

# **CITY OF ST. LOUIS**

Gratiot County, Michigan

## **FINANCIAL STATEMENTS**

June 30, 2011

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council  
City of St. Louis, Michigan

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. Louis as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Louis's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financing reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Louis, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2011 on our consideration of the City of St. Louis'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 10), schedule of pension plan funding progress (page 47), and budgetary comparison information (pages 48 through 49) 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

To the Honorable Mayor and Members of City Council  
City of St. Louis, Michigan

of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Louis's financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

During the year ended June 30, 2011, the City of St. Louis implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. As discussed in Note 1, as a result of implementing this new statement, fund balance is now classified into five new categories – nonspendable, restricted, committed, assigned and unassigned.

*Berthiaume & Co.*

Saginaw, Michigan  
October 6, 2011

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

# CITY OF ST. LOUIS

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of St. Louis (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

### **Financial Highlights**

The assets of the City exceeded its liabilities at the close of the most recent year by \$40,171,967 (net assets). Of this amount, \$5,726,214 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and others.

During the year, the City's total net assets increased by \$12,173,443. Governmental activities decreased \$861,789, while business-type activities increased \$13,035,232.

At the end of the current year, the City's governmental funds reported combined ending fund balances of \$1,639,459, a decrease of \$155,032 in comparison with prior year. Approximately 44 percent of this total or \$714,848 is restricted for various purposes, \$313,321 is assigned for various purposes and \$611,290 is unassigned.

At the end of the current year, unassigned fund balance for the General Fund was \$611,290, or 39% of the General Fund's annual expenditures. Total fund balance of the General Fund was \$739,817, or 47% of the General Fund's annual expenditures.

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

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplemental information and other supplemental information in addition to the basic financial statements themselves.

### **Government-wide Financial Statements**

The government-wide statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (for example, earned but unused vacation leave).

The government-wide financial statements can be found on pages 12 through 13 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Fund Financial Statements

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

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

Because the focus on 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, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine (9) 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 and the MAGNET Fund, which are considered to be major funds. Data from the other seven (7) governmental funds are combined into a single, aggregated 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 adopts an annual budget for each of its governmental funds. A budgetary comparison statement has been provided for the General Fund and the MAGNET Fund, the City's only major funds, to demonstrate compliance with that budget.

In previous years, the St. Louis Housing Commission, a component unit, was reported as a fund of the City using the "blended presentation method". For the current year, the presentation for the Housing Commission has been corrected/changed to the "discrete presentation method". The Housing Commission detail is reported on pages 24 and 25 and included in the component unit totals on pages 12 and 13.

**Proprietary Funds** – The City maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for the Electric Fund, Water and Sewer Fund and the Solid Waste Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an Internal Service Fund to account for equipment rental charges and related expenses for the motor pool.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Electric Fund, Water and Sewer Fund, and Solid Waste Fund and totals for the Internal Service Funds. Individual fund data for each of the internal service funds is provided elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 18 through 23 of this report.

**Fiduciary Funds** – Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

**Notes 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.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City.

The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplemental information.

### Government-wide Financial Analysis

#### **Statement of Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For all activities of the City, assets exceeded liabilities by \$40,171,967 at the close of the most recent year. Most of this amount (53 percent) reflects the investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; thus, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (33 percent) represents resources that are subject to external restrictions on how they are to be used. The remaining balance of unrestricted net assets (14 percent) may be used to meet the government's ongoing obligations to citizens and others.

# CITY OF ST. LOUIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### City of St. Louis' Net Assets

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Assets:</b>						
Current and other assets	\$ 2,324,663	\$ 2,085,844	\$ 17,637,150	\$ 4,413,320	\$ 19,961,813	\$ 6,499,164
Capital assets	<u>8,113,356</u>	<u>8,965,886</u>	<u>14,793,656</u>	<u>15,173,540</u>	<u>22,907,012</u>	<u>24,139,426</u>
Total assets	<u>10,438,019</u>	<u>11,051,730</u>	<u>32,430,806</u>	<u>19,586,860</u>	<u>42,868,825</u>	<u>30,638,590</u>
<b>Liabilities:</b>						
Other liabilities	529,845	228,882	439,983	507,019	969,828	735,901
Long-term liabilities	<u>517,398</u>	<u>570,283</u>	<u>1,209,632</u>	<u>1,333,882</u>	<u>1,727,030</u>	<u>1,904,165</u>
Total liabilities	<u>1,047,243</u>	<u>799,165</u>	<u>1,649,615</u>	<u>1,840,901</u>	<u>2,696,858</u>	<u>2,640,066</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	7,655,472	8,449,783	13,698,656	13,953,545	21,354,128	22,403,328
Restricted	648,871	881,966	12,442,754	1,902,153	13,091,625	2,784,119
Unrestricted	<u>1,086,433</u>	<u>920,816</u>	<u>4,639,781</u>	<u>1,890,261</u>	<u>5,726,214</u>	<u>2,811,077</u>
Total net assets	<u>\$ 9,390,776</u>	<u>\$ 10,252,565</u>	<u>\$ 30,781,191</u>	<u>\$ 17,745,959</u>	<u>\$ 40,171,967</u>	<u>\$ 27,998,524</u>

# CITY OF ST. LOUIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### City of Louis' Changes in Net Assets

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 553,150	\$ 360,918	\$ 6,904,060	\$ 7,156,594	\$ 7,457,210	\$ 7,517,512
Operating grants	625,932	534,258	55,580	42,054	681,512	576,312
General revenues						
Property taxes	756,082	766,658	-	-	756,082	766,658
State revenue sharing	436,529	438,991	-	-	436,529	438,991
Investment earnings	17,905	21,456	36,075	26,249	53,980	47,705
Miscellaneous	9,407	17,217	-	64,343	9,407	81,560
Total revenues	<u>2,422,445</u>	<u>2,139,498</u>	<u>6,995,715</u>	<u>7,289,240</u>	<u>9,418,160</u>	<u>9,428,738</u>
<b>Expenses:</b>						
General government	379,724	420,932	-	-	379,724	420,932
Public safety	1,315,057	933,347	-	-	1,315,057	933,347
Public works	1,289,546	1,216,612	-	-	1,289,546	1,216,612
Community and economic development	101,995	115,504	-	-	101,995	115,504
Recreation and culture	287,055	308,430	-	-	287,055	308,430
Interest on long-term debt	67,572	28,421	-	-	67,572	28,421
Electric	-	-	3,972,491	3,679,613	3,972,491	3,679,613
Water and Sewer	-	-	1,952,204	1,889,728	1,952,204	1,889,728
Solid Waste	-	-	339,143	279,129	339,143	279,129
Total expenses	<u>3,440,949</u>	<u>3,023,246</u>	<u>6,263,838</u>	<u>5,848,470</u>	<u>9,704,787</u>	<u>8,871,716</u>
Excess of revenues over expenses before other	<u>(1,018,504)</u>	<u>(883,748)</u>	<u>731,877</u>	<u>1,440,770</u>	<u>(286,627)</u>	<u>557,022</u>
<b>Other items:</b>						
Settlement from lawsuit, net	-	-	12,463,348	-	12,463,348	-
Sale of capital assets	(3,278)	-	-	-	(3,278)	-
Transfers	159,993	419,263	(159,993)	(419,263)	-	-
Total other items	<u>156,715</u>	<u>419,263</u>	<u>12,303,355</u>	<u>(419,263)</u>	<u>12,460,070</u>	<u>-</u>
<b>Changes in net assets</b>	<b>(861,789)</b>	<b>(464,485)</b>	<b>13,035,232</b>	<b>1,021,507</b>	<b>12,173,443</b>	<b>557,022</b>
Net assets, beginning of year, restated	<u>10,252,565</u>	<u>10,717,050</u>	<u>17,745,959</u>	<u>16,724,452</u>	<u>27,998,524</u>	<u>27,441,502</u>
Net assets, end of year	<u>\$ 9,390,776</u>	<u>\$ 10,252,565</u>	<u>\$ 30,781,191</u>	<u>\$ 17,745,959</u>	<u>\$ 40,171,967</u>	<u>\$ 27,998,524</u>

# CITY OF ST. LOUIS

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### City Funds Financial Analysis

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

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as show accountability for certain activities. The City's major governmental funds are the General Fund and the MAGNET Fund. Additionally, the City reports the Electric Fund and Water and Sewer Fund as major enterprise funds.

The General Fund accounts for functions relating to the general government activities of the City, which are financed by property tax levies, distribution of State revenues, and fees charged for various municipal activities and services. Fund balance of the General Fund increased \$18,473 in fiscal year 2011.

The Electric Fund covers the operations of the electricity utility system.

The Water and Sewer Fund covers the operations of the water system and sewage disposal/treatment system.

### **General Fund Budgetary Highlights**

Over the course of the year, the City Council and City management monitor and amend the budget to account for unanticipated events during the year.

Actual revenues exceeded the final budget by \$27,247.

Actual expenditures were \$160,917 less than the final budget.

A General Fund budgetary comparison schedule is presented on pages 49 and 50.

### **Capital Assets and Debt Administration**

**Capital Assets** – The City's investment in capital assets for governmental and business-type activities as of June 30, 2011 amounts to \$22,907,012 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, vehicles, furniture and equipment, infrastructure, systems, and sidewalks. Governmental activities included additions of approximately \$87,000 in buildings/improvements, equipment and sidewalks. Business-type activities included additions of approximately \$339,000 in various building improvements and system improvements.

Following the discovery of traces of the chemical compound para-Chlorobenzene Sulfonic Acid in three of the City water wells, efforts began to study replacement of a portion of the municipal water supply. After initial work was completed to evaluate options and prepare a preliminary hydro-geological study, site several test borings and observation wells, a test production well about one mile outside the City was drilled. During this time, it was discovered that all six municipal wells tested positive for varying levels of the chemical contaminant. Upon reviewing all data, the Michigan Department of Environmental Quality strongly suggests replacement of the City's entire water supply in a location five miles or greater from the City. Alternatives are continuing to be investigated including locating new well fields and the formation of a joint water authority with neighboring City of Alma.

During the current fiscal year, litigation was settled against Velsicol Chemical Company, the Velsicol Trust Funds et al (responsible parties for the contamination). The City has received \$10,000,000 from this settlement and used \$8,036,652 toward professional fees associated with the litigation. The City also has been awarded an additional \$10,500,000 to be received in April 2012.

# CITY OF ST. LOUIS

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Additional information on the City's capital assets can be found in Note 5 on pages 36 and 37.

**Debt** – At the end of the current year, the City had total long-term debt outstanding, excluding compensated absences, of \$1,552,884. Of this amount, \$457,884 comprises debt backed by the full faith and credit of the government (general obligation bonds). The remaining of the City's debt of \$1,095,000 is backed solely by specified revenue sources (revenue bonds).

Additional information can be found in Note 7 on pages 38 and 39.

### **Economic Factors**

Gratiot County (which includes the City of St. Louis and the surrounding incorporated and unincorporated area), has a labor force of 19,625 as of July 2011, which is up from July 2010 by 100. The unemployment rate in the County for July 2011 is 11.9% which is down from the July 2010 rate of 13.2%. Statewide, the seasonally unadjusted unemployment rate in July 2011 was 12.8%. The University of Michigan Research Seminar in Quantitative Economics Report released on May 25, 2011 reports that "Michigan appears to be in the early stages of economic recovery. The economy bottomed out from its nearly decade-long decline since its peak in the spring of 2000. The State has seen positive job growth every quarter since its low point" and predicts continued slow job growth in 2012.

As the State's economy continues to suffer, State support to local government continues to decline resulting in job loss and reduction of services in the local government sector. The City's central business district has suffered during this economic downturn and subsequent to fiscal year end lost an automotive parts store. A new pharmacy opened which replaced a pharmacy that closed during the previous fiscal year. Efforts continue to recruit new business to any vacant store front so as to provide residents and visitors a variety of stores, specialty shops, and commercial businesses. The City expects to be able to maintain a healthy downtown with a minimal number of vacant storefronts. Residential growth has seen some improvement over the past year as there have been two new residences constructed.

During the current fiscal year ended June 30, 2011, the unassigned fund balance in the general fund is \$611,290. The City has projected a balanced budget for the upcoming fiscal year. It is intended that the available fund balance will be sufficient to meet any unforeseen changes in the local economy from the time the budget was prepared through the 2011-12 fiscal year.

### **GASB Pronouncements**

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement was effective for this current fiscal year. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved were replaced with five new classifications: non-spendable, restricted, committed, assigned and unassigned.

### **Contacting the City's Financial Management**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact Nancy Roehrs, City Clerk, City of St. Louis, 108 W. Saginaw Street, St. Louis, Michigan 48880.

***BASIC FINANCIAL STATEMENTS***

# CITY OF ST. LOUIS

## STATEMENT OF NET ASSETS

June 30, 2011

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,071,188	\$ 3,641,273	\$ 5,712,461	\$ 655,294
Receivables	158,704	11,712,453	11,871,157	4,386
Internal balances	(159,307)	159,307	-	-
Inventory	24,624	244,196	268,820	-
Prepaid expenses	27,207	19,003	46,210	13,207
Restricted cash and cash equivalents	-	1,860,918	1,860,918	39,641
Other asset - net pension asset	202,247	-	202,247	34,209
Capital assets:				
Nondepreciable capital assets	2,316,274	979,872	3,296,146	63,181
Depreciable capital assets, net	<u>5,797,082</u>	<u>13,813,784</u>	<u>19,610,866</u>	<u>1,334,261</u>
Total assets	<u>10,438,019</u>	<u>32,430,806</u>	<u>42,868,825</u>	<u>2,144,179</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	529,845	439,983	969,828	124,772
Deferred revenue	-	-	-	450
Long-term liabilities:				
Due within one year	119,510	297,915	417,425	10,204
Due in more than one year	<u>397,888</u>	<u>911,717</u>	<u>1,309,605</u>	<u>20,467</u>
Total liabilities	<u>1,047,243</u>	<u>1,649,615</u>	<u>2,696,858</u>	<u>155,893</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	7,655,472	13,698,656	21,354,128	1,397,442
Restricted for:				
Debt service	6,777	375,516	382,293	-
Streets	352,267	-	352,267	-
Nonexpendable cemetery principal	164,852	-	164,852	-
Equipment replacement/improvements	-	12,067,238	12,067,238	-
Pool improvements	25,384	-	25,384	-
Industrial Park grant	38,900	-	38,900	-
Library operations	60,691	-	60,691	-
Other	-	-	-	39,641
Unrestricted	<u>1,086,433</u>	<u>4,639,781</u>	<u>5,726,214</u>	<u>551,203</u>
Total net assets	<u>\$ 9,390,776</u>	<u>\$ 30,781,191</u>	<u>\$ 40,171,967</u>	<u>\$ 1,988,286</u>

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

# CITY OF ST. LOUIS

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Functions/Programs</b>					
<b>PRIMARY GOVERNMENT:</b>					
<i>Governmental activities:</i>					
General government	\$ 379,724	\$ 296,526	\$ 322	\$ -	\$ (82,876)
Public safety	1,315,057	119,073	275,577	-	(920,407)
Public works	1,289,546	18,752	319,981	-	(950,813)
Community and economic development	101,995	-	16,560	-	(85,435)
Recreation and culture	287,055	114,791	13,492	-	(158,772)
Interest on long-term debt	67,572	-	-	-	(67,572)
Total governmental activities	<u>3,440,949</u>	<u>549,142</u>	<u>625,932</u>	<u>-</u>	<u>(2,265,875)</u>
<i>Business-type activities:</i>					
Electric	3,972,491	4,425,488	53,150	-	506,147
Water and Sewer	1,952,204	2,151,848	2,430	-	202,074
Solid Waste	339,143	326,724	-	-	(12,419)
Total business-type activities	<u>6,263,838</u>	<u>6,904,060</u>	<u>55,580</u>	<u>-</u>	<u>695,802</u>
Total primary government	<u>\$ 9,704,787</u>	<u>\$ 7,453,202</u>	<u>\$ 681,512</u>	<u>\$ -</u>	<u>\$ (1,570,073)</u>
<b>COMPONENT UNITS:</b>					
Downtown Development Authority	\$ 34,361	\$ 5,400	\$ -	\$ -	\$ (28,961)
Housing Commission	1,150,103	141,998	901,844	135,625	29,364
	<u>\$ 1,184,464</u>	<u>\$ 147,398</u>	<u>\$ 901,844</u>	<u>\$ 135,625</u>	<u>\$ 403</u>

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

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>	
<i>Changes in net assets:</i>				
Net (Expense) Revenue	\$ (2,265,875)	\$ 695,802	\$ (1,570,073)	\$ 403
General revenues:				
Taxes:				
Property taxes, levied for general purpose	750,464	-	750,464	-
Property taxes, captured by component unit	-	-	-	38,429
Payment in lieu of taxes	5,618	-	5,618	-
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings	436,529	-	436,529	-
Miscellaneous	17,905	36,075	53,980	1,835
Contributions to principal of permanent funds	9,407	-	9,407	5,089
Special items:	4,008	-	4,008	-
Gain (loss) on sale of capital asset	(3,278)	-	(3,278)	1,653
Settlement from lawsuit, net professional fees	-	12,463,348	12,463,348	-
Transfers	159,993	(159,993)	-	-
Total general revenues and other	<u>1,404,086</u>	<u>12,339,430</u>	<u>13,743,516</u>	<u>47,006</u>
Change in net assets	(861,789)	13,035,232	12,173,443	47,409
Net assets, beginning of year, restated	<u>10,252,565</u>	<u>17,745,959</u>	<u>27,998,524</u>	<u>1,940,877</u>
Net assets, end of year	<u>\$ 9,390,776</u>	<u>\$ 30,781,191</u>	<u>\$ 40,171,967</u>	<u>\$ 1,988,286</u>

# CITY OF ST. LOUIS

## GOVERNMENTAL FUNDS

### BALANCE SHEET

June 30, 2011

	<u>General Fund</u>	<u>MAGNET Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets:</b>				
Cash and investments	\$ 753,422	\$ 367,058	\$ 887,086	\$ 2,007,566
Taxes receivable	13,307	-	236	13,543
Accounts receivable	21,239	-	377	21,616
Notes receivable	15,588	-	-	15,588
Accrued interest receivable	316	-	166	482
Due from other governmental units	22,828	30,905	51,201	104,934
Due from other funds	6,258	-	-	6,258
Inventory	12,950	-	-	12,950
Prepaid expenditures	23,363	-	1,540	24,903
Total assets	<u>\$ 869,271</u>	<u>\$ 397,963</u>	<u>\$ 940,606</u>	<u>\$ 2,207,840</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 67,941	\$ 20,411	\$ 30,487	\$ 118,839
Accrued expenses	16,202	-	3,187	19,389
Due to other governmental units	5,003	371,294	-	376,297
Due to other funds	15,308	6,258	7,290	28,856
Advance payable to other fund	25,000	-	-	25,000
Total liabilities	<u>129,454</u>	<u>397,963</u>	<u>40,964</u>	<u>568,381</u>
<b>Fund balances:</b>				
Nonspendable:				
Inventory	12,950	-	-	12,950
Prepaid expenditures	23,363	-	1,540	24,903
Long-term receivables	27,930	-	194	28,124
Nonexpendable cemetery principal	-	-	164,852	164,852
Restricted for:				
Pool improvements	25,384	-	-	25,384
Industrial Park grant	38,900	-	-	38,900
Streets	-	-	352,267	352,267
Library operations	-	-	60,691	60,691
Debt service	-	-	6,777	6,777
Assigned to:				
Capital improvements	-	-	285,674	285,674
Cemetery operations	-	-	27,647	27,647
Unassigned	611,290	-	-	611,290
Total fund balances	<u>739,817</u>	<u>-</u>	<u>899,642</u>	<u>1,639,459</u>
Total liabilities and fund balances	<u>\$ 869,271</u>	<u>\$ 397,963</u>	<u>\$ 940,606</u>	<u>\$ 2,207,840</u>

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

# CITY OF ST. LOUIS

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## RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2011

<b>Total fund balances for governmental funds</b>			\$ 1,639,459
Total net assets reported for governmental activities in the statement of of net assets is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Governmental capital assets	30,711,442		
Less accumulated depreciation	<u>(22,768,776)</u>	7,942,666	
The net pension asset used in governmental activities is not a financial resource, and therefore not reported in the funds.			202,247
Interest payable in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.			(5,727)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:			
Bonds payable	(457,884)		
Compensated absences payable	<u>(56,208)</u>	(514,092)	
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.			<u>126,223</u>
<b>Net assets of governmental activities</b>			<u>\$ 9,390,776</u>

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

# CITY OF ST. LOUIS

## GOVERNMENTAL FUNDS

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

Year Ended June 30, 2011

	<i>General Fund</i>	<i>MAGNET Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total</i>
<b>Revenues:</b>				
Property taxes	\$ 705,891	\$ -	\$ 50,191	\$ 756,082
Licenses and permits	39,113	-	-	39,113
Federal grants	40,402	183,308	-	223,710
State grants	447,235	-	325,490	772,725
Contributions from other units	-	-	16,560	16,560
Charges for services	307,477	-	3,259	310,736
Fines and forfeits	3,847	99,553	100,932	204,332
Interest and rents	12,291	818	6,678	19,787
Other revenue	29,635	35,355	16,041	81,031
	<u>1,585,891</u>	<u>319,034</u>	<u>519,151</u>	<u>2,424,076</u>
<b>Total revenues</b>				
<b>Expenditures:</b>				
Current				
General government	388,715	-	-	388,715
Public safety	735,068	232,486	-	967,554
Public works	124,422	-	374,311	498,733
Community and economic development	103,060	-	-	103,060
Recreation and culture	144,928	-	111,799	256,727
Capital outlay	67,540	-	1,185	68,725
Debt service				
Principal	3,219	-	55,000	58,219
Interest and fees	466	-	25,608	26,074
	<u>1,567,418</u>	<u>232,486</u>	<u>567,903</u>	<u>2,367,807</u>
<b>Total expenditures</b>				
Excess (deficiency) of revenues over expenditures	<u>18,473</u>	<u>86,548</u>	<u>(48,752)</u>	<u>56,269</u>
<b>Other financing sources (uses):</b>				
Equity transfer to Shiawassee County	-	(371,294)	-	(371,294)
Transfers from other funds	-	-	264,018	264,018
Transfers to other funds	-	-	(104,025)	(104,025)
	<u>-</u>	<u>(371,294)</u>	<u>159,993</u>	<u>(211,301)</u>
<b>Net other financing sources (uses)</b>				
Net change in fund balances	18,473	(284,746)	111,241	(155,032)
Fund balances, beginning of year, restated	721,344	284,746	788,401	1,794,491
Fund balances, end of year	<u>\$ 739,817</u>	<u>\$ -</u>	<u>\$ 899,642</u>	<u>\$ 1,639,459</u>

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

# CITY OF ST. LOUIS

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

Year Ended June 30, 2011

**Net change in fund balances - total governmental funds** \$ (155,032)

Total change in net assets reported for governmental activities in the statement of activities is different because:

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

Capital outlay	80,202	
Less depreciation expense	(899,393)	
Less loss on disposal	<u>(5,477)</u>	(824,668)

Repayments of principal on long-term obligations are expenditures in governmental funds but the payments reduce long-term liabilities in the statement of net assets. 58,219

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable	(5,097)	
Change in accrued interest on bonds	644	
Change in net pension asset	<u>63,583</u>	59,130

The net revenue (expense) of the internal service fund is reported with governmental activities. 562

**Change in net assets of governmental activities** \$ (861,789)

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

# CITY OF ST. LOUIS

## PROPRIETARY FUNDS

### STATEMENT OF NET ASSETS

June 30, 2011

	<i>Business-type Activities</i>				<i>Governmental</i>
					<i>Activities</i>
			<i>Nonmajor Enterprise Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Fund</i>
	<i>Electric Fund</i>	<i>Water and Sewer Fund</i>	<i>Solid Waste Fund</i>		
<b>Assets:</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 1,211,217	\$ 2,306,611	\$ 123,445	\$ 3,641,273	\$ 63,622
Accounts receivable	751,055	10,857,916	34,046	11,643,017	2,541
Accrued interest receivable	-	1,127	-	1,127	-
Due from other governmental units	68,309	-	-	68,309	-
Due from other funds	-	-	-	-	31,282
Inventory	199,117	45,079	-	244,196	11,674
Prepaid expenses	7,597	10,674	732	19,003	2,304
Total current assets	2,237,295	13,221,407	158,223	15,616,925	111,423
<b>Noncurrent assets:</b>					
Restricted cash and cash equivalents	1,110,139	750,779	-	1,860,918	-
<b>Capital assets:</b>					
Nondepreciable capital assets	379,642	600,230	-	979,872	-
Depreciable capital assets, net	5,695,614	8,118,170	-	13,813,784	170,690
Advance receivable from other funds	130,051	-	-	130,051	-
Total noncurrent assets	7,315,446	9,469,179	-	16,784,625	170,690
Total assets	9,552,741	22,690,586	158,223	32,401,550	282,113
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Accounts payable	262,286	87,914	14,764	364,964	8,831
Accrued expenses	8,928	10,059	260	19,247	762
Due to other funds	919	3,281	4,484	8,684	-
Deposits payable	32,557	15,631	-	48,188	-
Accrued interest payable	-	7,584	-	7,584	-
Advance payable to other funds	-	105,051	-	105,051	-
Current compensated absences	35,586	47,329	-	82,915	2,847
Current portion of long-term debt	70,000	145,000	-	215,000	-
Total current liabilities	410,276	421,849	19,508	851,633	12,440

continued

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

# CITY OF ST. LOUIS

## PROPRIETARY FUNDS

### STATEMENT OF NET ASSETS, CONTINUED

June 30, 2011

	<i>Business-type Activities</i>			<i>Governmental Activities</i>	
	<i>Electric Fund</i>	<i>Water and Sewer Fund</i>	<i>Nonmajor Enterprise Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Fund</i>
			<i>Solid Waste Fund</i>		
<b>Noncurrent liabilities:</b>					
Compensated absences payable	17,614	17,760	-	35,374	459
Long-term debt	460,000	416,343	-	876,343	-
Total noncurrent liabilities	477,614	434,103	-	911,717	459
Total liabilities	887,890	855,952	19,508	1,763,350	12,899
<b>Net assets:</b>					
Invested in capital assets, net of related debt	5,545,256	8,153,400	-	13,698,656	170,690
Restricted for:					
Debt service	159,300	216,216	-	375,516	-
Replacement/improvements	950,839	534,563	-	1,485,402	-
Water supply replacement	-	10,581,836	-	10,581,836	-
Unrestricted	2,009,456	2,348,619	138,715	4,496,790	98,524
Total net assets	<u>\$ 8,664,851</u>	<u>\$ 21,834,634</u>	<u>\$ 138,715</u>	\$ 30,638,200	<u>\$ 269,214</u>
Adjustment to reflect the consolidation of internal service funds				142,991	
Net assets of business-type activities				<u>\$ 30,781,191</u>	

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

# CITY OF ST. LOUIS

## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2011

	<i>Business-type Activities</i>			<i>Governmental Activities</i>	
	<i>Electric Fund</i>	<i>Water and Sewer Fund</i>	<i>Nonmajor Enterprise Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Fund</i>
			<i>Solid Waste Fund</i>		
<b>Operating revenues:</b>					
Charges for services	\$ 4,236,146	\$ 2,047,968	\$ 323,178	\$ 6,607,292	\$ -
Penalties	65,209	27,265	3,546	96,020	-
Equipment rental	-	-	-	-	287,687
Other	23,012	44,542	-	67,554	2,179
Total operating revenues	<u>4,324,367</u>	<u>2,119,775</u>	<u>326,724</u>	<u>6,770,866</u>	<u>289,866</u>
<b>Operating expenses:</b>					
Personnel	602,930	706,436	82,827	1,392,193	62,294
Administrative expense	160,784	81,538	11,789	254,111	9,153
Purchased energy	2,467,593	-	-	2,467,593	-
Other services and charges	330,768	698,508	244,527	1,273,803	183,523
Depreciation	287,577	431,557	-	719,134	34,904
Total operating expenses	<u>3,849,652</u>	<u>1,918,039</u>	<u>339,143</u>	<u>6,106,834</u>	<u>289,874</u>
Operating income (loss)	<u>474,715</u>	<u>201,736</u>	<u>(12,419)</u>	<u>664,032</u>	<u>(8)</u>
<b>Non-operating revenues (expenses):</b>					
State grant	53,150	2,430	-	55,580	-
Interest income	21,725	13,163	1,187	36,075	570
Rental income	3,545	22,827	-	26,372	-
Other income	-	9,246	-	9,246	-
Interest expense	(25,263)	(34,165)	-	(59,428)	-
Net non-operating	<u>53,157</u>	<u>13,501</u>	<u>1,187</u>	<u>67,845</u>	<u>570</u>
Change in net assets before other	527,872	215,237	(11,232)	731,877	562
<b>Settlement from lawsuit, net of professional fees</b>	-	12,463,348	-	12,463,348	-
<b>Transfer to other funds</b>	<u>(104,113)</u>	<u>(48,364)</u>	<u>(7,516)</u>	<u>(159,993)</u>	<u>-</u>
Change in net assets	423,759	12,630,221	(18,748)	13,035,232	562
Net assets, beginning of year, restated	<u>8,241,092</u>	<u>9,204,413</u>	<u>157,463</u>	<u>17,602,968</u>	<u>268,652</u>
Net assets, end of year	<u>\$ 8,664,851</u>	<u>\$ 21,834,634</u>	<u>\$ 138,715</u>	<u>\$ 30,638,200</u>	<u>\$ 269,214</u>

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

# CITY OF ST. LOUIS

## PROPRIETARY FUNDS

### STATEMENT OF CASH FLOWS

Year Ended June 30, 2011

	<i>Business-type Activities</i>			<i>Governmental Activities</i>	
	<i>Electric Fund</i>	<i>Water and Sewer Fund</i>	<i>Nonmajor Enterprise Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Fund</i>
			<i>Solid Waste Fund</i>		
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 4,634,220	\$ (8,352,712)	\$ 326,717	\$ (3,391,775)	\$ -
Cash received for interfund services	(79,868)	(62,177)	1,499	(140,546)	279,710
Cash payments to employees	(632,465)	(724,790)	(83,739)	(1,440,994)	(62,653)
Cash payments to suppliers for goods and services	<u>(3,051,381)</u>	<u>(770,558)</u>	<u>(256,662)</u>	<u>(4,078,601)</u>	<u>(185,931)</u>
Net cash provided (used) by operating activities	<u>870,506</u>	<u>(9,910,237)</u>	<u>(12,185)</u>	<u>(9,051,916)</u>	<u>31,126</u>
<b>Cash flows from non-capital financing activities:</b>					
Transfers to other funds	<u>(104,113)</u>	<u>(48,364)</u>	<u>(7,516)</u>	<u>(159,993)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>					
Settlement from lawsuit, net of fees	-	12,463,348	-	12,463,348	-
State grant	53,150	2,430	-	55,580	-
Other income	-	9,246	-	9,246	-
Acquisition of capital assets	(244,772)	(94,478)	-	(339,250)	(7,042)
Principal payments	-	(130,000)	-	(130,000)	-
Interest paid	<u>(25,263)</u>	<u>(34,547)</u>	<u>-</u>	<u>(59,810)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(216,885)</u>	<u>12,215,999</u>	<u>-</u>	<u>11,999,114</u>	<u>(7,042)</u>
<b>Cash flows from investing activities:</b>					
Interest received	21,725	12,036	1,187	34,948	569
Rent received	<u>3,545</u>	<u>22,827</u>	<u>-</u>	<u>26,372</u>	<u>-</u>
Net cash provided by investing activities	<u>25,270</u>	<u>34,863</u>	<u>1,187</u>	<u>61,320</u>	<u>569</u>
Net increase (decrease) in cash and cash equivalents	574,778	2,292,261	(18,514)	2,848,525	24,653
Cash and cash equivalents, beginning of year	<u>1,746,578</u>	<u>765,129</u>	<u>141,959</u>	<u>2,653,666</u>	<u>38,969</u>
Cash and cash equivalents, end of year	<u>\$ 2,321,356</u>	<u>\$ 3,057,390</u>	<u>\$ 123,445</u>	<u>\$ 5,502,191</u>	<u>\$ 63,622</u>

continued

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

# CITY OF ST. LOUIS

## PROPRIETARY FUNDS

### STATEMENT OF CASH FLOWS, CONTINUED

Year Ended June 30, 2011

	<i>Business-type Activities</i>			<i>Governmental Activities</i>	
	<i>Electric Fund</i>	<i>Water and Sewer Fund</i>	<i>Nonmajor Enterprise Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Fund</i>
			<i>Solid Waste Fund</i>		
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 474,715	\$ 201,736	\$ (12,419)	\$ 664,032	\$ (7)
Adjustments:					
Depreciation	287,577	431,557	-	719,134	34,904
Change in assets and liabilities:					
Accounts receivable	39,374	(10,479,557)	(7)	(10,440,190)	(2,541)
Due from other governmental units	4,852	7,070	-	11,922	-
Due from other funds	168,051	-	-	168,051	(7,977)
Inventory	11,225	11,658	-	22,883	2,528
Prepaid expenses	1,364	1,715	623	3,702	(206)
Advance to other funds	(80,051)	-	-	(80,051)	-
Accounts payable	(8,963)	(5,684)	(969)	(15,616)	4,784
Accrued expenses	(34,324)	(17,966)	(912)	(53,202)	(596)
Due to other funds	183	823	1,499	2,505	-
Deposits payable	1,714	1,798	-	3,512	-
Advance payable to other fund	-	(63,000)	-	(63,000)	-
Compensated absences	4,789	(387)	-	4,402	237
Net cash provided (used) by operating activities	<u>\$ 870,506</u>	<u>\$ (9,910,237)</u>	<u>\$ (12,185)</u>	<u>\$ (9,051,916)</u>	<u>\$ 31,126</u>

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

# CITY OF ST. LOUIS

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*FIDUCIARY FUNDS*  
**STATEMENT OF NET ASSETS**  
June 30, 2011

	<u><i>Agency Funds</i></u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 39,462
Accounts receivable	<u>9,203</u>
Total assets	<u>48,665</u>
<b>Liabilities:</b>	
Accrued liabilities	39,148
Due to other governments	<u>9,517</u>
Total liabilities	<u>48,665</u>
<b>Net Assets:</b>	
Unrestricted	<u>-</u>
Total net assets	<u><u>\$ -</u></u>

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

# CITY OF ST. LOUIS

*COMPONENT UNITS*  
**STATEMENT OF NET ASSETS**  
June 30, 2011

	<i><u>Downtown Development Authority</u></i>	<i><u>Housing Commission</u></i>	<i><u>Total</u></i>
<b>Assets:</b>			
<b><i>Current assets:</i></b>			
Cash and cash equivalents	\$ 25,401	\$ 629,893	\$ 655,294
Accounts receivable, net	-	4,365	4,365
Accrued interest receivable	-	21	21
Prepaid expenses	-	13,207	13,207
Restricted cash and cash equivalents	-	39,641	39,641
Other asset - net pension asset	-	34,209	34,209
	<u>25,401</u>	<u>721,336</u>	<u>746,737</u>
<b><i>Noncurrent assets:</i></b>			
Capital assets:			
Nondepreciable capital assets	-	63,181	63,181
Depreciable capital assets, net	143,387	1,190,874	1,334,261
	<u>143,387</u>	<u>1,254,055</u>	<u>1,397,442</u>
Total noncurrent assets	<u>143,387</u>	<u>1,254,055</u>	<u>1,397,442</u>
Total assets	<u>168,788</u>	<u>1,975,391</u>	<u>2,144,179</u>
<b>Liabilities:</b>			
<b><i>Current liabilities:</i></b>			
Accounts payable	714	16,875	17,589
Accrued expenses	-	25,152	25,152
Due to other governmental units	68,309	-	68,309
Deposits payable	-	13,722	13,722
Deferred revenue	450	-	450
Current compensated absences	-	10,204	10,204
	<u>69,473</u>	<u>65,953</u>	<u>135,426</u>
Total current liabilities	<u>69,473</u>	<u>65,953</u>	<u>135,426</u>
<b><i>Noncurrent liabilities:</i></b>			
Compensated absences payable	-	20,467	20,467
	<u>69,473</u>	<u>86,420</u>	<u>155,893</u>
Total liabilities	<u>69,473</u>	<u>86,420</u>	<u>155,893</u>
<b>Net assets:</b>			
Invested in capital assets	143,387	1,254,055	1,397,442
Restricted	-	39,641	39,641
Unrestricted	(44,072)	595,275	551,203
	<u>\$ 99,315</u>	<u>\$ 1,888,971</u>	<u>\$ 1,988,286</u>
Total net assets	<u>\$ 99,315</u>	<u>\$ 1,888,971</u>	<u>\$ 1,988,286</u>

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

# CITY OF ST. LOUIS

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*COMPONENT UNITS*  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2011

	<i>Downtown Development Authority</i>	<i>Housing Commission</i>	<i>Total</i>
<b>Program revenues:</b>			
Charges for services	\$ 5,400	\$ 141,998	\$ 147,398
Operating grants and contributions	-	901,844	901,844
Capital grants and contributions	-	<u>135,625</u>	<u>135,625</u>
Total program revenues	<u>5,400</u>	<u>1,179,467</u>	<u>1,184,867</u>
<b>Expenses:</b>			
Downtown development authority	34,361	-	34,361
Housing commission	-	<u>1,150,103</u>	<u>1,150,103</u>
Total expenses	<u>34,361</u>	<u>1,150,103</u>	<u>1,184,464</u>
Net (expense) revenue	<u>(28,961)</u>	<u>29,364</u>	<u>403</u>
<b>General revenues:</b>			
Property taxes	38,429	-	38,429
Unrestricted investment earnings	238	1,597	1,835
Miscellaneous	-	5,089	5,089
Special item - Gain (loss) on sale of capital asset	-	<u>1,653</u>	<u>1,653</u>
Total general revenues and other	<u>38,667</u>	<u>8,339</u>	<u>47,006</u>
Change in net assets	9,706	37,703	47,409
Net assets, beginning of year, restated	<u>89,609</u>	<u>1,851,268</u>	<u>1,940,877</u>
Net assets, end of year	<u>\$ 99,315</u>	<u>\$ 1,888,971</u>	<u>\$ 1,988,286</u>

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

***NOTES TO FINANCIAL STATEMENTS***

# CITY OF ST. LOUIS

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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Located in Gratiot County, Michigan, St. Louis (the “City”) was settled in 1853 along the banks of the Pine River, became a village in 1868, and was incorporated in 1891 as the City of St. Louis. Organized under Michigan’s Comprehensive Home Rule City Act, the City of St. Louis is governed by a single ward, four member elected City Council and the Mayor. The Mayor is elected by the City at large and the City Council selects the mayor Pro Tem. The City Manager is appointed by the Council to administer the business of the City. The City of St. Louis provides the following services to approximately 4,500 residents as authorized by its charter: public safety (police and fire), highways and streets, electric, water, sewer, sanitation, recreation, public improvements, zoning, planning and general administrative services.

The accounting policies of the City of St. Louis conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City’s financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The component units discussed below are included in the City’s reporting entity because of their operational or financial relationship with the City.

The following component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The discretely presented component units are entities that are legally separate from the City but for which the unit is financially accountable, or its relationship with the City is such that exclusion would cause the financial statements to be misleading or incomplete.

#### **Discretely presented component unit**

*St. Louis Housing Commission* – The Commission functions to provide subsidized housing to individuals of low and moderate income within the City. The commission operates an 80 unit housing project and administers a certificate program funded by the U.S. Department of Housing and Urban Development (“HUD”). Commissioners are appointed by City Council. The Housing Commission obtains a separate audit for submission to HUD, which can be obtained by writing Ms. Kerry Marsh, Director; P.O. Box 117; St. Louis, MI 48880.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2011

***Downtown Development Authority*** – The Downtown Development Authority (the “Authority”) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority is comprised of individuals from the management of the City as well as residents who are appointed by the City Council. In addition, the Authority’s budget is approved by the City Council. The Authority does not issue any other formal financial statements except as contained in the City’s annual financial statements. Detail information can be obtained by contacting the City Clerk.

### **Joint Ventures**

***Mid-Michigan Community Fire Board*** – The City is a member of the Mid-Michigan Community Fire Board (the “Fire Board”), which is a joint venture between the City of St. Louis and the Townships of Bethany, Pine River, and Jasper. The governing Board is comprised of five members consisting of the Supervisor of each of the Townships, the City Manager and the City Clerk.

Each unit is responsible for funding its required local contribution to cover operational deficits based on the formula established by the Fire Board. The City’s contribution for the year ended June 30, 2011, was \$84,235. The City maintains the accounting records for the Mid-Michigan Community Fire Board. Separate financial statements for the Fire Board can be obtained at the City of St. Louis administration office.

***Gratiot Area Solid Waste Authority*** – The City is a member of the Gratiot Area Solid Waste Authority (the “Authority”), which is a joint venture between the City of Alma and the City of St. Louis. The Authority provides refuse pickup and disposal services to their residents, together with other services including recycling and composting. The governing Board is comprised of a Chairman, Vice Chairman, Secretary, Treasurer and such other officers as the Board deems advisable. The Authority has responsibility for preparing the annual budget, which is approved by each member unit of government, and to carry out all activities of the Authority.

The parties have determined that it is more cost effective to provide such services through a single contracting entity and to share the costs of such services on an equitable basis. The City of Alma maintains the accounting records for the Authority. It is reported at the end of the City of Alma’s individual fund statements. Copies of the City of Alma financial statements can be obtained by writing to City of Alma, 525 E. Superior, Alma, MI 48801.

***Gratiot County Central Dispatch Authority*** – The City is a member of the Gratiot County Central Dispatch Authority (the “Authority”), which is a joint venture between Gratiot County, the State of Michigan, and the Cities of Alma, St. Louis, Ithaca, and Breckenridge. The Authority provides central dispatch services for police and fire services in Gratiot County. The governing Board is comprised of eleven members. Gratiot County appoints six Board members consisting of the County Sheriff, a representative from the area townships, a representative from the area villages, one county citizen, and two county commissioners. Each of the other units appoints one Board member. The Authority has responsibility for preparing the annual budget, which is approved by Gratiot County, and to carry out all activities of the Authority.

The Authority receives funding from telephone surcharge fees and local contributions. A formula has been established to allocate the local contributions. The financial activities of the

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2011

Gratiot County Central Dispatch Authority are reported in Gratiot County's financial statements as a component unit. The City has no equity interest in the Authority. Copies of Gratiot County's financial statements can be obtained by writing to Ms. Mary Sullivan, Gratiot County Treasurer; P.O. Box 437; Ithaca, MI 48847.

***Mid-Michigan Area Cable Communications Consortium*** – The City is a member of the Mid-Michigan Area Cable Communications Consortium (the "Consortium"), which is a joint venture between nine Mid-Michigan communities with cable franchised agreements granted to Charter Communications. The twelve communities include the Cities of Alma, Clare, Harrison, Ithaca, Mt. Pleasant, and Saint Louis, the Villages of Breckenridge, North Star, and Shepherd, and the Townships of Arcada, Pine River, and Union. The Consortium is responsible for developing and monitoring the enforcement of the cable ordinance, negotiating and monitoring of cable franchise agreements, and, to the extent permitted by federal law, regulate cable rates. In the future, the consortium will be responsible for the operation of public education and governmental access channels. Each community is permitted to appoint two members of the governing Board. The Consortium has responsibility for preparing the annual budget.

A formula has been established to allocate the local contributions. Local contributions to the Consortium during the fiscal year ended June 30, 2011, amounted to \$15,627. The Consortium operates on a calendar year and produces separate financial statements. Copies of the Mid-Michigan Area Cable Communications Consortium financial statements can be obtained by writing to Jan Howard, Executive Director, 312 West Michigan Street, Mt. Pleasant, MI 48860.

***Gratiot Community Airport Authority*** – The City is a member of the Gratiot Community Airport Authority (the "Authority"), which is a joint venture between the City of St. Louis, County of Gratiot, City of Alma, City of Ithaca, Township of Pine River and Township of Arcada. The joint operation makes it possible to participate in more State and Federal Aid programs, with the result that the airport would be developed and extended to care for the growing demands made upon it by industry and business within Gratiot County and surrounding areas. The governing Board consists of six members, one from each member municipality. Operational funds are contributed by each member municipality. Each municipality contributes \$2,000 per year with Gratiot County and the City of Alma contributing additional funds required in equal percentages. The City of Alma maintains the accounting records for the Authority. It is reported as a proprietary fund in the City of Alma's financial statements. Copies of the City of Alma financial statements can be obtained by writing to City of Alma, 525 E. Superior, Alma, MI 48801.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

### ***Government-wide Financial Statements:***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2011

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 revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The City’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the City’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The City does not allocate indirect costs. In creating the government-wide financial statements the City has eliminated interfund transactions.

The government-wide focus is on the sustainability of the City as an entity and the change in the City’s net assets resulting from current year activities.

### ***Fund Financial Statements:***

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

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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2011

accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include 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's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The City reports the following major governmental funds:

The **General Fund** is the primary operating fund of the City. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **MAGNET Fund** is used to account for a drug enforcement agency per an inter-local agreement.

The City reports the following nonmajor governmental funds:

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Debt Service Funds** are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The **Permanent Fund** is used to account for the resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizenry. The City has one permanent fund for cemetery perpetual care.

The City reports the following major proprietary funds:

The **Electric Fund** accounts for the operation of an electricity utility system.

The **Water and Sewer Fund** accounts for the activities of the City's water system and sewage disposal/treatment system.

The City reports the following nonmajor proprietary fund:

The **Solid Waste Fund** accounts for the activities of the government's solid waste disposal system.

# CITY OF ST. LOUIS

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2011

Additionally, the City reports the following funds:

The *Internal Service Fund – Motor Pool Fund* provides vehicle and equipment use to other departments or agencies of the government on a cost reimbursement basis.

*Agency Funds* are used to account for assets held for other governments in an agency capacity, including tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

### Assets, Liabilities and Equity:

*Deposits and Investments* – Cash includes cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the City considers all investments (including restricted assets) to be cash equivalents.

*Interfund Receivables and Payables* – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

*Inventories and Prepaid Items* – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. 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.

*Capital Assets* – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after June 30, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40-60 years
Building improvements	15-30 years
Equipment	3-10 years
Infrastructure	5-30 years
Water and sewer systems	50-75 years

*Compensated Absences (vacation and sick leave)* – Sick leave is earned at the rate of 10 hours per month, to be accumulated until a maximum of 500 hours is reached, and is kept to the employees credit. If at the end of a fiscal year, an employee has accumulated sick leave greater than 500 hours, one-half of the accumulated sick leave in excess of 500 hours is paid to the employee and the

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2011

remainder is lost. Sick leave is not paid upon termination. Upon retirement, employees hired before December 20, 1994, are entitled to be paid one half of any accumulated unused sick leave at the rate of pay prevailing at the time of such retirement. This liability is measured using the vesting method as described in GASB Statement No. 16.

Employees receive vacation time on July 1<sup>st</sup> based on the prior year's service. A maximum of 200 hours can be earned during the prior year. Added to earned vacation time is a maximum of 40 hours carryover of any prior year unused vacation time. Except for a 40 hour carryover, vacation time is to be used within the year received and is paid to employees upon termination.

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

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

**Fund Equity** – In the fund financial statements, fund balance is presented in five possible categories, each of which identifies the extent to which the City is bound to honor constraints on the specific purpose for which amounts can be spent:

*Nonspendable* – amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

*Restricted* – amounts that have constraints placed on their use by an external party or constitutional provisions or enabling legislation (grants, contributions, specific fee mandates).

*Committed* – amounts that are committed for specific purposes by the City Council, as the City's highest level of decision-making authority, pursuant to constraints imposed by formal actions taken, such as majority vote or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specific use through the same type of formal action taken to establish the commitment.

*Assigned* – amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager has the authority to assign amounts to be used for specific purposes.

*Unassigned* – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

# CITY OF ST. LOUIS

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2011

### 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

### Property Taxes:

Property taxes are levied on each July 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on September 15th, at which time penalties and interest are assessed. Collections of all the taxes and remittances of them to the other taxing authorities are accounted for in an agency fund.

The 2010 taxable valuation of the City totaled \$50,584,394 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments). Taxes levied consisted of 13.4089 mills for the City’s operating purposes and .9983 mills for library operations.

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## NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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### Budgetary Information:

Annual budgets for all governmental funds are adopted in compliance with Michigan Law. The budgets are prepared on the modified accrual basis, which is consistent with generally accepted accounting principles. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the function level for the general fund and special revenue funds.

The City does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at the end of the fiscal year and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

### Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the City incurred expenditures in excess of the amounts budgeted as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess</u>
<b>General Fund:</b>			
Recreation and culture	\$ 141,850	\$ 145,991	\$ 4,141

# CITY OF ST. LOUIS

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2011

### State Construction Code Act:

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000, reported in the General Fund, is as follows:

Cumulative surplus at July 1, 2010	\$	-
Current year building permit revenue		15,673
Related expenses:		
Direct costs		<u>(74,454)</u>
Cumulative surplus at June 30, 2011	\$	<u><u>-</u></u>

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### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units 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 local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of 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.

The investment policy adopted by the City Council is in accordance with Public Act 20 of 1943, as amended. The City's deposits and investments have been made in accordance with statutory authority.

The City's deposits and investments are subject to several types of risk, which are presented in more detail as follows:

#### Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. State law does not require and the City does not have a policy for deposit custodial credit risk. At year end, the City had \$7,737,534 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$787,233 was covered by federal depository insurance and the remaining \$6,950,301 was uninsured and uncollateralized.

# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2011

### NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

There are a number of limitations and restrictions contained in the various bond indentures, including requirements to maintain certain restricted assets. The City is in compliance with all significant provisions of the bond indentures. The City Charter also requires an Electric Fund replacement reserve.

At June 30, 2011 the City had these accounts established and had restricted cash as follows:

	<i>Restricted Cash and Cash Equivalents</i>
<b>Electric Fund:</b>	
Bond reserve	\$ 159,300
Replacement and Improvements	950,839
<b>Water and Sewer Fund:</b>	
Bond reserve	216,216
Replacement and Improvements	534,563
	<u>\$ 1,860,918</u>

### NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	<i>July 1, 2010</i>	<i>Additions</i>	<i>Retirements</i>	<i>June 30, 2011</i>
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land	\$ 2,307,555	\$ -	\$ -	\$ 2,307,555
Construction in progress	8,719	-	-	8,719
Total nondepreciable capital assets	<u>2,316,274</u>	<u>-</u>	<u>-</u>	<u>2,316,274</u>
Depreciable capital assets:				
Buildings and improvements	1,881,859	19,508	-	1,901,367
Equipment and vehicles	2,206,680	35,229	(21,710)	2,220,199
Infrastructure - storm sewer	2,701,677	-	-	2,701,677
Infrastructure - streets	21,888,341	-	-	21,888,341
Infrastructure - sidewalks	930,585	32,507	(14,382)	948,710
Total depreciable capital assets	29,609,142	87,244	(36,092)	29,660,294
Accumulated depreciation	(22,959,530)	(934,297)	30,615	(23,863,212)
Depreciable capital assets, net	<u>6,649,612</u>	<u>(847,053)</u>	<u>(5,477)</u>	<u>5,797,082</u>
Total capital assets, net	<u>\$ 8,965,886</u>	<u>\$ (847,053)</u>	<u>\$ (5,477)</u>	<u>\$ 8,113,356</u>

# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2011

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2011</u>
<b>Business-type activities:</b>				
Nondepreciable capital assets				
Land	\$ 357,118	\$ -	\$ -	\$ 357,118
Construction in progress	<u>754,556</u>	<u>70,382</u>	<u>(202,185)</u>	<u>622,753</u>
Total nondepreciable capital assets	<u>1,111,674</u>	<u>70,382</u>	<u>(202,185)</u>	<u>979,871</u>
Depreciable capital assets				
Buildings and improvements	1,063,832	73,594	-	1,137,426
Equipment	10,262,946	-	-	10,262,946
Infrastructure	<u>20,124,230</u>	<u>397,459</u>	<u>-</u>	<u>20,521,689</u>
Total depreciable capital assets	31,451,008	471,053	-	31,922,061
Accumulated depreciation	<u>(17,389,142)</u>	<u>(719,134)</u>	<u>-</u>	<u>(18,108,276)</u>
Depreciable capital assets, net	<u>14,061,866</u>	<u>(248,081)</u>	<u>-</u>	<u>13,813,785</u>
Total capital assets, net	<u>\$ 15,173,540</u>	<u>\$ (177,699)</u>	<u>\$ (202,185)</u>	<u>\$ 14,793,656</u>
<b>Component units:</b>				
Nondepreciable capital assets				
Land	\$ 40,831	\$ -	\$ -	\$ 40,831
Construction in progress	<u>54,304</u>	<u>22,350</u>	<u>(54,304)</u>	<u>22,350</u>
Total nondepreciable capital assets	<u>95,135</u>	<u>22,350</u>	<u>(54,304)</u>	<u>63,181</u>
Depreciable capital assets				
Buildings and improvements	4,838,244	127,426	-	4,965,670
Equipment	<u>153,474</u>	<u>45,669</u>	<u>(16,762)</u>	<u>182,381</u>
Total depreciable capital assets	4,991,718	173,095	(16,762)	5,148,051
Accumulated depreciation	<u>(3,651,373)</u>	<u>(178,574)</u>	<u>16,157</u>	<u>(3,813,790)</u>
Depreciable capital assets, net	<u>1,340,345</u>	<u>(5,479)</u>	<u>(605)</u>	<u>1,334,261</u>
Total capital assets, net	<u>\$ 1,435,480</u>	<u>\$ 16,871</u>	<u>\$ (54,909)</u>	<u>\$ 1,397,442</u>

Depreciation expense was charged to functions as follows:

	<u>Activities</u>	<u>Activities</u>	<u>Units</u>
General government	\$ 42,517	\$ -	\$ -
Public safety	12,019	-	-
Public works	816,465	-	-
Health and welfare	-	-	-
Community and economic development	-	-	5,031
Recreation and culture	28,392	-	-
Electric	-	287,577	-
Water and Sewer	-	431,557	-
Housing Commission	-	-	173,543
Internal Service Fund	<u>34,904</u>	<u>-</u>	<u>-</u>
	<u>\$ 934,297</u>	<u>\$ 719,134</u>	<u>\$ 178,574</u>

# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2011

### NOTE 6: DEFERRED REVENUE

Governmental and proprietary funds defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, there was no deferred revenue.

**Component Units:**

Rents \$ 450

### NOTE 7: LONG-TERM LIABILITIES

The City may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term liabilities include compensated absences.

Long-term obligation activity for the year ended June 30, 2011 is summarized as follows:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>June 30, 2011</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
1996 Building Authority Bonds, principal due in annual installments of \$10,000 to \$40,000 through April 2016, interest from 5.00-6.75% due semi-annually.	\$ 190,000	-	(25,000)	\$ 165,000	\$ 25,000
2002 General Obligation Bond, principal due in annual installments of \$20,000 to \$50,000 through October 2017, interest from 4.25-4.90% due semi-annually.	320,000	-	(30,000)	290,000	35,000
Capital lease with Key Equipment, due in monthly installments of \$335 through March 2012.	6,103	-	(3,219)	2,884	2,884
Compensated absences	<u>54,180</u>	<u>21,706</u>	<u>(16,372)</u>	<u>59,514</u>	<u>56,626</u>
Total Governmental Activities	<u>\$ 570,283</u>	<u>\$ 21,706</u>	<u>\$ (74,591)</u>	<u>\$ 517,398</u>	<u>\$ 119,510</u>

# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2011

	<u>July 1, 2010</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>June 30, 2011</u>	<u>Due Within One Year</u>
<b>Business-type Activities:</b>					
1996 Water Supply and Sanitary Sewage Disposal Revenue Bonds, principal due in annual installments of \$25,000 to \$90,000 through October 2011, interest from 5.00-8.00% due semi-annually.	\$ 170,000	-	(80,000)	\$ 90,000	\$ 90,000
1997 Water Supply and Sanitary Sewage Disposal Revenue Bonds, principal due in annual installments of \$30,000 to \$80,000 through October 2018, interest of 5.40% due semi-annually.	525,000	-	(50,000)	475,000	55,000
2001 Electric Revenue Bonds, principal due in annual installments of \$20,000 to \$80,000 through July 2017, interest from 3.20-4.10% due semi-annually.	530,000	-	-	530,000	70,000
Less: Deferred charges	(5,005)	-	1,348	(3,657)	-
Compensated absences	146,787	41,258	(69,756)	118,289	82,915
Total Business-type Activities	<u>\$1,366,782</u>	<u>\$ 41,258</u>	<u>\$ (198,408)</u>	<u>\$ 1,209,632</u>	<u>\$ 297,915</u>
<b>Component Units:</b>					
Compensated absences	<u>\$ 32,900</u>	<u>\$ 10,608</u>	<u>\$ (12,837)</u>	<u>\$ 30,671</u>	<u>\$ 10,204</u>

Annual debt service requirements to maturity for the above obligations (excluding compensated absences) are as follows:

<i>Year Ended</i>	<i>Governmental Activities</i>			<i>Business-type Activities</i>			
	<i>June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2012	\$	62,884	\$ 22,299	\$ 85,183	\$ 215,000	\$ 37,538	\$ 252,538
2013		65,000	19,260	84,260	135,000	41,442	176,442
2014		70,000	15,862	85,862	135,000	34,797	169,797
2015		80,000	12,302	92,302	140,000	27,912	167,912
2016		85,000	7,992	92,992	150,000	20,532	170,532
2017-2018		95,000	4,766	99,766	320,000	17,000	337,000
		<u>\$ 457,884</u>	<u>\$ 82,481</u>	<u>\$ 540,365</u>	<u>\$ 1,095,000</u>	<u>\$ 179,221</u>	<u>\$ 1,274,221</u>

# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2011

### NOTE 8: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of fiscal year end for the City's primary government and component units are as follows:

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Receivables:</b>				
Property taxes	\$ 13,543	\$ -	\$ 13,543	\$ -
Accounts	24,157	11,643,017	11,667,174	4,365
Special assessments	-	-	-	-
Notes	15,588	-	15,588	-
Accrued interest	482	1,127	1,609	21
Intergovernmental	104,934	68,309	173,243	-
Total receivables	<u>\$ 158,704</u>	<u>\$ 11,712,453</u>	<u>\$ 11,871,157</u>	<u>\$ 4,386</u>
<b>Accounts payable and accrued expenses:</b>				
Accounts	\$ 127,670	\$ 364,964	\$ 492,634	\$ 17,589
Payroll liabilities	20,151	19,247	39,398	25,152
Deposits payable	-	48,188	48,188	13,722
Accrued interest	5,727	7,584	13,311	-
Intergovernmental	376,297	-	376,297	68,309
Total accounts payable and accrued expenses	<u>\$ 529,845</u>	<u>\$ 439,983</u>	<u>\$ 969,828</u>	<u>\$ 124,772</u>

### NOTE 9: INTERFUND BALANCES AND TRANSFERS

For the year ended June 30, 2011, the City had an outstanding advance between the Electric Fund and General Fund of \$25,000. During the fiscal year ended June 30, 2009, the Electric Fund advanced the General Fund \$100,000 for the construction of the City swimming pool, of which \$75,000 has been repaid. No repayment schedule has been established by the City Council other than the advance must be repaid within 20 years.

For the year ended June 30, 2011, the City had an outstanding advance between the Electric Fund and the Water and Sewer Fund \$105,041. The Electric Fund made the advance to the Water and Sewer Fund.

# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2011

<u><i>Due From Recorded</i></u>	<u><i>Due To Recorded</i></u>	<u><i>Amount</i></u>
General Fund	Nonmajor Governmental Funds MAGNET	\$ 6,258
Internal Service Fund - Motor Pool Fund	General Fund	15,308
	Major Street Fund	3,935
	Electric Fund	919
	Water and Sewer Fund	3,281
	Solid Waste Fund	4,484
	Nonmajor Governmental Funds	
	Local Street Fund	3,079
	T.A. Cutler Memorial Library Fund	276
		<u>\$ 37,540</u>

The City often reports interfund balances between many of its funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

<u><i>Funds Transferred From</i></u>	<u><i>Funds Transferred To</i></u>	<u><i>Amount</i></u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	
Public Improvement Fund	Local Street Fund	\$ 40,000
	2002 General Obligation Limited Tax Fund	27,955
Nonmajor Governmental Funds	Nonmajor Governmental Funds	
T.A. Cutler Memorial Library Fund	Building Authority Fund	36,070
Electric Fund	Nonmajor Governmental Fund	
	Public Improvement Fund	104,113
Water and Sewer Fund	Nonmajor Governmental Fund	
	Public Improvement Fund	48,364
Solid Waste Fund	Nonmajor Governmental Fund	
	Public Improvement Fund	7,516
		<u>\$ 264,018</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires or allows to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# CITY OF ST. LOUIS

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2011

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### NOTE 10: RISK MANAGEMENT

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The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The City manages risk through the purchase of commercial insurance. There was no change in coverage from the prior year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

***Liability, vehicle physical damage and property and crime*** – The City is a member of the Michigan Municipal Liability and Property Pool, which is an association organized to purchase commercial insurance for protection against loss for Michigan cities, counties, townships and special service governments. The City is insured up to the following limits: Liability - \$5,000,000, vehicle physical damage - \$5,000,000 and property and crime - \$5,000,000, subject to deductibles of \$1,000, \$100-\$250 and \$1,000, respectively.

When a claim is incurred and/or paid, the member's loss contribution account is charged or credited according to the member's actual loss experience; no obligation is credited for another member's losses. If contributions are in excess of actual expenses and reserves, future contributions are increased. Should any member have more losses paid on their behalf than contributions covering such losses, credit is extended within the association joint loss fund; such a deficit is repaid by the member in future contributions.

The Plan does not maintain separate funds for members and consequently the City's share of total assets and total equity is unknown. Audited financial statements of the Plan are available.

***Worker's compensation*** – The City purchases coverage through the Michigan Municipal Workers' Compensation Fund. The Fund is authorized by State law to provide its members with coverage required by the Workers' Disability Compensation Act. Claims are subject to a maximum limit of \$500,000 per occurrence.

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### NOTE 11: EMPLOYEE RETIREMENT PLANS

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The City has two employee pension plans. One is a Defined Contribution Plan and the other is a Defined Benefit Plan, both administered by the MERS Retirement Board, of the Municipal Employee's Retirement System of Michigan (MERS). Information concerning each plan follows:

#### **Defined Benefit Pension Plan (Municipal Employees' Retirement System of Michigan):**

***Plan Description*** – The City contributes to the Municipal Employees' Retirement System of Michigan ("MERS"), an agent multiple-employer defined benefit public employee retirement plan administered by the MERS Retirement Board. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. A copy of that report may be obtained by writing to the Municipal Employees' Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

# CITY OF ST. LOUIS

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2011

The Plan provided pension benefits, deferred allowances, and death and disability benefits. Benefits vest after six (6) of service. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of either 2.25 or 2.5 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. Normal retirement is based on certain requirements. The most recent period of which actuarial data was available was for the year ended December 31, 2010.

The retirement allowance is reduced ½ of 1% for each complete month that the retirement date precedes the age at which full normal retirement benefits are available. Pension provisions include allowances whereby an employee may terminate employment with the City after accumulating six years of service but before reaching the age of 60 (age of 55 or 50 in certain cases). If the employee does not withdraw his or her accumulated contributions, the employee is entitled to all pension benefits upon reaching retirement age as discussed above.

Pension provisions include death and disability benefits. A disabled employee is entitled to full benefits after acquiring six or more years of credited service. A surviving spouse is entitled to receive 85% of the employee's straight life allowance. Children are entitled to 50% of the straight life allowance.

**Funding Policy** – The City is required to contribute at an actuarially determined rate; the current rate is a flat rate of annual covered payroll. Employees are required to contribute to the plan ranging at a rate of 2.00-4.88%. The contribution requirements of the City are established, and may be amended, by the MERS Retirement Board. The contribution requirements of employees are established, and may be amended, by the City depending on the MERS contribution program adopted by the City.

**Annual Pension Cost** – For year ended June 30, 2011, the City's annual pension cost of \$188,624 for the Plan was greater than the City's required contribution of \$182,090. However, the City's actual contribution was \$252,207. The annual required contribution was determined as part of the December 31, 2009 actuarial valuation, using the entry actual age actuarial cost method. The significant actuarial assumptions included: (i) a rate of return of the investment of present and future assets of 8%; (ii) projected salary increases of 4.5% per year, compounded annually, attributable to inflation; (iii) additional projected salary increases of 0% to 8.40% per year, depending on age, attributable to seniority/merit, and (iv) the assumption that benefits will increase 2.5% annually after retirement. The actuarial value of the Plan assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period is 28 years.

The City's annual pension cost and net pension asset to MERS for the current year were as follows:

Annual required contribution	\$ 182,090
Interest on net pension asset	(11,093)
Adjustment to annual required contribution	<u>17,627</u>
Annual pension cost	188,624
Contributions made	<u>(252,207)</u>
(Increase) decrease in net pension asset	(63,583)
Net pension (asset), beginning of year	<u>(138,664)</u>
Net pension (asset), end of year	<u>\$ (202,247)</u>

The net pension asset is reported in the government-wide governmental activities.

# CITY OF ST. LOUIS

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2011

Three year trend information as of June 30, follows:

<i>Year Ended June 30</i>	<i>Annual Pension Cost</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Asset</i>
2009	\$ 132,532	110%	\$ 110,886
2010	135,770	120%	138,664
2011	188,624	134%	202,247

**Funded Status** – As of December 31, 2010, the most recent actuarial valuation date, the plan was 73 percent funded. The actuarial accrued liability for benefits was \$7,364,820, and the actuarial value of assets was \$5,370,378, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,994,442. The covered payroll (annual payroll of active employees covered by the plan) was \$620,970, and the ratio of the UAAL to the covered payroll was 321 percent.

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### **Defined Contribution Pension Plan (Municipal Employees' Retirement System of Michigan):**

In an effort to phase out the MERS defined benefit pension plan described above, the City adopted a resolution to implement the MERS Defined Contribution Money Purchase Plan for all employees of the City. The plan was implemented beginning July 1, 1999, and is the only pension plan available to new employees after that date.

The City's Defined Contribution Pension Plan is a single employer defined contribution pension plan, established by the City and administered by MERS Retirement Board. The City's contribution is 8% of each participant's wages for the plan year contingent upon the participant electing to contribute 3% of earnings. The participants' contributions are immediately 100% vested and the City's contributions are vested over a five year period. Employer contributions for the plan were \$71,777 for the year ended June 30, 2011. Employee contributions for the plan were \$26,916 for the year ended June 30, 2011. Plan provisions and contribution requirements are established and may be amended by the City Council.

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### **NOTE 12: FEDERAL AWARD EXPENDITURE/SINGLE AUDIT**

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During the year ended June 30, 2011, the City recorded expenditures of federal awards less than \$500,000. The Housing Commission, reported as a discretely presented component unit of the City, obtains a separate single audit.

# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2011

### NOTE 13: PRIOR PERIOD ADJUSTMENT

#### Change in Accounting Method:

Long-term receivables have previously been presented, in governmental funds, with an offsetting amount presented as deferred revenue under liabilities. The Governmental Accounting Standards Board (GASB) has recently indicated that long term receivables should be reported as reserved fund balance rather than as deferred revenue in the liability section of the financial statements. Accordingly, deferred revenues have been reclassified as required.

#### Correction of an Error:

Certain expenditures/expenses and revenues were for services for the previous fiscal year and should have been recorded as of the prior fiscal year end as accounts payable and accounts receivable.

The effect on the fund balance/net assets based on the above items is as follows:

	<u>Governmental Funds</u>		<u>Component Unit</u>	<u>Proprietary Funds</u>	
	<u>General Fund</u>	<u>T.A. Cutler Memorial Library Fund</u>	<u>Downtown Development Authority</u>	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>
Fund balances/Net assets, June 30, 2010, previously stated	\$ 696,650	\$ 38,395	\$ (58,785)	\$ 7,841,254	\$ 9,067,737
Less: Accounts payable that should have been recorded for 2010 year	(3,513)	(483)	(24)	(3,466)	(31,376)
Add: Accounts receivable that should have been recorded 2010 year	-	-	-	403,304	168,052
Add: Reclassification of deferred revenue for long-term receivables	28,207	55	-	-	-
Fund balances/Net assets, June 30, 2010, restated	<u>\$ 693,137</u>	<u>\$ 37,912</u>	<u>\$ (58,809)</u>	<u>\$ 8,241,092</u>	<u>\$ 9,204,413</u>

	<u>Government-wide Statements</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>
Net assets, June 30, 2010, previously stated	\$ 10,256,561	\$ 19,060,713	\$ 89,633
Less: Accounts payable that should have been for 2010 year	(3,996)	(34,842)	(24)
Add: Accounts receivable that should have been recorded for 2010 year	-	571,356	-
Add (Less): Change presentation of Housing Commission from a blended unit to a discretely presented component unit	-	(1,851,268)	1,851,268
Net assets, June 30, 2010, restated	<u>\$ 10,252,565</u>	<u>\$ 17,745,959</u>	<u>\$ 1,940,877</u>

***REQUIRED SUPPLEMENTAL INFORMATION***

# CITY OF ST. LOUIS

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## SCHEDULE OF PENSION PLAN FUNDING PROGRESS

Year Ended June 30, 2011

*Schedule of Pension Plan Funding Progress:*

<u>Actuarial Valuation Date</u>	<u>12/31/10</u>	<u>12/31/09</u>	<u>12/31/08</u>
Actuarial Value of Assets	\$ 5,370,378	\$ 5,390,306	\$ 5,508,314
Actuarial Accrued Liability (AAL)	7,364,820	7,149,635	7,133,510
Unfunded AAL (UAAL)	1,994,442	1,759,329	1,625,196
Funded Ratio	73%	75%	77%
Covered Payroll	620,970	662,112	673,346
UAAL as a percentage of covered payroll	321%	266%	241%

# CITY OF ST. LOUIS

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 701,800	\$ 701,800	\$ 705,891	\$ 4,091
Licenses and permits	35,600	35,600	39,113	3,513
Federal grants	32,000	32,000	40,402	8,402
State grants	443,800	451,950	447,235	(4,715)
Charges for services	307,909	307,909	307,477	(432)
Fines and forfeits	5,750	5,750	3,847	(1,903)
Interest and rents	12,935	12,935	12,291	(644)
Other revenue	10,700	10,700	29,635	18,935
Total revenues	<u>1,550,494</u>	<u>1,558,644</u>	<u>1,585,891</u>	<u>27,247</u>
<b>Expenditures:</b>				
Current				
General government	472,400	503,250	419,966	(83,284)
Public safety	746,885	821,885	764,499	(57,386)
Public works	123,450	137,450	130,217	(7,233)
Community and economic development	122,900	119,800	103,060	(16,740)
Recreation and culture	131,850	141,850	145,991	4,141
Debt service	4,100	4,100	3,685	(415)
Total expenditures	<u>1,601,585</u>	<u>1,728,335</u>	<u>1,567,418</u>	<u>(160,917)</u>
Net change in fund balance	(51,091)	(169,691)	18,473	188,164
Fund balance, beginning of year, restated	<u>721,344</u>	<u>721,344</u>	<u>721,344</u>	<u>-</u>
Fund balance, end of year	<u>\$ 670,253</u>	<u>\$ 551,653</u>	<u>\$ 739,817</u>	<u>\$ 188,164</u>

# CITY OF ST. LOUIS

## MAGNET FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
<b>Revenues:</b>				
Federal grants	\$ 171,000	\$ 171,000	\$ 183,308	\$ 12,308
Fines and forfeits	68,000	68,000	99,553	31,553
Interest and rents	1,000	1,000	818	(182)
Other revenue	<u>65,800</u>	<u>65,800</u>	<u>35,355</u>	<u>(30,445)</u>
Total revenues	<u>305,800</u>	<u>305,800</u>	<u>319,034</u>	<u>13,234</u>
<b>Expenditures:</b>				
Current				
Public safety	<u>287,500</u>	<u>287,500</u>	<u>232,486</u>	<u>(55,014)</u>
Total expenditures	<u>287,500</u>	<u>287,500</u>	<u>232,486</u>	<u>(55,014)</u>
Excess (deficiency) of revenues over expenditures	<u>18,300</u>	<u>18,300</u>	<u>86,548</u>	<u>68,248</u>
<b>Other financing sources (uses):</b>				
Equity transfer to Shiawassee County	<u>-</u>	<u>-</u>	<u>(371,294)</u>	<u>(371,294)</u>
Net change in fund balance	18,300	18,300	(284,746)	(303,046)
Fund balance, beginning of year	<u>284,746</u>	<u>284,746</u>	<u>284,746</u>	<u>-</u>
Fund balance, end of year	<u>\$ 303,046</u>	<u>\$ 303,046</u>	<u>\$ -</u>	<u>\$ (303,046)</u>

***SUPPLEMENTAL INFORMATION***

# CITY OF ST. LOUIS

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

June 30, 2011

	<u>Special Revenue Funds</u>			<u>Debt Service Funds</u>	
	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>T.A.Cutler Memorial Library Fund</u>	<u>Building Authority Fund</u>	<u>2002 General Obligation Limited Tax Fund</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 280,786	\$ 56,592	\$ 64,924	\$ 1,317	\$ 5,460
Taxes receivable	-	-	236	-	-
Accounts receivable	-	-	377	-	-
Accrued interest receivable	-	-	-	-	-
Due from other governmental units	36,926	14,275	-	-	-
Prepaid expenditures	529	491	520	-	-
Total assets	<u>\$ 318,241</u>	<u>\$ 71,358</u>	<u>\$ 66,057</u>	<u>\$ 1,317</u>	<u>\$ 5,460</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 8,925	\$ 18,315	\$ 3,247	\$ -	\$ -
Accrued expenses	1,589	469	1,129	-	-
Due to other funds	3,935	3,079	276	-	-
Total liabilities	<u>14,449</u>	<u>21,863</u>	<u>4,652</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>					
Nonspendable:					
Prepaid expenditures	529	491	520	-	-
Long-term receivables	-	-	194	-	-
Nonexpendable cemetery principal	-	-	-	-	-
Restricted for:					
Streets	303,263	49,004	-	-	-
Library operations	-	-	60,691	-	-
Debt service	-	-	-	1,317	5,460
Assigned to:					
Capital improvements	-	-	-	-	-
Cemetery operations	-	-	-	-	-
Total fund balances	<u>303,792</u>	<u>49,495</u>	<u>61,405</u>	<u>1,317</u>	<u>5,460</u>
Total liabilities and fund balances	<u>\$ 318,241</u>	<u>\$ 71,358</u>	<u>\$ 66,057</u>	<u>\$ 1,317</u>	<u>\$ 5,460</u>

<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	
	<u>Cemetery Perpetual Care Fund</u>	<u>Total</u>
\$ 285,674	\$ 192,333	\$ 887,086
-	-	236
-	-	377
-	166	166
-	-	51,201
-	-	1,540
<u>\$ 285,674</u>	<u>\$ 192,499</u>	<u>\$ 940,606</u>

\$ -	\$ -	\$ 30,487
-	-	3,187
-	-	7,290
-	-	40,964

-	-	1,540
-	-	194
-	164,852	164,852
-	-	352,267
-	-	60,691
-	-	6,777
285,674	-	285,674
-	27,647	27,647
<u>285,674</u>	<u>192,499</u>	<u>899,642</u>
<u>\$ 285,674</u>	<u>\$ 192,499</u>	<u>\$ 940,606</u>

# CITY OF ST. LOUIS

## NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended June 30, 2011

	<i>Special Revenue Funds</i>			<i>Debt Service Funds</i>	
	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>T.A.Cutler Memorial Library Fund</i>	<i>Building Authority Fund</i>	<i>2002 General Obligation Limited Tax Fund</i>
<b>Revenues:</b>					
Property taxes	\$ -	\$ -	\$ 50,191	\$ -	\$ -
State grants	231,510	88,471	5,509	-	-
Contributions from other units	-	-	-	-	16,560
Charges for services	-	-	3,259	-	-
Fines and forfeits	-	-	100,932	-	-
Interest and rents	2,609	877	1,068	17	34
Other revenue	50	450	11,533	-	-
Total revenues	<u>234,169</u>	<u>89,798</u>	<u>172,492</u>	<u>17</u>	<u>16,594</u>
<b>Expenditures:</b>					
Current					
Public works	207,454	166,857	-	-	-
Recreation and culture	-	-	111,799	-	-
Capital outlay	-	-	1,185	-	-
Debt service					
Principal	-	-	-	25,000	30,000
Interest and fees	-	-	-	11,070	14,538
Total expenditures	<u>207,454</u>	<u>166,857</u>	<u>112,984</u>	<u>36,070</u>	<u>44,538</u>
Excess (deficiency) of revenues over expenditures	<u>26,715</u>	<u>(77,059)</u>	<u>59,508</u>	<u>(36,053)</u>	<u>(27,944)</u>
<b>Other financing sources (uses):</b>					
Transfers from other funds	-	40,000	-	36,070	27,955
Transfers to other funds	-	-	(36,070)	-	-
Net other financing sources (uses)	<u>-</u>	<u>40,000</u>	<u>(36,070)</u>	<u>36,070</u>	<u>27,955</u>
Net changes in fund balances	26,715	(37,059)	23,438	17	11
Fund balances, beginning of year, restated	<u>277,077</u>	<u>86,554</u>	<u>37,967</u>	<u>1,300</u>	<u>5,449</u>
Fund balances, end of year	<u>\$ 303,792</u>	<u>\$ 49,495</u>	<u>\$ 61,405</u>	<u>\$ 1,317</u>	<u>\$ 5,460</u>

<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	
<u>Public Improvement Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Total</u>
\$ -	\$ -	\$ 50,191
-	-	325,490
-	-	16,560
-	-	3,259
-	-	100,932
2,027	46	6,678
-	4,008	16,041
<u>2,027</u>	<u>4,054</u>	<u>519,151</u>
-	-	374,311
-	-	111,799
-	-	1,185
-	-	55,000
-	-	25,608
<u>-</u>	<u>-</u>	<u>567,903</u>
<u>2,027</u>	<u>4,054</u>	<u>(48,752)</u>
159,993	-	264,018
(67,955)	-	(104,025)
<u>92,038</u>	<u>-</u>	<u>159,993</u>
94,065	4,054	111,241
<u>191,609</u>	<u>188,445</u>	<u>788,401</u>
<u>\$ 285,674</u>	<u>\$ 192,499</u>	<u>\$ 899,642</u>

# CITY OF ST. LOUIS

*WATER AND SEWER FUND*  
**STATEMENT OF NET ASSETS**  
 June 30, 2011

	<i><u>Water and Sewer Fund</u></i>	<i><u>Water Supply Replacement Fund</u></i>	<i><u>Total Water and Sewer Fund</u></i>
<b>Assets:</b>			
<i><b>Current assets:</b></i>			
Cash and cash equivalents	\$ 340,483	\$ 1,966,128	\$ 2,306,611
Accounts receivable	357,916	10,500,000	10,857,916
Accrued interest receivable	415	712	1,127
Due from other funds	690,169	(690,169)	-
Inventory	45,079	-	45,079
Prepaid expenses	10,674	-	10,674
	<u>1,444,736</u>	<u>11,776,671</u>	<u>13,221,407</u>
Total current assets			
<i><b>Noncurrent assets:</b></i>			
Restricted cash and cash equivalents	750,779	-	750,779
Capital assets:			
Nondepreciable capital assets	600,230	-	600,230
Depreciable capital assets, net	8,118,170	-	8,118,170
	<u>9,469,179</u>	<u>-</u>	<u>9,469,179</u>
Total noncurrent assets			
Total assets	<u>10,913,915</u>	<u>11,776,671</u>	<u>22,690,586</u>
<b>Liabilities:</b>			
<i><b>Current liabilities:</b></i>			
Accounts payable	87,914	-	87,914
Accrued expenses	10,059	-	10,059
Due to other funds	3,281	-	3,281
Deposits payable	15,631	-	15,631
Accrued interest payable	7,584	-	7,584
Advance payable to other funds	105,051	-	105,051
Current compensated absences	47,329	-	47,329
Current long-term debt	145,000	-	145,000
	<u>421,849</u>	<u>-</u>	<u>421,849</u>
Total current liabilities			
<i><b>Noncurrent liabilities:</b></i>			
Compensated absences payable	17,760	-	17,760
Long-term debt	416,343	-	416,343
	<u>434,103</u>	<u>-</u>	<u>434,103</u>
Total noncurrent liabilities			
Total liabilities	<u>855,952</u>	<u>-</u>	<u>855,952</u>

continued

# CITY OF ST. LOUIS

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## WATER AND SEWER FUND

### STATEMENT OF NET ASSETS, CONTINUED

June 30, 2011

	<i><b>Water and Sewer Fund</b></i>	<i><b>Water Supply Replacement Fund</b></i>	<i><b>Total Water and Sewer Fund</b></i>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	8,153,400	-	8,153,400
Restricted for:			
Debt service	216,216	-	216,216
Replacement/improvements	534,563	-	534,563
Water supply replacement	-	10,581,836	10,581,836
Unrestricted	<u>1,153,784</u>	<u>1,194,835</u>	<u>2,348,619</u>
Total net assets	<u>\$ 10,057,963</u>	<u>\$11,776,671</u>	<u>\$ 21,834,634</u>

# CITY OF ST. LOUIS

## WATER AND SEWER FUND

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2011

	<i><b>Water and Sewer Fund</b></i>	<i><b>Water Supply Replacement Fund</b></i>	<i><b>Total Water and Sewer Fund</b></i>
<b>Operating revenues:</b>			
Charges for services	\$ 2,047,968	\$ -	\$ 2,047,968
Penalties	27,265	-	27,265
Other	44,542	-	44,542
Total operating revenues	<u>2,119,775</u>	<u>-</u>	<u>2,119,775</u>
<b>Operating expenses:</b>			
Personnel	706,436	-	706,436
Administrative expense	81,538	-	81,538
Other services and supplies	698,508	-	698,508
Depreciation	431,557	-	431,557
Total operating expenses	<u>1,918,039</u>	<u>-</u>	<u>1,918,039</u>
Operating income (loss)	<u>201,736</u>	<u>-</u>	<u>201,736</u>
<b>Non-operating revenues (expenses):</b>			
State grant	2,430	-	2,430
Interest income	9,671	3,492	13,163
Rental income	22,827	-	22,827
Other income	9,246	-	9,246
Interest expense	(34,165)	-	(34,165)
Net non-operating	<u>10,009</u>	<u>3,492</u>	<u>13,501</u>
Change in net assets before other	211,745	3,492	215,237
<b>Settlement from lawsuit, net professional fees</b>	-	12,463,348	12,463,348
<b>Transfers from other funds</b>	690,169	(690,169)	-
<b>Transfer to other funds</b>	<u>(48,364)</u>	<u>-</u>	<u>(48,364)</u>
Change in net assets	853,550	11,776,671	12,630,221
Net assets, beginning of year, restated	<u>9,204,413</u>	<u>-</u>	<u>9,204,413</u>
Net assets, end of year	<u>\$ 10,057,963</u>	<u>\$ 11,776,671</u>	<u>\$ 21,834,634</u>

# CITY OF ST. LOUIS

## GOVERNMENTAL ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2011

#### 1996 BUILDING AUTHORITY BONDS (GENERAL OBLIGATION LIMITED TAX)

Issue in the amount of	\$ 425,000
Less: Principal paid in prior years	(235,000)
Principal paid in current year	<u>(25,000)</u>
Balance payable at June 30, 2011	<u>\$ 165,000</u>

Balance payable as follows:

<u>Fiscal Year Ended</u>	<u>Interest Rate</u>	<u>Interest due October 1</u>	<u>Principal due April 1</u>	<u>Interest due April 1</u>	<u>Total Annual Requirement</u>
2012	5.50%	\$ 4,648	\$ 25,000	\$ 4,648	\$ 34,296
2013	5.60%	3,960	30,000	3,960	37,920
2014	5.60%	3,120	30,000	3,120	36,240
2015	5.70%	2,280	40,000	2,280	44,560
2016	5.70%	<u>1,140</u>	<u>40,000</u>	<u>1,140</u>	<u>42,280</u>
		<u>\$ 15,148</u>	<u>\$ 165,000</u>	<u>\$ 15,148</u>	<u>\$ 195,296</u>

#### 2002 GENERAL OBLIGATION LIMITED TAX BONDS

Issue in the amount of	\$ 500,000
Less: Principal paid in prior years	(180,000)
Principal paid in current year	<u>(30,000)</u>
Balance payable at June 30, 2011	<u>\$ 290,000</u>

Balance payable as follows:

<u>Fiscal Year Ended</u>	<u>Interest Rate</u>	<u>Principal due October 1</u>	<u>Principal due October 1</u>	<u>Interest due April 1</u>	<u>Total Annual Requirement</u>
2012	4.25%	\$ 35,000	\$ 6,808	\$ 6,064	\$ 47,872
2013	4.50%	35,000	6,064	5,276	46,340
2014	4.65%	40,000	5,276	4,346	49,622
2015	4.75%	40,000	4,346	3,396	47,742
2016	4.80%	45,000	3,396	2,316	50,712
2017	4.85%	45,000	2,316	1,225	48,541
2018	4.90%	<u>50,000</u>	<u>1,225</u>	<u>-</u>	<u>51,225</u>
		<u>\$ 290,000</u>	<u>\$ 29,431</u>	<u>\$ 22,623</u>	<u>\$ 342,054</u>

# CITY OF ST. LOUIS

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## GOVERNMENTAL ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2011

#### 2009 CAPITAL LEASE - COPIER

Issue in the amount of	\$	10,248
Less: Principal paid in prior years		(4,145)
Principal paid in current year		<u>(3,219)</u>
Balance payable at June 30, 2011	\$	<u>2,884</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Principal due</u>	<u>Interest due</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2012	10.90%	<u>\$ 2,884</u>	<u>\$ 131</u>	<u>\$ 3,015</u>

# CITY OF ST. LOUIS

## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2011

#### WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS, SERIES 1996

Issue in the amount of	\$ 850,000
Less: Principal paid in prior years	(680,000)
Principal paid in current year	<u>(80,000)</u>
Balance payable at June 30, 2011	<u>\$ 90,000</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Principal due</u> <u>October 1</u>	<u>Interest due</u> <u>October 1</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2012	5.400%	<u>\$ 90,000</u>	<u>\$ 2,430</u>	<u>\$ 92,430</u>

#### WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS, SERIES 1997

Issue in the amount of	\$ 995,000
Less: Principal paid in prior years	(470,000)
Principal paid in current year	<u>(50,000)</u>
Balance payable at June 30, 2011	<u>\$ 475,000</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Principal due</u> <u>October 1</u>	<u>Interest due</u> <u>October 1</u>	<u>Interest due</u> <u>April 1</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2012	5.400%	\$ 55,000	\$ 12,739	\$ 11,295	\$ 79,034
2013	5.400%	60,000	11,295	9,705	81,000
2014	5.400%	60,000	9,705	8,100	77,805
2015	5.400%	65,000	8,100	6,345	79,445
2016	5.400%	75,000	6,345	4,320	85,665
2017	5.400%	80,000	4,320	2,160	86,480
2018	5.400%	80,000	2,160	-	82,160
		<u>\$ 475,000</u>	<u>\$ 54,664</u>	<u>\$ 41,925</u>	<u>\$ 571,589</u>

# CITY OF ST. LOUIS

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2011

#### 2001 ELECTRIC REVENUE BONDS

Issue in the amount of	\$ 995,000
Less: Principal paid in prior years	(465,000)
Principal paid in current year	<u>-</u>
Balance payable at June 30, 2011	<u>\$ 530,000</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Principal due</u> <u>July 1</u>	<u>Interest due</u> <u>July 1</u>	<u>Interest due</u> <u>January 1</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2012	4.450%	\$ 70,000	\$ -	\$ 11,074	\$ 81,074
2013	4.550%	75,000	11,074	9,368	95,442
2014	4.650%	75,000	9,368	7,624	91,992
2015	4.750%	75,000	7,624	5,843	88,467
2016	4.850%	75,000	5,843	4,024	84,867
2017	4.950%	75,000	4,024	2,168	81,192
2018	5.100%	<u>85,000</u>	<u>2,168</u>	<u>-</u>	<u>87,168</u>
		<u>\$ 530,000</u>	<u>\$ 40,101</u>	<u>\$ 40,101</u>	<u>\$ 610,202</u>



**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 Honorable Mayor and Members of City Council  
City of St. Louis, Michigan

We have audited the financial statements of the City of St. Louis as of and for the year ended June 30, 2011, and have issued our report thereon dated October 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of St. Louis'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*.

To the Honorable Mayor and Members of City Council  
City of St. Louis, Michigan

This report is intended solely for the information and use of management, the City Council, federal awarding agencies and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Berthiaume & Co.*

Saginaw, Michigan  
October 6, 2011