$ 74,603	\$ -	\$ 439,603
Net Change in Fund Balances	\$ 21,284	\$ 102,135	\$ (1,760)	\$ 747,276
Fund Balances - Beginning of Year	119,912	119,565	6,823	1,729,550
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
FUND BALANCES - END OF YEAR	\$ 141,196	\$ 221,700	\$ 5,063	\$ 2,476,826

**CITY OF ST. JOSEPH**  
**NONMAJOR PERMANENT FUNDS**  
**Combining Balance Sheet**  
**June 30, 2014**

	<b>Cemetery Perpetual Care</b>	<b>Library Endowment</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 167,849	\$ 315,948	\$ 483,797
Certificates of deposit	-	402,000	402,000
Receivables	<u>-</u>	<u>2</u>	<u>2</u>
 TOTAL ASSETS	 <u>\$ 167,849</u>	 <u>\$ 717,950</u>	 <u>\$ 885,799</u>
<b>Fund Balances</b>			
Nonspendable for:			
Endowment	\$ -	\$ 494,779	\$ 494,779
Restricted for:			
Perpetual care	167,849	-	167,849
Library	<u>-</u>	<u>223,171</u>	<u>223,171</u>
 TOTAL FUND BALANCES	 <u>\$ 167,849</u>	 <u>\$ 717,950</u>	 <u>\$ 885,799</u>

**CITY OF ST. JOSEPH**  
**NONMAJOR PERMANENT FUNDS**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**For the Year Ended June 30, 2014**

	<b>Cemetery Perpetual <u>Care</u></b>	<b>Library Endowment</b>	<b><u>Total</u></b>
<b>Revenues:</b>			
Interest and rents	\$ 276	\$ 7,179	\$ 7,455
Other revenue	<u>-</u>	<u>1,705</u>	<u>1,705</u>
Total Revenues	\$ 276	\$ 8,884	\$ 9,160
<b>Other Financing Uses:</b>			
Operating transfers out	<u>-</u>	<u>(5,800)</u>	<u>(5,800)</u>
Net Changes in Fund Balances	\$ 276	\$ 3,084	\$ 3,360
Fund Balances - Beginning of Year	<u>167,573</u>	<u>714,866</u>	<u>882,439</u>
FUND BALANCES - END OF YEAR	<u>\$ 167,849</u>	<u>\$ 717,950</u>	<u>\$ 885,799</u>

**CITY OF ST. JOSEPH  
NONMAJOR CAPITAL PROJECT FUNDS  
Combining Balance Sheet  
June 30, 2014**

	<u>Library Capital Improvements</u>	<u>Lighthouse Improvement</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 8,758	\$ 74,171	\$ 82,929
Receivables	-	94,100	94,100
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 8,758</u>	<u>\$ 168,271</u>	<u>\$ 177,029</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	\$ 11,327	\$ 11,327
Due to other funds	-	100,000	100,000
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>\$ -</u>	<u>\$ 111,327</u>	<u>\$ 111,327</u>
Fund Balances:			
Assigned for:			
Capital projects	\$ 8,758	\$ -	\$ 8,758
Unassigned	-	56,944	56,944
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>\$ 8,758</u>	<u>\$ 56,944</u>	<u>\$ 65,702</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,758</u>	<u>\$ 168,271</u>	<u>\$ 177,029</u>

**CITY OF ST. JOSEPH  
NONMAJOR CAPITAL PROJECT FUNDS  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
For the Year Ended June 30, 2014**

	<u>Library Capital Improvements</u>	<u>Lighthouse Improvement</u>	<u>Total</u>
<b>Revenues:</b>			
Other revenue	\$ 125	\$ 121,750	\$ 121,875
Total Revenues	<u>\$ 125</u>	<u>\$ 121,750</u>	<u>\$ 121,875</u>
<b>Expenditures:</b>			
Recreation and culture	\$ -	\$ 96,873	\$ 96,873
Capital outlay	<u>23,168</u>	<u>-</u>	<u>23,168</u>
Total Expenditures	<u>\$ 23,168</u>	<u>\$ 96,873</u>	<u>\$ 120,041</u>
Revenues Under Expenditures	<u>\$ (23,043)</u>	<u>\$ 24,877</u>	<u>\$ 1,834</u>
<b>Other Financing Sources:</b>			
Operating transfers in	<u>\$ 23,168</u>	<u>\$ 32,067</u>	<u>\$ 55,235</u>
Total Other Financing Sources	<u>\$ 23,168</u>	<u>\$ 32,067</u>	<u>\$ 55,235</u>
Net Change in Fund Balances	\$ 125	\$ 56,944	\$ 57,069
Fund Balances - Beginning of Year	<u>8,633</u>	<u>-</u>	<u>8,633</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 8,758</u></u>	<u><u>\$ 56,944</u></u>	<u><u>\$ 65,702</u></u>

**CITY OF ST. JOSEPH**  
**INTERNAL SERVICE FUNDS**  
**Combining Statement of Net Position**  
**June 30, 2014**

	<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	\$ 228,001	\$ 394,107	\$ 253,127	\$ 875,235
Due from other funds	-	53,132	-	53,132
Receivables	944	2,718	-	3,662
Prepaid expenses	-	-	41,139	41,139
Inventory	-	46,632	-	46,632
	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Assets	\$ 228,945	\$ 496,589	\$ 294,266	\$ 1,019,800
Noncurrent assets:				
Furniture and equipment	\$ -	\$ 3,633,559	\$ -	\$ 3,633,559
Accumulated depreciation	-	(2,439,097)	-	(2,439,097)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Noncurrent Assets	\$ -	\$ 1,194,462	\$ -	\$ 1,194,462
TOTAL ASSETS	<u>\$ 228,945</u>	<u>\$ 1,691,051</u>	<u>\$ 294,266</u>	<u>\$ 2,214,262</u>
<b>Liabilities</b>				
Current Liabilities:				
Accrued liabilities	\$ -	\$ 18,163	\$ -	\$ 18,163
Due to other funds	-	6,500	-	6,500
Compensated absences	-	883	-	883
Net OPEB obligation - NOTE 7	-	10,634	-	10,634
	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Liabilities	\$ -	\$ 36,180	\$ -	\$ 36,180
Noncurrent Liabilities				
Compensated absences	\$ -	\$ 294	\$ -	\$ 294
	<hr/>	<hr/>	<hr/>	<hr/>
Total Noncurrent Liabilities	\$ -	\$ 294	\$ -	\$ 294
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 36,474</u>	<u>\$ -</u>	<u>\$ 36,474</u>
<b>Net Position</b>				
Net investment in capital assets	\$ -	\$ 1,194,462	\$ -	\$ 1,194,462
Restricted for employee benefits	228,945	-	294,266	523,211
Unrestricted	-	460,115	-	460,115
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL NET POSITION	<u>\$ 228,945</u>	<u>\$ 1,654,577</u>	<u>\$ 294,266</u>	<u>\$ 2,177,788</u>

**CITY OF ST. JOSEPH  
INTERNAL SERVICE FUNDS  
Combining Statement of Revenues, Expenses, and  
Changes in Net Position  
For the Year Ended June 30, 2014**

	<u>Self Insurance</u>	<u>Motor Pool</u>	<u>Employee Health Care</u>	<u>Total</u>
<b>Operating Revenues:</b>				
Charges for services	\$ -	\$ 620,962	\$ -	\$ 620,962
Other	<u>212,069</u>	<u>67,527</u>	<u>1,556,487</u>	<u>1,836,083</u>
 Total Operating Revenues	 <u>\$ 212,069</u>	 <u>\$ 688,489</u>	 <u>\$ 1,556,487</u>	 <u>\$ 2,457,045</u>
<b>Operating Expenses:</b>				
Personal services:				
Salaries and wages	\$ 44,871	\$ 94,415	\$ -	\$ 139,286
Employment related costs	3,572	28,504	1,590,301	1,622,377
Depreciation	-	235,874	-	235,874
Supplies	-	356,294	-	356,294
Other services and charges	148,021	189,173	2,682	339,876
Capital outlay	<u>-</u>	<u>450</u>	<u>-</u>	<u>450</u>
 Total Operating Expenses	 <u>\$ 196,464</u>	 <u>\$ 904,710</u>	 <u>\$ 1,592,983</u>	 <u>\$ 2,694,157</u>
 Operating Income (Loss)	 <u>\$ 15,605</u>	 <u>\$ (216,221)</u>	 <u>\$ (36,496)</u>	 <u>\$ (237,112)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Interest income	178	482	361	1,021
Gain on disposition of assets	<u>-</u>	<u>28,087</u>	<u>-</u>	<u>28,087</u>
 Changes in Net Position	 <u>\$ 15,783</u>	 <u>\$ (187,652)</u>	 <u>\$ (36,135)</u>	 <u>\$ (208,004)</u>
 Total Net Position - Beginning of Year	 <u>213,162</u>	 <u>1,842,229</u>	 <u>330,401</u>	 <u>2,385,792</u>
 TOTAL NET POSITION - END OF YEAR	 <u><u>\$ 228,945</u></u>	 <u><u>\$ 1,654,577</u></u>	 <u><u>\$ 294,266</u></u>	 <u><u>\$ 2,177,788</u></u>

**CITY OF ST. JOSEPH**  
**INTERNAL SERVICE FUNDS**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2014**

	<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	\$ 241,168	\$ 622,537	\$ 1,556,506	\$ 2,420,211
Cash receipts from customers	-	67,233	-	67,233
Payments to employees	(48,443)	(109,885)	-	(158,328)
Payments to interfund services provided	-	(350,782)	-	(350,782)
Payments to suppliers	<u>(147,968)</u>	<u>(179,764)</u>	<u>(1,598,855)</u>	<u>(1,926,587)</u>
Net cash provided (used) by operating activities	<u>\$ 44,757</u>	<u>\$ 49,339</u>	<u>\$ (42,349)</u>	<u>\$ 51,747</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Purchase of capital assets	\$ -	\$ (329,982)	\$ -	\$ (329,982)
Proceeds from sale of capital assets	<u>-</u>	<u>46,465</u>	<u>-</u>	<u>46,465</u>
Net cash used by capital and related financing activities	<u>\$ -</u>	<u>\$ (283,517)</u>	<u>\$ -</u>	<u>\$ (283,517)</u>
<b>Cash Flows From Investing Activities:</b>				
Interest and dividends received	<u>\$ 178</u>	<u>\$ 482</u>	<u>\$ 361</u>	<u>\$ 1,021</u>
Net cash provided by investing activities	<u>\$ 178</u>	<u>\$ 482</u>	<u>\$ 361</u>	<u>\$ 1,021</u>
Net increase (decrease) in cash and cash equivalents	\$ 44,935	\$ (233,696)	\$ (41,988)	\$ (230,749)
Balances - Beginning of Year	<u>183,066</u>	<u>627,803</u>	<u>295,115</u>	<u>1,105,984</u>
BALANCES - END OF YEAR	<u>\$ 228,001</u>	<u>\$ 394,107</u>	<u>\$ 253,127</u>	<u>\$ 875,235</u>

**CITY OF ST. JOSEPH  
INTERNAL SERVICE FUNDS  
Combining Statement of Cash Flows - Continued  
For the Year Ended June 30. 2014**

	<u>Self Insurance</u>	<u>Motor Pool</u>	<u>Employee Health Care</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 15,605	\$ (216,221)	\$ (36,496)	\$ (237,112)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	\$ -	\$ 235,874	\$ -	\$ 235,874
(Increase) decrease in:				
Accounts receivable	(390)	(294)	19	(665)
Due from other funds	29,489	1,575	-	31,064
Due from other governments	53	-	-	53
Prepaid insurance	-	-	(5,872)	(5,872)
Inventory	-	9,859	-	9,859
Increase (decrease) in:				
Accrued liabilities	-	16,694	-	16,694
Net OPEB obligation - NOTE 7	-	(3,660)	-	(3,660)
Due to other funds	-	5,512	-	5,512
Total Adjustments	<u>\$ 29,152</u>	<u>\$ 265,560</u>	<u>\$ (5,853)</u>	<u>\$ 288,859</u>
Net cash provided by operating activities	<u>\$ 44,757</u>	<u>\$ 49,339</u>	<u>\$ (42,349)</u>	<u>\$ 51,747</u>

**CITY OF ST. JOSEPH**  
**PENSION AND OTHER EMPLOYEE BENEFITS FUNDS**  
**Combining Statement of Net Position**  
**June 30, 2014**

	<b>Employees' Retirement Fund</b>	<b>Flex Spending Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,175,504	\$ 606	\$ 1,176,110
Receivables:			
Interest receivable	\$ 164,693	\$ -	\$ 164,693
Contributions receivable	<u>13,695</u>	<u>-</u>	<u>13,695</u>
Total Receivables	<u>\$ 178,388</u>	<u>\$ -</u>	<u>\$ 178,388</u>
Investments, at fair value:			
Stocks	\$ 38,245,618	\$ -	\$ 38,245,618
Bonds	20,261,424	-	20,261,424
Governmental obligations	2,065,699	-	2,065,699
Other	<u>1,475,152</u>	<u>-</u>	<u>1,475,152</u>
Total Investments	<u>\$ 62,047,893</u>	<u>\$ -</u>	<u>\$ 62,047,893</u>
Total Assets	<u>\$ 63,401,785</u>	<u>\$ 606</u>	<u>\$ 63,402,391</u>
<b>Liabilities</b>			
Due to employees	\$ -	\$ 600	\$ 600
Due to other funds	<u>-</u>	<u>6</u>	<u>6</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 606</u>	<u>\$ 606</u>
<b>Net Position</b>			
Held in trust for pension benefits and other purposes	<u>\$ 63,401,785</u>	<u>\$ -</u>	<u>\$ 63,401,785</u>

**CITY OF ST. JOSEPH**  
**PENSION AND OTHER EMPLOYEE BENEFITS FUNDS**  
**Combining Statement of Changes in Net Position**  
**June 30, 2014**

	<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	\$ 347,439	\$ -	\$ 347,439
Employer	<u>1,117,203</u>	<u>-</u>	<u>1,117,203</u>
Total Contributions	<u>\$ 1,464,642</u>	<u>\$ -</u>	<u>\$ 1,464,642</u>
Investment Earnings:			
Interest and dividends	\$ 1,618,666	\$ -	\$ 1,618,666
Net increase, FMV investments	7,255,572	-	7,255,572
Miscellaneous	<u>142,156</u>	<u>-</u>	<u>142,156</u>
Total Investment Earnings	\$ 9,016,394	\$ -	\$ 9,016,394
Less: investment expenses	<u>(337,806)</u>	<u>-</u>	<u>(337,806)</u>
Net Investment Earnings	<u>\$ 8,678,588</u>	<u>\$ -</u>	<u>\$ 8,678,588</u>
Total Additions	<u>\$ 10,143,230</u>	<u>\$ -</u>	<u>\$ 10,143,230</u>
<b>Deductions:</b>			
Benefits	\$ 3,034,289	\$ -	\$ 3,034,289
Refund of contributions	76,804	-	76,804
Administrative expense	<u>109,294</u>	<u>-</u>	<u>109,294</u>
Total Deductions	<u>\$ 3,220,387</u>	<u>\$ -</u>	<u>\$ 3,220,387</u>
Change in Net Position	\$ 6,922,843	\$ -	\$ 6,922,843
Net Position - Beginning of Year	<u>56,478,942</u>	<u>-</u>	<u>56,478,942</u>
NET POSITION - END OF YEAR	<u>\$ 63,401,785</u>	<u>\$ -</u>	<u>\$ 63,401,785</u>

**CITY OF ST. JOSEPH  
 AGENCY FUNDS  
 Combining Statement of Net Position  
 June 30, 2014**

	<b><u>Treasurer's Tax Fund</u></b>	<b><u>Imprest Payroll Fund</u></b>	<b><u>Trust and Agency Fund</u></b>	<b><u>Total</u></b>
<b>Assets</b>				
Cash and cash equivalents	\$ 850	\$ 74	\$ 5,227	\$ 6,151
TOTAL ASSETS	<u>\$ 850</u>	<u>\$ 74</u>	<u>\$ 5,227</u>	<u>\$ 6,151</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 5,227	\$ 5,227
Due to other funds	<u>850</u>	<u>74</u>	<u>-</u>	<u>924</u>
TOTAL LIABILITIES	<u>\$ 850</u>	<u>\$ 74</u>	<u>\$ 5,227</u>	<u>\$ 6,151</u>

**CITY OF ST. JOSEPH**  
**Schedule of 2003 State Revolving Fund Bonds**  
**Project #5190-01**  
**June 30, 2014**

<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>		
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>\$ 1,059,360</u>	<u>\$ 64,365</u>	<u>\$ 52,585</u>	<u>\$ 942,410</u>	

**CITY OF ST. JOSEPH**  
**Schedule of 2004 State Revolving Fund Bonds**  
**Project #5190-02**  
**June 30, 2014**

<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>		
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>\$ 1,473,409</u>	<u>\$ 85,750</u>	<u>\$ 85,757</u>	<u>\$ 1,301,902</u>	

**CITY OF ST. JOSEPH**  
**Schedule of Capital Improvement Note**  
**Berrien County Revolving Loan Fund**  
**June 30, 2014**

<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>
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>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	

**CITY OF ST. JOSEPH**  
**Schedule of Bluffside Installment Loan**  
**Fifth Third Bank**  
**June 30, 2014**

<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>	
2015	4.350%	\$ 128,048	\$ 21,501	\$ 20,576	\$ 42,523	\$ 43,448	\$ 902,589
2016	4.350%	128,048	19,631	18,666	44,393	45,358	812,838
2017	4.350%	128,048	17,679	16,671	46,345	47,353	719,140
2018	4.350%	128,048	15,641	14,589	48,383	49,435	621,322
2019	4.350%	128,048	13,514	12,415	50,510	51,609	519,203
2020	4.350%	128,048	11,293	10,146	52,731	53,878	412,594
2021	4.350%	128,048	8,974	7,777	55,050	56,247	301,297
2022	4.350%	128,048	6,553	5,303	57,471	58,721	185,105
2023	4.350%	128,048	4,026	2,721	59,998	61,303	63,804
2024	4.350%	65,192	1,388	-	63,804	-	-
		<u>\$ 1,217,624</u>	<u>\$ 120,200</u>	<u>\$ 108,864</u>	<u>\$ 521,208</u>	<u>\$ 467,352</u>	

**CITY OF ST. JOSEPH**  
**Schedule of 2011 Refunding Bonds**  
**June 30, 2014**

<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>		
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>\$ 4,276,218</u>	<u>\$ 503,109</u>	<u>\$ 503,109</u>	<u>\$ 3,270,000</u>	

**CITY OF ST. JOSEPH**  
**Schedule of 2010 Marina Improvement Loan**  
**June 30, 2014**

<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>	
2015	3.74%	\$ 32,936	\$ 624	\$ -	\$ 32,312	\$ -	\$ -
		<u>\$ 32,936</u>	<u>\$ 624</u>	<u>\$ -</u>	<u>\$ 32,312</u>	<u>\$ -</u>	

**CITY OF ST. JOSEPH**  
**Schedule of 2010 Marina Property Note**  
**June 30, 2014**

<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>
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>\$ 97,222</u>	<u>\$ -</u>	<u>\$ 97,222</u>	

**CITY OF ST. JOSEPH**  
**Schedule of 2008 Capital Improvement Bonds**  
**Project #7236-01**  
**June 30, 2014**

<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>		
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>\$ 3,211,446</u>	<u>\$ 295,475</u>	<u>\$ 295,475</u>	<u>\$ 2,620,496</u>	

**CITY OF ST. JOSEPH**  
**Schedule of 2009 Capital Improvement Bonds**  
**Project #5322-01**  
**June 30, 2014**

<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>		
2015	2.500%	\$ 14,775	\$ 2,387	\$ 2,388	\$ 10,000	\$ 181,000
2016	2.500%	14,525	2,262	2,263	10,000	171,000
2017	2.500%	14,275	2,137	2,138	10,000	161,000
2018	2.500%	14,025	2,012	2,013	10,000	151,000
2019	2.500%	13,775	1,887	1,888	10,000	141,000
2020	2.500%	13,525	1,762	1,763	10,000	131,000
2021	2.500%	13,275	1,637	1,638	10,000	121,000
2022	2.500%	13,025	1,512	1,513	10,000	111,000
2023	2.500%	12,775	1,387	1,388	10,000	101,000
2024	2.500%	13,525	1,262	1,263	11,000	90,000
2025	2.500%	17,250	1,125	1,125	15,000	75,000
2026	2.500%	16,875	937	938	15,000	60,000
2027	2.500%	16,500	750	750	15,000	45,000
2028	2.500%	16,125	562	563	15,000	30,000
2029	2.500%	15,750	375	375	15,000	15,000
2030	2.500%	15,375	187	188	15,000	-
		<u>\$ 235,375</u>	<u>\$ 22,181</u>	<u>\$ 22,194</u>	<u>\$ 191,000</u>	

**CITY OF ST. JOSEPH**  
**Schedule of 2009 Capital Improvement Bonds**  
**Project #7237-01**  
**June 30, 2014**

<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>		
2015	2.500%	\$ 379,299	\$ 68,681	\$ 65,618	\$ 245,000	\$ 5,249,460
2016	2.500%	378,111	65,618	62,493	250,000	4,999,460
2017	2.500%	381,736	62,493	59,243	260,000	4,739,460
2018	2.500%	380,174	59,243	55,931	265,000	4,474,460
2019	2.500%	378,487	55,931	52,556	270,000	4,204,460
2020	2.500%	381,612	52,556	49,056	280,000	3,924,460
2021	2.500%	379,549	49,056	45,493	285,000	3,639,460
2022	2.500%	377,361	45,493	41,868	290,000	3,349,460
2023	2.500%	379,986	41,868	38,118	300,000	3,049,460
2024	2.500%	377,424	38,118	34,306	305,000	2,744,460
2025	2.500%	379,674	34,306	30,368	315,000	2,429,460
2026	2.500%	376,736	30,368	26,368	320,000	2,109,460
2027	2.500%	378,611	26,368	22,243	330,000	1,779,460
2028	2.500%	375,299	22,243	18,056	335,000	1,444,460
2029	2.500%	381,737	18,056	13,681	350,000	1,094,460
2030	2.500%	377,924	13,681	9,243	355,000	739,460
2031	2.500%	378,924	9,243	4,681	365,000	374,460
2032	2.500%	379,141	4,681	-	374,460	-
		<b>\$ 6,821,785</b>	<b>\$ 698,003</b>	<b>\$ 629,322</b>	<b>\$ 5,494,460</b>	

**CITY OF ST. JOSEPH**  
**Schedule of 2010 Capital Improvement Bonds**  
**Project #7286-01**  
**June 30, 2014**

<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>		
2015	2.500%	\$ 84,186	\$ 14,936	\$ 14,250	\$ 55,000	\$ 1,140,000
2016	2.500%	82,812	14,250	13,562	55,000	1,085,000
2017	2.500%	81,437	13,562	12,875	55,000	1,030,000
2018	2.500%	80,063	12,875	12,188	55,000	975,000
2019	2.500%	83,626	12,188	11,438	60,000	915,000
2020	2.500%	82,126	11,438	10,688	60,000	855,000
2021	2.500%	80,625	10,687	9,938	60,000	795,000
2022	2.500%	84,062	9,937	9,125	65,000	730,000
2023	2.500%	82,438	9,125	8,313	65,000	665,000
2024	2.500%	80,812	8,312	7,500	65,000	600,000
2025	2.500%	84,125	7,500	6,625	70,000	530,000
2026	2.500%	82,375	6,625	5,750	70,000	460,000
2027	2.500%	80,625	5,750	4,875	70,000	390,000
2028	2.500%	83,813	4,875	3,938	75,000	315,000
2029	2.500%	81,937	3,937	3,000	75,000	240,000
2030	2.500%	80,063	3,000	2,063	75,000	165,000
2031	2.500%	83,125	2,062	1,063	80,000	85,000
2032	2.500%	<u>86,062</u>	<u>1,062</u>	<u>-</u>	<u>85,000</u>	<u>-</u>
		<u>\$ 1,484,312</u>	<u>\$ 152,121</u>	<u>\$ 137,191</u>	<u>\$ 1,195,000</u>	

**CITY OF ST. JOSEPH**  
**Schedule of 2012 Capital Improvement Bonds**  
**Project #5518-01**  
**June 30, 2014**

<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>		
2015	2.500%	\$ 14,750	\$ 2,375	\$ 2,375	\$ 10,000	\$ 180,000
2016	2.500%	14,500	2,250	2,250	10,000	170,000
2017	2.500%	14,250	2,125	2,125	10,000	160,000
2018	2.500%	14,000	2,000	2,000	10,000	150,000
2019	2.500%	13,750	1,875	1,875	10,000	140,000
2020	2.500%	13,500	1,750	1,750	10,000	130,000
2021	2.500%	13,250	1,625	1,625	10,000	120,000
2022	2.500%	13,000	1,500	1,500	10,000	110,000
2023	2.500%	12,750	1,375	1,375	10,000	100,000
2024	2.500%	12,500	1,250	1,250	10,000	90,000
2025	2.500%	12,250	1,125	1,125	10,000	80,000
2026	2.500%	12,000	1,000	1,000	10,000	70,000
2027	2.500%	11,750	875	875	10,000	60,000
2028	2.500%	11,500	750	750	10,000	50,000
2029	2.500%	11,250	625	625	10,000	40,000
2030	2.500%	11,000	500	500	10,000	30,000
2031	2.500%	15,750	375	375	15,000	15,000
2032	2.500%	<u>15,375</u>	<u>188</u>	<u>187</u>	<u>15,000</u>	-
		<u>\$ 237,125</u>	<u>\$ 23,563</u>	<u>\$ 23,562</u>	<u>\$ 190,000</u>	

**CITY OF ST. JOSEPH**  
**Schedule of General Obligation Limited Tax Bonds**  
**Series 2012**  
**June 30, 2014**

<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>November 1</u>	<u>May 1</u>		
2015	1.400%	\$ 80,863	\$ 8,354	\$ 7,509	\$ 65,000	\$ 600,000
2016	1.550%	84,475	7,509	6,966	70,000	530,000
2017	1.750%	83,320	6,966	6,354	70,000	460,000
2018	2.050%	81,990	6,354	5,636	70,000	390,000
2019	2.350%	85,391	5,636	4,755	75,000	315,000
2020	2.600%	83,535	4,755	3,780	75,000	240,000
2021	2.900%	86,400	3,780	2,620	80,000	160,000
2022	3.200%	83,960	2,620	1,340	80,000	80,000
2023	3.350%	81,340	1,340	-	80,000	-
		<u>\$ 751,274</u>	<u>\$ 47,314</u>	<u>\$ 38,960</u>	<u>\$ 665,000</u>	

**CITY OF ST. JOSEPH**  
**Schedule of 2013 Capital Improvement Bonds**  
**Project #5518-02**  
**June 30, 2014**

<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>		
2015	2.000%	\$ 14,674	\$ 2,387	\$ 2,287	\$ 10,000	\$ 228,702
2016	2.000%	19,424	2,287	2,137	15,000	213,702
2017	2.000%	19,124	2,137	1,987	15,000	198,702
2018	2.000%	18,824	1,987	1,837	15,000	183,702
2019	2.000%	18,524	1,837	1,687	15,000	168,702
2020	2.000%	18,224	1,687	1,537	15,000	153,702
2021	2.000%	17,924	1,537	1,387	15,000	138,702
2022	2.000%	17,624	1,387	1,237	15,000	123,702
2023	2.000%	17,324	1,237	1,087	15,000	108,702
2024	2.000%	17,024	1,087	937	15,000	93,702
2025	2.000%	16,724	937	787	15,000	78,702
2026	2.000%	16,424	787	637	15,000	63,702
2027	2.000%	16,124	637	487	15,000	48,702
2028	2.000%	15,824	487	337	15,000	33,702
2029	2.000%	15,524	337	187	15,000	18,702
2030	2.000%	15,224	187	37	15,000	3,702
2031	2.000%	<u>3,739</u>	<u>37</u>	<u>-</u>	<u>3,702</u>	<u>-</u>
		<u>\$ 278,273</u>	<u>\$ 20,979</u>	<u>\$ 18,592</u>	<u>\$ 238,702</u>	

September 15, 2014

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Joseph, Michigan, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of St. Joseph, Michigan's basic financial statements and have issued our report thereon dated September 15, 2014.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of St. Joseph, Michigan'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, Michigan, in a separate letter dated September 15, 2014.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Seibel & 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 15, 2014

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

### Report on Compliance for Each Major Federal Program

We have audited the City of St. Joseph, Michigan's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of St. Joseph, Michigan's major federal programs for the year ended June 30, 2014. The City of St. Joseph, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of St. Joseph, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above. 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, Michigan'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of St. Joseph, Michigan's compliance.

### Opinion on Each Major Federal Program

In our opinion, the City of St. Joseph, Michigan, complied, in all material respects, with the types of compliance 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, 2014.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133 - Continued**

**Report on Internal Control Over Compliance**

Management of the City of St. Joseph, Michigan, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of St. Joseph, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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, Michigan's internal control over compliance.

*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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Seibel & Company, P.C.*

**CITY OF ST. JOSEPH**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2014**

<u>Federal Grantor Pass Through Grantor Program Title Grant Number</u>	<u>Federal CFDA Number</u>	<u>Approved Grant Award Amount</u>	<u>Accrued (Deferred) Revenue June 30, 2013</u>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through Michigan Strategic Fund Agency Community Development Block Grant	14.228	\$ 2,100,000	\$ -
<b>DEPARTMENT OF JUSTICE</b>			
Bulletproof vest Partnership - OMB 1121-0235	16.607	\$ 7,700	\$ -
<b>DEPARTMENT OF TRANSPORTATION</b>			
Passed through MDOT Highway Planning and Construction			
Project (015) (114537) - Napier Avenue Construction	20.205	\$ 251,054	\$ -
Project (034) (115066) - Napier/Langley Signal	20.205	234,625	-
Total Department of Transportation		\$ 485,679	\$ -
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
Passed through Michigan Department of Environmental Quality State Clean Water Revolving Fund Project 5518-02 (2013 CSO Project)	66.458	\$ 134,150	\$ -
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<u>\$ 2,727,529</u>	<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, 2014</u>	<u>Adjustments</u>
\$ -	\$ 1,609,403	\$ 1,609,403	\$ -	\$ -
\$ -	\$ 7,138	\$ 7,138	\$ -	\$ -
\$ 247,100	\$ 3,954	\$ 3,954	\$ -	\$ -
<u>208,535</u>	<u>19,553</u>	<u>19,553</u>	<u>-</u>	<u>-</u>
\$ <u>455,635</u>	\$ <u>23,507</u>	\$ <u>23,507</u>	\$ <u>-</u>	\$ <u>-</u>
\$ -	\$ 134,150	\$ -	\$ 134,150	\$ -
\$ <u>455,635</u>	\$ <u>1,774,198</u>	\$ <u>1,640,048</u>	\$ <u>134,150</u>	\$ <u>-</u>

**CITY OF ST. JOSEPH**  
**Notes to Schedule of**  
**Expenditures of Federal Awards**  
**June 30, 2014**

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. Reconciliation of current year expenditures to the Basic Financial Statements:

Revenue from federal sources:	
Governmental Funds	\$ 1,640,048
Federal awards recorded in proprietary funds as notes payable	<u>134,150</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 1,774,198</u>

**CITY OF ST. JOSEPH**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2014**

**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  No

Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None reported

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  None

**Identification of Major Programs**

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
14.228	Community Development Block Grant

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

Auditee qualified as low-risk auditee?  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.