

# **CITY OF ST. LOUIS**

Gratiot County, Michigan

## **FINANCIAL STATEMENTS**

June 30, 2017

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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 discretely presented component unit, each major fund and the aggregate remaining fund information of the City of St. Louis as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of St. Louis as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 9), schedule of changes in net pension liability and related ratios (page 52), schedule of defined benefit plan pension contributions (page 53), and budgetary comparison information (pages 54 and 55), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Louis' basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary 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. Such 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017 on our consideration of the City of Louis' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of St. Louis' internal control over financial reporting and compliance.

*Berthiaume & Co.*

Saginaw, Michigan  
December 14, 2017

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

# CITY OF ST. LOUIS

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

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 fiscal year ended June 30, 2017. 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 City's combined total net position is reported as \$64,330,215 for the fiscal year ended June 30, 2017, compared to \$61,696,021 for the fiscal year ended June 30, 2016.
- In the City's governmental activities, revenues generated were \$2,719,448 while expenses totaled \$2,495,939.
- In the City's business-type activities, revenues generated were \$9,256,921 while expenses totaled \$6,947,478.
- Total net position increased by \$2,634,194.

### 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 supplementary information and other supplementary 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, as a whole, in a manner similar to a private sector business. The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. The *statement of activities* presents all of the City's revenues and expenses, and is reported based on when the underlying event giving rise to the revenue or expense occurs, regardless of when cash is received or paid.

The government-wide statements of the City of St. Louis are divided into three categories:

**Governmental Activities** – Most of the City's basic services are included here, such as the public safety, public works, recreation departments, and general administration. Property taxes, state shared revenue, and charges for services finance most of these activities.

**Business-type Activities** – The City charges fees to customers to recover all or a significant portion of certain services it provides. These business-type activities include electric, water and sewer, and solid waste.

**Component Unit** – The City includes the Downtown Development Authority as a discretely presented component unit.

# CITY OF ST. LOUIS

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

### **Fund Financial Statements:**

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. 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 has three types of funds:

**Governmental Funds** – Many of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out. The funds also show the balances left at year-end that are available for spending.

The governmental funds focus on a short-term view, rather than the long-term focus of the government-wide statements, so additional information is provided after each of the governmental fund statements that explain the relationship of differences between the fund and government-wide statements.

The City maintains eight (8) individual governmental funds. Separate information is presented for the General Fund, which is considered to be a "major" fund. Data from the other seven (7) governmental funds, considered to be "nonmajor" 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. Budgetary comparison statements have been presented for major governmental funds to demonstrate compliance with those budgets.

**Proprietary Funds** – Proprietary funds are used to report services where the City charges a fee to the customer to recover most or all of the cost of the service rendered. Proprietary funds provide both long- and short-term financial information. The two types of proprietary funds are enterprise and internal service funds.

- Enterprise funds and business-type funds are the same, but the fund statements provide more detail and additional information such as cash flows. The City's enterprise funds are the Electric Fund, Water and Sewer Fund and Solid Waste Fund.
- Internal service funds are used to report activities that provide supplies and services to the City's other programs. The City's internal service fund is the Motor Pool Fund.

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

# CITY OF ST. LOUIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

### THE CITY AS A WHOLE:

The City's total combined net position for the fiscal year ended June 30, 2017 is \$64,330,215, consisting of \$10,159,361 in governmental activities and \$54,170,854 in business-type activities.

Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$1,557,356. Governmental activities unrestricted total is \$808,581, while business-type activities is \$748,775.

The following table shows comparisons of total assets, total deferred outflows, total liabilities, and total net position in a condensed format as of June 30, 2017 and June 30, 2016.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<b>Assets:</b>						
Current and other assets	\$ 3,059,086	\$ 2,828,245	\$ 10,162,784	\$ 9,674,304	\$ 13,221,870	\$ 12,502,549
Capital assets, net	9,623,585	9,763,685	52,376,337	50,642,668	61,999,922	60,406,353
Total assets	<u>12,682,671</u>	<u>12,591,930</u>	<u>62,539,121</u>	<u>60,316,972</u>	<u>75,221,792</u>	<u>72,908,902</u>
<b>Deferred outflows</b>	<u>70,428</u>	<u>147,998</u>	<u>308,114</u>	<u>583,135</u>	<u>378,542</u>	<u>731,133</u>
<b>Liabilities:</b>						
Current and other liabilities	398,347	216,022	1,272,888	1,081,584	1,671,235	1,297,606
Long-term liabilities	<u>2,195,391</u>	<u>2,434,598</u>	<u>7,403,493</u>	<u>8,211,810</u>	<u>9,598,884</u>	<u>10,646,408</u>
Total liabilities	<u>2,593,738</u>	<u>2,650,620</u>	<u>8,676,381</u>	<u>9,293,394</u>	<u>11,270,119</u>	<u>11,944,014</u>
<b>Net position:</b>						
Net investment in capital assets	7,856,285	7,876,346	46,732,729	44,624,060	54,589,014	52,500,406
Restricted	1,494,495	1,356,660	6,689,350	6,207,061	8,183,845	7,563,721
Unrestricted	<u>808,581</u>	<u>856,302</u>	<u>748,775</u>	<u>775,592</u>	<u>1,557,356</u>	<u>1,631,894</u>
Total net position	<u>\$10,159,361</u>	<u>\$10,089,308</u>	<u>\$54,170,854</u>	<u>\$51,606,713</u>	<u>\$64,330,215</u>	<u>\$61,696,021</u>

The City's combined total net position increased by \$2,634,194 during the current fiscal year. Governmental activities increased by \$70,053 while business-type activities increased by \$2,564,141.

### Governmental Activities:

The City's total governmental revenue is reported at \$2,719,448, a decrease of \$253,980 from the prior fiscal year. Most of the decrease is because the library millage ended. Total expenses decreased by \$77,628 from the prior fiscal year.

### Business-type Activities:

The City's total business-type revenue is reported at \$9,256,921, a decrease of \$4,665,296 from the prior fiscal year. The decrease is attributed primarily to the decrease in the amount of capital grants provided from one year to the next. Total expenses decreased by \$95,067 from the prior fiscal year.

# CITY OF ST. LOUIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

The following table shows the comparison of the change in net position in a condensed format for the fiscal years ended June 30, 2017 and June 30, 2016.

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 621,381	\$ 727,199	\$ 7,781,685	\$ 7,353,764	\$ 8,403,066	\$ 8,080,963
Operating grants	794,646	613,287	369,904	179,770	1,164,550	793,057
Capital grants	47,404	195,319	1,076,762	6,370,910	1,124,166	6,566,229
General revenues						
Property taxes	658,537	839,030	-	-	658,537	839,030
Franchise fees	27,988	27,138	-	-	27,988	27,138
Unrestricted grants	545,676	531,261	-	-	545,676	531,261
Investment earnings	12,576	6,633	28,570	17,773	41,146	24,406
Other	11,240	33,561	-	-	11,240	33,561
Total revenues	<u>2,719,448</u>	<u>2,973,428</u>	<u>9,256,921</u>	<u>13,922,217</u>	<u>11,976,369</u>	<u>16,895,645</u>
<b>Expenses:</b>						
General government	535,221	578,569	-	-	535,221	578,569
Public safety	823,518	845,627	-	-	823,518	845,627
Public works	657,370	657,474	-	-	657,370	657,474
Community and economic development	104,650	111,788	-	-	104,650	111,788
Recreation and culture	310,600	310,636	-	-	310,600	310,636
Interest on long-term debt	64,580	69,473	-	-	64,580	69,473
Electric	-	-	3,770,447	3,993,478	3,770,447	3,993,478
Water and Sewer	-	-	2,841,817	2,724,559	2,841,817	2,724,559
Solid Waste	-	-	335,214	324,508	335,214	324,508
Total expenses	<u>2,495,939</u>	<u>2,573,567</u>	<u>6,947,478</u>	<u>7,042,545</u>	<u>9,443,417</u>	<u>9,616,112</u>
Excess of revenues over expenses before other	<u>223,509</u>	<u>399,861</u>	<u>2,309,443</u>	<u>6,879,672</u>	<u>2,532,952</u>	<u>7,279,533</u>
<b>Other items:</b>						
Contributions to principal	2,925	3,394	-	-	2,925	3,394
Sale of capital assets	50,728	105,965	47,589	-	98,317	105,965
Interfund transfers	(207,109)	166,190	207,109	(166,190)	-	-
Total other items	<u>(153,456)</u>	<u>275,549</u>	<u>254,698</u>	<u>(166,190)</u>	<u>101,242</u>	<u>109,359</u>
<b>Changes in net position</b>	<b>70,053</b>	<b>675,410</b>	<b>2,564,141</b>	<b>6,713,482</b>	<b>2,634,194</b>	<b>7,388,892</b>
Net position, beginning	<u>10,089,308</u>	<u>9,413,898</u>	<u>51,606,713</u>	<u>44,893,231</u>	<u>61,696,021</u>	<u>54,307,129</u>
Net position, ending	<u>\$10,159,361</u>	<u>\$ 10,089,308</u>	<u>\$54,170,854</u>	<u>\$51,606,713</u>	<u>\$64,330,215</u>	<u>\$61,696,021</u>

# CITY OF ST. LOUIS

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

### **THE CITY'S FUNDS:**

Presentation of the City of St. Louis' major funds and aggregate nonmajor begins on page 14, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Funds are created to help manage money for specific purposes, as well as show accountability for certain activities, such as specific property tax millages and restricted receipts from Federal and State sources.

The General Fund is the City's largest governmental fund and the only governmental fund that is considered a major fund in the current fiscal year. It pays for most of the City's government services. Its major components of revenue are property taxes and state shared revenue. For the year ended June 30, 2017, General Fund financing sources exceeded its financing uses by \$92,656, increasing its ending fund balance to \$827,760.

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

The General Fund budget, as originally adopted, projected a net decrease in fund balance of \$192,044. During the year, the City made budget amendments which changed the projection to a net decrease in fund balance of \$29,109. The actual results for the year yielded an increase in fund balance of \$92,656. The increase was due to miscellaneous increases in revenue that were not expected as well as some significant savings in expenditures over what was budgeted due to changes in operations or non-use of contingencies. An amount of \$70,500 of the increase was due to capital and one-time projects that were not complete by the end of the fiscal year. That amount will be spent in the 2017-18 budget year and represents an assignment of the fund balance.

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

At June 30, 2017, the City of St. Louis had \$61,999,922 invested in a range of capital assets including land, buildings and improvements, equipment, vehicles, electric, water and sewer lines, streets, and other infrastructure, net of accumulated depreciation. At June 30, 2016, this total was \$60,406,353. Additional information about the City's capital assets is presented in Note 1 and Note 6 of the Notes to the Financial Statements.

At June 30, 2017, the City of St. Louis' total long-term indebtedness (not including compensated absences and net pension liability) was \$7,410,908, of which \$1,767,300 was backed by the full faith and credit of the City and the remaining \$5,643,608 was backed by specific revenue sources. Additional information about the City's indebtedness is presented in Note 7 of the Notes to the Financial Statements.

### **Economic Factors:**

Following the discovery of traces of varying levels of the chemical compound para-Chlorobenzene Sulfonic Acid from the Velsicol Superfund Site in all six municipal drinking water supply wells, the Michigan Department of Environmental Quality strongly suggested replacement of the City's entire water supply in a location five miles or greater from the City. During fiscal year 2010-2011, litigation was settled against Velsicol Chemical Company, the Velsicol Trust Funds et al (responsible parties for the contamination) in the amount of \$26,500,000. These funds, together with a \$27,100,000 grant awarded by the United States Environmental Protection Agency (US EPA), are being used to design and construct a new water supply system. This system is a collaboration with the close-by City of Alma. Subsequent to year end, the City of St. Louis began receiving water from the new project even though significant construction continues. To date, it is estimated that the project is 76% complete.

# CITY OF ST. LOUIS

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Gratiot County (which includes the City of St. Louis and the surrounding incorporated and unincorporated area), has a labor force of approximately 18,000 people. The unemployment rate in the County for July 2017 is 4.9% which is down from the July 2016 rate of 5.5%. Statewide the unemployment for the same period saw a downward trend of 5.9% to 4.9%.

As the State's economy continues to improve from the recent recession, the State's decline in support to local government, though not to pre-recession levels, has over the current fiscal year seen some improvement. We are continuing to see improvement in the local business climate. 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. Though there were no new residential construction starts over the past year we are seeing the number of vacant homes decline and an increased number of improvements to the existing housing stock.

During the current fiscal year ended June 30, 2017, the unassigned fund balance in the general fund is \$617,563. The City has projected a balanced budget for the upcoming fiscal year without using fund balance to do so. The City successfully implemented a Public Safety Special Assessment that will generate over \$90,000 for police and fire activities. This new assessment helps to ease the burden that the General Fund has experienced in recent years. Improvement in the housing market and increasing home prices are indicators that tax revenues in the General Fund will begin to increase as well. However, the rebound may not happen fast enough to enable the City to avoid some significant cuts in the near future. The City continues to monitor spending closely and seek out revenue sources and programs.

### **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 Bobbie Marr, Finance Director, City of St. Louis, 300 N. Mill Street, St. Louis, Michigan 48880.

***BASIC FINANCIAL STATEMENTS***

# CITY OF ST. LOUIS

## STATEMENT OF NET POSITION

June 30, 2017

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,740,626	\$ 1,364,774	\$ 4,105,400	\$ 2,679
Investments	193,942	804,408	998,350	-
Receivables	299,707	1,634,039	1,933,746	8
Internal balances	(220,609)	220,609	-	-
Inventory	7,897	276,350	284,247	-
Prepaid expenses	37,523	-	37,523	-
Restricted cash and cash equivalents	-	1,457,488	1,457,488	-
Restricted investments	-	3,655,116	3,655,116	-
Advance to Water Authority	-	750,000	750,000	-
Asset held for resale	-	-	-	85,000
Capital assets not being depreciated	2,482,078	40,910,183	43,392,261	-
Capital assets being depreciated, net	<u>7,141,507</u>	<u>11,466,154</u>	<u>18,607,661</u>	<u>-</u>
Total assets	<u>12,682,671</u>	<u>62,539,121</u>	<u>75,221,792</u>	<u>87,687</u>
<b>Deferred outflows of resources:</b>				
Related to pension	<u>70,428</u>	<u>308,114</u>	<u>378,542</u>	<u>-</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	398,347	1,272,888	1,671,235	69
Long-term liabilities:				
Due within one year				
Current portion of compensated absences	59,931	79,595	139,526	-
Current portion of long-term debt	126,379	290,000	416,379	6,881
Due in more than one year				
Compensated absences	10,917	29,930	40,847	-
Long-term debt	1,640,921	5,353,608	6,994,529	26,634
Net pension liability	<u>357,243</u>	<u>1,650,360</u>	<u>2,007,603</u>	<u>-</u>
Total liabilities	<u>2,593,738</u>	<u>8,676,381</u>	<u>11,270,119</u>	<u>33,584</u>
<b>Net position:</b>				
Net investment in capital assets	7,898,463	46,732,729	54,631,192	-
Restricted for:				
Debt service	11,483	809,229	820,712	-
Library operations	375,571	-	375,571	-
Nonexpendable cemetery principal	181,321	-	181,321	-
Replacement/improvements	-	5,880,121	5,880,121	-
Streets	926,120	-	926,120	-
Unrestricted	<u>766,403</u>	<u>748,775</u>	<u>1,515,178</u>	<u>54,103</u>
Total net position	<u>\$ 10,159,361</u>	<u>\$ 54,170,854</u>	<u>\$ 64,330,215</u>	<u>\$ 54,103</u>

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

# CITY OF ST. LOUIS

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>PRIMARY GOVERNMENT:</b>					
<i>Governmental activities:</i>					
General government	\$ 535,221	\$ 436,611	\$ 1,074	\$ -	\$ (97,536)
Public safety	823,518	29,338	14,174	-	(780,006)
Public works	657,370	57,340	556,070	47,404	3,444
Community and economic development	104,650	-	20,300	-	(84,350)
Recreation and culture	310,600	98,092	203,028	-	(9,480)
Interest on long-term debt	64,580	-	-	-	(64,580)
Total governmental activities	<u>2,495,939</u>	<u>621,381</u>	<u>794,646</u>	<u>47,404</u>	<u>(1,032,508)</u>
<i>Business-type activities:</i>					
Electric	3,770,447	4,399,522	-	-	629,075
Water and Sewer	2,841,817	3,026,808	369,904	1,076,762	1,631,657
Solid Waste	335,214	355,355	-	-	20,141
Total business-type activities	<u>6,947,478</u>	<u>7,781,685</u>	<u>369,904</u>	<u>1,076,762</u>	<u>2,280,873</u>
Total primary government	<u>\$ 9,443,417</u>	<u>\$ 8,403,066</u>	<u>\$ 1,164,550</u>	<u>\$ 1,124,166</u>	<u>\$ 1,248,365</u>
<b>COMPONENT UNIT:</b>					
Downtown Development Authority	<u>\$ 23,262</u>	<u>\$ 6,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,718)</u>

continued

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

# CITY OF ST. LOUIS

## STATEMENT OF ACTIVITIES, CONTINUED

Year Ended June 30, 2017

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<i>Changes in net position:</i>				
Net (Expense) Revenue	\$ (1,032,508)	\$ 2,280,873	\$ 1,248,365	\$ (16,718)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	652,116	-	652,116	-
Property taxes, captured by component unit	-	-	-	15,923
Payment in lieu of taxes	6,421	-	6,421	-
Franchise fees	27,988	-	27,988	-
Grants and contributions not restricted to specific programs	545,676	-	545,676	-
Unrestricted investment earnings	12,576	28,570	41,146	9
Other	11,240	-	11,240	-
Contributions to principal of permanent funds	2,925	-	2,925	-
Special items:				
Gain (loss) on sale of capital asset	50,728	47,589	98,317	-
Transfers	(207,109)	207,109	-	-
Total general revenues and other	1,102,561	283,268	1,385,829	15,932
Change in net position	70,053	2,564,141	2,634,194	(786)
Net position, beginning of year	10,089,308	51,606,713	61,696,021	54,889
Net position, end of year	\$ 10,159,361	\$ 54,170,854	\$ 64,330,215	\$ 54,103

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

# CITY OF ST. LOUIS

## GOVERNMENTAL FUNDS

### BALANCE SHEET

June 30, 2017

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 496,860	\$ 1,984,912	\$ 2,481,772
Investments	193,942	-	193,942
Taxes receivable	10,830	364	11,194
Accounts receivable	20,057	6,594	26,651
Due from other governments	110,935	149,025	259,960
Prepaid expenditures	37,523	-	37,523
Advance receivable from other funds	60,033	-	60,033
	<u>930,180</u>	<u>2,140,895</u>	<u>3,071,075</u>
Total assets	<u>\$ 930,180</u>	<u>\$ 2,140,895</u>	<u>\$ 3,071,075</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 54,155	\$ 264,106	\$ 318,261
Accrued expenses	45,091	6,262	51,353
Due to other governments	3,174	-	3,174
	<u>102,420</u>	<u>270,368</u>	<u>372,788</u>
Total liabilities	<u>102,420</u>	<u>270,368</u>	<u>372,788</u>
<b>Fund balances:</b>			
Nonspendable:			
Prepaid expenditures	37,523	-	37,523
Long-term receivables	38,473	-	38,473
Nonexpendable cemetery principal	-	181,321	181,321
Restricted for:			
Debt service	-	11,483	11,483
Library operations	-	375,571	375,571
Streets	-	926,120	926,120
Assigned to:			
Capital improvements	70,500	338,492	408,992
Cemetery improvements	28,437	-	28,437
Cemetery operations	-	37,540	37,540
Pool house improvements	35,264	-	35,264
Unassigned	617,563	-	617,563
	<u>827,760</u>	<u>1,870,527</u>	<u>2,698,287</u>
Total fund balances	<u>827,760</u>	<u>1,870,527</u>	<u>2,698,287</u>
Total liabilities and fund balances	<u>\$ 930,180</u>	<u>\$ 2,140,895</u>	<u>\$ 3,071,075</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 POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2017

<b>Fund balances of governmental funds</b>	\$ 2,698,287
Net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Capital assets not being depreciated	2,482,078
Capital assets being depreciated, net	7,141,507
Capital assets accounted for in the internal service fund	(844,945)
Deferred outflows from the difference between projected and actual investment earnings of the pension plan as well as City contributions made after the measurement date of the net pension liability are not reported in the funds.	70,428
Interest payable in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.	(18,971)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.	
Bonds payable	(1,767,300)
Bonds payable accounted for in the internal service fund	142,960
Compensated absences payable	(70,848)
Compensated absences payable accounted for in the internal service fund	3,310
Net pension liability	(357,243)
A portion of the net position (including capital assets of \$844,945) and liabilities of the internal service fund are included in the governmental activities in the statement of net position (net of \$220,609 allocation to business-type activities).	<u>680,098</u>
<b>Net position of governmental activities</b>	<b><u>\$ 10,159,361</u></b>

*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, 2017

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Revenues:</b>			
Property taxes	\$ 658,537	\$ 23	\$ 658,560
Licenses and permits	50,390	-	50,390
Federal grants	-	47,404	47,404
State grants	590,852	541,209	1,132,061
Contributions from other units	-	181,319	181,319
Charges for services	472,865	4,903	477,768
Fines and forfeits	3,393	87,697	91,090
Interest and rents	20,599	6,253	26,852
Other revenue	14,878	23,281	38,159
	<u>1,811,514</u>	<u>892,089</u>	<u>2,703,603</u>
<b>Total revenues</b>			
<b>Expenditures:</b>			
Current			
General government	331,277	-	331,277
Public safety	819,879	-	819,879
Public works	212,629	491,842	704,471
Community and economic development	104,874	-	104,874
Recreation and culture	83,232	160,081	243,313
Other	45,639	-	45,639
Capital outlay	81,354	80,966	162,320
Debt service			
Principal	32,861	45,000	77,861
Interest and fees	56,693	3,891	60,584
	<u>1,768,438</u>	<u>781,780</u>	<u>2,550,218</u>
<b>Total expenditures</b>			
Excess (deficiency) of revenues over expenditures	<u>43,076</u>	<u>110,309</u>	<u>153,385</u>
<b>Other financing sources (uses):</b>			
Insurance recoveries	900	-	900
Sale of capital assets	48,680	-	48,680
Interfund transfers in	-	300,437	300,437
Interfund transfers out	-	(507,546)	(507,546)
	<u>49,580</u>	<u>(207,109)</u>	<u>(157,529)</u>
<b>Net other financing sources (uses)</b>			
Changes in fund balances	92,656	(96,800)	(4,144)
Fund balances, beginning of year	<u>735,104</u>	<u>1,967,327</u>	<u>2,702,431</u>
Fund balances, end of year	<u>\$ 827,760</u>	<u>\$ 1,870,527</u>	<u>\$ 2,698,287</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, 2017

<b>Changes in fund balances of governmental funds</b>	\$ (4,144)
Change in net position 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.	
Purchases/Acquisitions of capital assets	367,857
Depreciation expense	(507,957)
Purchases/Acquisitions of capital assets accounted for in the internal service fund	(50,458)
Depreciation expense accounted for in the internal service fund	129,616
Payments of principal on long-term obligations are expenditures in governmental funds, but the payments reduce long-term liabilities in the statement of net position.	120,039
Less: Payments of principal accounted for in the internal service fund	(42,178)
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	(4,005)
Change in accrued interest on bonds	628
Change in net pension liability and related deferred outflow	45,361
Certain changes in net position of the internal service fund are reported with governmental activities in the statement of activities (net of \$25,942 allocation to business-type activities).	<u>15,294</u>
<b>Change in net position of governmental activities</b>	<u>\$ 70,053</u>

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

# CITY OF ST. LOUIS

## PROPRIETARY FUNDS

### STATEMENT OF NET POSITION

June 30, 2017

	<i>Enterprise Funds</i>				<i>Internal Service Fund</i>
	<i>Electric Fund</i>	<i>Water and Sewer Fund</i>	<i>Nonmajor Solid Waste Fund</i>	<i>Total</i>	
<b>Assets:</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 249,546	\$ 1,024,882	\$ 90,346	\$ 1,364,774	\$ 258,854
Investments	-	804,408	-	804,408	-
Accounts receivable	536,272	346,924	37,255	920,451	1,902
Accrued interest receivable	-	221	-	221	-
Due from other governments	8,400	679,852	-	688,252	-
Inventory	193,328	60,478	22,544	276,350	7,897
Total current assets	987,546	2,916,765	150,145	4,054,456	268,653
<b>Noncurrent assets:</b>					
Restricted cash and cash equivalents	489,055	968,433	-	1,457,488	-
Restricted investments	1,344,716	2,310,400	-	3,655,116	-
Due from other governments	25,115	-	-	25,115	-
Advance to Water Authority	-	750,000	-	750,000	-
Capital assets not being depreciated	887,931	40,022,252	-	40,910,183	-
Capital assets being depreciated, net	5,489,377	5,976,777	-	11,466,154	844,945
Total noncurrent assets	8,236,194	50,027,862	-	58,264,056	844,945
Total assets	9,223,740	52,944,627	150,145	62,318,512	1,113,598
<b>Deferred outflows of resources:</b>					
Related to pension	92,268	191,872	23,974	308,114	-
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Accounts payable	154,546	972,550	29,063	1,156,159	4,799
Accrued expenses	18,380	30,853	1,068	50,301	1,676
Deposits payable	28,670	10,052	-	38,722	-
Accrued interest payable	3,988	23,718	-	27,706	113
Current advance payable to other fund	-	-	-	-	21,560
Current compensated absences payable	35,759	43,836	-	79,595	3,193
Current portion of long-term debt	50,000	240,000	-	290,000	43,039
Total current liabilities	291,343	1,321,009	30,131	1,642,483	74,380

continued

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

# CITY OF ST. LOUIS

## PROPRIETARY FUNDS

### STATEMENT OF NET POSITION, CONTINUED

June 30, 2017

	<i>Enterprise Funds</i>				<i>Internal Service Fund</i>
	<i>Electric Fund</i>	<i>Water and Sewer Fund</i>	<i>Nonmajor</i>	<i>Total</i>	
			<i>Solid Waste Fund</i>		
<b>Noncurrent liabilities:</b>					
Advance payable to other fund	-	-	-	-	38,473
Compensated absences payable	22,299	7,631	-	29,930	117
Long-term debt	850,000	4,503,608	-	5,353,608	99,921
Net pension liability	<u>521,498</u>	<u>1,012,894</u>	<u>115,968</u>	<u>1,650,360</u>	-
Total noncurrent liabilities	<u>1,393,797</u>	<u>5,524,133</u>	<u>115,968</u>	<u>7,033,898</u>	<u>138,511</u>
Total liabilities	<u>1,685,140</u>	<u>6,845,142</u>	<u>146,099</u>	<u>8,676,381</u>	<u>212,891</u>
<b>Net position:</b>					
Net investment in capital assets	5,477,308	41,255,421	-	46,732,729	701,985
Restricted for:					
Debt service	141,718	667,511	-	809,229	-
Replacement/improvements	1,725,568	2,611,322	-	4,336,890	-
Water supply replacement	-	1,543,231	-	1,543,231	-
Unrestricted	<u>286,274</u>	<u>213,872</u>	<u>28,020</u>	<u>528,166</u>	<u>198,722</u>
Total net position	<u>\$ 7,630,868</u>	<u>\$ 46,291,357</u>	<u>\$ 28,020</u>	<u>\$ 53,950,245</u>	<u>\$ 900,707</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>220,609</u>	
Net position of business-type activities				<u>\$ 54,170,854</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 FUND NET POSITION

Year Ended June 30, 2017

	<i>Enterprise Funds</i>				<i>Internal Service Fund</i>
	<i>Electric Fund</i>	<i>Water and Sewer Fund</i>	<i>Nonmajor</i>	<i>Total</i>	
			<i>Solid Waste Fund</i>		
<b>Operating revenues:</b>					
Charges for services	\$ 4,285,228	\$ 2,844,789	\$ 337,191	\$ 7,467,208	\$ -
Penalties	83,322	36,529	8,406	128,257	-
Equipment rental	-	-	-	-	349,031
Other	16,801	101,069	246	118,116	12,824
Total operating revenues	<u>4,385,351</u>	<u>2,982,387</u>	<u>345,843</u>	<u>7,713,581</u>	<u>361,855</u>
<b>Operating expenses:</b>					
Personnel	658,996	622,530	76,437	1,357,963	47,013
Contracted services	196,356	183,735	167,432	547,523	5,224
Purchased water	-	617,611	-	617,611	-
Administrative expense	163,850	232,269	12,163	408,282	-
Purchased energy	2,158,172	-	-	2,158,172	-
Other services and charges	279,641	311,181	79,182	670,004	136,766
Depreciation	285,000	373,386	-	658,386	129,616
Total operating expenses	<u>3,742,015</u>	<u>2,340,712</u>	<u>335,214</u>	<u>6,417,941</u>	<u>318,619</u>
Operating income	<u>643,336</u>	<u>641,675</u>	<u>10,629</u>	<u>1,295,640</u>	<u>43,236</u>
<b>Non-operating revenues (expenses):</b>					
State SAW grant	-	369,904	-	369,904	-
State SAW grant expenses	-	(411,005)	-	(411,005)	-
Interest income	5,559	22,776	235	28,570	576
Rental income	3,362	38,800	-	42,162	-
Gain (loss) from sale of capital assets	45,038	2,551	-	47,589	2,048
Interest expense	(28,432)	(90,100)	-	(118,532)	(4,624)
Net non-operating revenues (expenses)	<u>25,527</u>	<u>(67,074)</u>	<u>235</u>	<u>(41,312)</u>	<u>(2,000)</u>
Change in net position before capital contributions and transfers	668,863	574,601	10,864	1,254,328	41,236

continued

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

# CITY OF ST. LOUIS

## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION, CONTINUED

Year Ended June 30, 2017

	<i>Enterprise Funds</i>				<i>Internal Service Fund</i>
	<i>Electric Fund</i>	<i>Water and Sewer Fund</i>	<i>Nonmajor Solid Waste Fund</i>	<i>Total</i>	
<b>Capital contributions and transfers:</b>					
Capital contribution - Federal grant	-	848,337	-	848,337	-
Capital contribution - City of Alma	-	228,425	-	228,425	-
Interfund transfers in	-	384,694	-	384,694	-
Interfund transfers out	(101,639)	(67,853)	(8,093)	(177,585)	-
Net capital contributions and transfers	(101,639)	1,393,603	(8,093)	1,283,871	-
Change in net position	567,224	1,968,204	2,771	2,538,199	41,236
Net position, beginning of year	7,063,644	44,323,153	25,249		859,471
Net position, end of year	<u>\$ 7,630,868</u>	<u>\$ 46,291,357</u>	<u>\$ 28,020</u>		<u>\$ 900,707</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				25,942	
Change in net position of business-type activities				<u>\$ 2,564,141</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, 2017

	<i>Enterprise Funds</i>				<i>Internal Service Fund</i>
	<i>Electric Fund</i>	<i>Water and Sewer Fund</i>	<i>Nonmajor Solid Waste Fund</i>	<i>Total</i>	
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 4,373,057	\$ 2,923,436	\$ 345,190	\$ 7,641,683	\$ 11,258
Cash received for interfund services	-	-	-	-	349,031
Cash payments to/for employees	(708,904)	(710,736)	(84,575)	(1,504,215)	(47,496)
Cash payments for goods, services and other	<u>(2,743,819)</u>	<u>(1,213,432)</u>	<u>(284,665)</u>	<u>(4,241,916)</u>	<u>(128,155)</u>
Net cash provided (used) by operating activities	<u>920,334</u>	<u>999,268</u>	<u>(24,050)</u>	<u>1,895,552</u>	<u>184,638</u>
<b>Cash flows from non-capital financing activities:</b>					
State SAW grant	-	369,904	-	369,904	-
State SAW grant expenses	-	(411,005)	-	(411,005)	-
Transfers from (to) other funds	<u>(101,639)</u>	<u>316,841</u>	<u>(8,093)</u>	<u>207,109</u>	<u>-</u>
Net cash provided (used) by non-capital financing activities	<u>(101,639)</u>	<u>275,740</u>	<u>(8,093)</u>	<u>166,008</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>					
Principal payments on advances	-	-	-	-	(21,135)
Capital contributions	-	960,430	-	960,430	-
Acquisition of capital assets	(143,283)	(2,249,481)	-	(2,392,764)	(88,058)
Proceeds from sale of capital assets	45,038	2,551	-	47,589	2,048
Principal payments on debt	(140,000)	(235,000)	-	(375,000)	(42,178)
Interest paid	<u>(28,516)</u>	<u>(99,573)</u>	<u>-</u>	<u>(128,089)</u>	<u>(4,657)</u>
Net cash provided (used) by capital and related financing activities	<u>(266,761)</u>	<u>(1,621,073)</u>	<u>-</u>	<u>(1,887,834)</u>	<u>(153,980)</u>
<b>Cash flows from investing activities:</b>					
Interest received	5,559	22,555	235	28,349	576
Rent received	<u>3,362</u>	<u>38,800</u>	<u>-</u>	<u>42,162</u>	<u>-</u>
Net cash provided by investing activities	<u>8,921</u>	<u>61,355</u>	<u>235</u>	<u>70,511</u>	<u>576</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, 2017

	<u>Enterprise Funds</u>				<u>Internal Service Fund</u>
	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Nonmajor Solid Waste Fund</u>	<u>Total</u>	
Net increase (decrease) in cash, cash equivalents and investments	560,855	(284,710)	(31,908)	244,237	31,234
Cash, cash equivalents and investments, beginning of year	<u>1,522,462</u>	<u>5,392,833</u>	<u>122,254</u>	<u>7,037,549</u>	<u>227,620</u>
Cash, cash equivalents and investments, end of year	<u>\$ 2,083,317</u>	<u>\$ 5,108,123</u>	<u>\$ 90,346</u>	<u>\$ 7,281,786</u>	<u>\$ 258,854</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income	\$ 643,336	\$ 641,675	\$ 10,629	\$ 1,295,640	\$ 43,236
Adjustments:					
Depreciation	285,000	373,386	-	658,386	129,616
Change in assets and liabilities:					
Accounts receivable	(18,839)	(16,971)	(653)	(36,463)	(1,566)
Due from other governments	6,545	(41,980)	-	(35,435)	-
Inventory	(3,359)	(3,947)	(22,544)	(29,850)	12,448
Accounts payable	62,893	135,818	(3,344)	195,367	1,387
Accrued expenses	3,679	8,255	110	12,044	(241)
Deposits payable	(5,334)	(507)	-	(5,841)	-
Compensated absences	2,083	446	-	2,529	(242)
Net pension liability and related deferred outflow of resources	<u>(55,670)</u>	<u>(96,907)</u>	<u>(8,248)</u>	<u>(160,825)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 920,334</u>	<u>\$ 999,268</u>	<u>\$ (24,050)</u>	<u>\$ 1,895,552</u>	<u>\$ 184,638</u>

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

# CITY OF ST. LOUIS

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## FIDUCIARY FUNDS

### STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2017

	<i>Agency Funds</i>
	<u>          </u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 213,138
Accounts receivable	<u>5,720</u>
Total assets	<u><u>\$ 218,858</u></u>
<b>Liabilities:</b>	
Accrued liabilities	\$ 4,138
Due to other governmental units	<u>214,720</u>
Total liabilities	<u><u>\$ 218,858</u></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, 2017

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The following is a summary of the significant accounting policies used by the City of St. Louis, (the “City”):

#### **Reporting Entity:**

Located in Gratiot County, Michigan, St. Louis 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 7,400 residents as authorized by its charter: public safety (police), highways and streets, electric, water, sewer, sanitation, recreation, public improvements, zoning, planning and general administrative services.

The accompanying financial statements present the City as the primary government. Component units are separate legal entities for which the City is financially accountable. Blended component units are, in substance, part of the primary government’s operations, and presented as funds of the primary government. Discretely presented component units are reported in separate columns in the government-wide financial statements. The City has determined that it has two component units; a blended component unit and a discretely presented component unit.

#### **Blended Component Unit:**

***Building Authority*** – The Building Authority is governed by a board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were a part of the primary government because its primary purpose is to finance and construct the City’s public buildings. The Building Authority is reported as a debt service fund.

#### **Discretely Presented Component Unit:**

***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 Finance Director.

#### **Related Organization:**

***St. Louis Housing Commission*** – St. Louis Housing Commission was created under Public Act 18 of 1933. The City is responsible for appointing the members of the Board of Directors of the St. Louis Housing Commission but the City’s accountability for this organization does not extend beyond making the appointments. The City does receive an annual amount from the Housing Commission as payment in lieu of taxes (PILT) but receives no other financial benefit. The PILT amount received from the Housing Commission during fiscal year ended June 30, 2017 was \$3,794. Complete financial statements for the Housing Commission’s June 30, 2017 year end can be obtained by contacting the Housing Commission, 308 S. Delaware Street, St. Louis, Michigan.

# CITY OF ST. LOUIS

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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#### Joint Ventures:

***Mid-Michigan Community Fire Board District*** – The Mid-Michigan Community Fire Board District (the “Fire Board District”) 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 one member from each Township and two members from the City. Each unit is responsible for funding its required local contribution to cover operational deficits based on the formula established by the Fire Board District. The City’s operating contribution for the year ended June 30, 2017, was \$97,074. The provisions of the agreement do not explicitly state equity interest. The financial statements can be obtained at the City of St. Louis administration office.

***Gratiot Area Water Authority*** – The Gratiot Area Water Authority is a joint venture between the City of St. Louis and the City of Alma. The purpose of the Authority is to acquire, own, improve, enlarge, extend and operate those portions of the City of Alma and the City of St. Louis water system which provide water treatment and supply to both cities. The governing board is comprised of six trustees, two appointed from each municipality plus the City Managers of each municipality. Funding of the initial improvements is to be provided by St. Louis and US EPA through terms of a Settlement Agreement related to contamination of the St. Louis City Wells. Ongoing the Authority will establish rates to be charged for wholesale water sold to Alma and St. Louis based on its cost of service. The agreement has no stated equity interest provisions. 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.

***Mid-Michigan Area Cable Communications Consortium*** – The Mid-Michigan Area Cable Communications Consortium is a joint venture between twelve Mid-Michigan communities with cable franchised agreements granted to Charter Communications. 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. Additionally, the Consortium is responsible for the operation of public education and governmental access channels. Each community is permitted to appoint two members of the governing Board.

The City remits 40% of the cable tv franchise fee it receives to the Consortium. For the year ended June 30, 2017, this amounted to \$18,659. The Consortium operates on a calendar year and produces separate financial statements. Per provisions of the agreement, there is no equity interest in the Consortium. Copies of the Mid-Michigan Area Cable Communications Consortium financial statements can be obtained by writing to Operations and Administrative Director, 312 West Michigan Street, Mt. Pleasant, MI 48860.

***Gratiot Community Airport Authority*** – The City is a member of the Gratiot Community Airport Authority which operates the only public airport in Gratiot County. Under MCL 259.621, et. Seq. an agreement to establish the Gratiot Community Airport Authority was entered into on February 18, 2009 and amended on January 30, 2012. The Authority is operated by a six person board, one member from each member municipality. The City is required to contribute \$4,000 per year. The City of St. Louis has no stated equity interest. 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.

# CITY OF ST. LOUIS

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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#### **Jointly Governed Organization:**

*Gratiot Area Solid Waste Authority* – The City is a member of the Gratiot Area Solid Waste Authority which provides solid waste management services to its members. The Authority negotiates mutually beneficial waste management contracts with third party service providers. Any local governmental unit under Act 7 of 1967 of the Michigan Public Acts is permitted to become a member of the Authority. Each member has one trustee on the board. During the fiscal year ended June 30, 2017, the City paid \$150,850 to the Authority as a customer of solid waste services.

*Gratiot County Central Dispatch Authority* – The City is a member of Gratiot County Central Dispatch Authority. The Authority provides central dispatch services for police and fire services in Gratiot County. The governing Board is comprised of ten members. 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 City made no contribution during the current fiscal year.

#### **Accounting and Reporting Principles:**

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

#### **Report Presentation:**

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. 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 statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's enterprise functions and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are not included in the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **Basis of Accounting:**

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources. Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due. Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: most state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period.

Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### **Fund Accounting:**

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it has spent certain resources - separate funds allow the City to show the particular expenditures that specific revenues were used for. The various funds are aggregated into two broad fund types:

**Governmental funds** include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City reports the following fund as a “major” governmental fund:

*General Fund* is the City’s primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.

**Proprietary funds** include enterprise funds, which provide goods or services to users in exchange for charges or fees. The City reports the following as “major” enterprise funds:

*Enterprise Fund – Electric Fund* accounts for the operations of the City’s electric system.

*Enterprise Fund – Water and Sewer Fund* accounts for the water system and sewage disposal/treatment system.

**CITY OF ST. LOUIS**

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**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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Additionally, the City reports the following fund types:

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

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

*Capital Projects Funds* account for the acquisition or construction of major capital facilities by a governmental unit that is not accounted for by proprietary funds and trust funds.

*Permanent Fund* 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.

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

*Fiduciary Funds – Agency Funds* account for assets held for other governments in an agency capacity, including tax collections.

**Specific Balances and Transactions:**

*Deposits and Investments* – Cash and cash equivalents include 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. 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.

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

*Prepaid Items* – 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* – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, bridges, sidewalks and similar items), are defined by the City as assets with an individual cost in excess of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**Long-term Obligations** – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts 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 expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an “other financing source,” as well as bond premiums and discounts. The General Fund, Electric Fund, Water and Sewer Fund, and debt service funds are generally used to liquidate long-term debt.

**Deferred Outflows/Inflows of Resources** – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting.

**Net Position Flow Assumption** – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumption** – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies** – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City’s highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the City Manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Other classifications of fund balance include: nonspendable fund balance, which are amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact; restricted fund balance, which are amounts that have constraints placed on their use by an external party or constitutional provisions or enabling legislation (grants, contributions, specific fee mandates); and unassigned fund balance, which are amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. However, unassigned balances also include negative balances in other governmental funds.

**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 2016 taxable valuation of the City totaled \$48,843,831 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments). Taxes levied consisted of 13.4089 mills for the City's operating purposes.

**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 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 (1/2) 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.

**Pension Costs** – The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Proprietary Funds Operating Classification*** – 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. The proprietary funds recognize as capital contributions the tap fees intended to recover the cost of connecting new customers to the system, if any, and as nonoperating revenues rental income and investment income. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not included in these classifications are reported as nonoperating expenses.

#### **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.

#### **Interfund Activity:**

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

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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.

# CITY OF ST. LOUIS

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

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

During the year, the City General Fund incurred expenditures in excess of the amounts budgeted for Debt Service by \$4,904.

#### 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, 2016	\$ -
Current year building permit revenue	22,402
Related expenses:	
Direct costs	<u>(93,861)</u>
Cumulative surplus at June 30, 2017	<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.

#### Summary of Deposit and Investment Balances:

The following is a reconciliation of deposit and investment balances as of June 30, 2017:

##### Statement of Net Position:

Cash and cash equivalents (including restricted):

Primary Government	\$ 5,562,888
Component Unit	2,679

Investments (including restricted):

Primary Government	4,653,466
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##### Statement of Fiduciary Assets and Liabilities:

Cash and cash equivalents:

Agency Funds	<u>213,138</u>
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Total	<u>\$ 10,432,171</u>
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# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

#### Deposits and Investments:

Bank deposits	\$ 5,778,412
Investments:	
Pooled investments - Michigan CLASS	2,147,219
U.S. Agency	999,255
Bank deposits	1,506,992
Cash on Hand	<u>293</u>
Total	<u>\$ 10,432,171</u>

**Custodial Credit Risk – Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned. State law does not require and the City does not have a deposit policy for custodial credit risk. At year end, \$6,510,087 of the City’s bank deposits (certificates of deposit, checking and cash) of \$7,359,502 was exposed to custodial credit risk because they were uninsured and uncollateralized. The City’s investment policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those with an acceptable risk level are used for depositories.

**Interest Rate Risk – Investments** – Interest rate risk is the risk that the value of fixed income investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The City’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At year end, the average maturities of fixed income security investments are as follows:

<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 1 Year</u>	<u>1 to 2 Years</u>	<u>2 to 3 Years</u>
U.S. Agency	\$ 999,255	\$ -	\$ 999,255	\$ -
Bank deposits	1,506,992	11,992	1,495,000	-
Investment Pool	2,147,219	2,147,219	-	-
Total	<u>\$ 4,653,466</u>	<u>\$ 2,159,211</u>	<u>\$ 2,494,255</u>	<u>\$ -</u>

**Credit Risk – Investments** – State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The City’s investment policy does not have specific limits in excess of state law on investment credit risk. At year end, the credit quality ratings of fixed income securities are as follow:

<u>Investment Type</u>	<u>Market Value</u>	<u>Rating</u>	<u>Rating Organization</u>
U.S. Agency	\$ 999,255	Aaa/AA+	Moody's/S&P
Bank deposits	1,506,992	Aa3	Moody's
Investment Pool	2,147,219	AAAm	S&P
Total	<u>\$ 4,653,466</u>		

# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

**Custodial Credit Risk – Investments** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. At year end, none of the City’s investments were subject to custodial credit risk due to one of the following:

- Investments were part of an insured pool
- Investments were book-entry only in the name of the City and were fully insured
- Investments were part of a mutual fund
- Investments were held by an agent in the City’s name

### 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 utility replacement reserves.

	<i>Restricted Cash and Cash Equivalents</i>	<i>Restricted Investments</i>	<i>Restricted Receivables</i>	<i>Total</i>
<b>Electric Fund:</b>				
Debt service	\$ -	\$ 141,718	\$ -	\$ 141,718
Replacement/Improvements	489,055	1,202,998	33,515	1,725,568
<b>Water and Sewer Fund:</b>				
Debt service	667,511	-	-	667,511
Replacement/Improvements	300,922	2,310,400	-	2,611,322
	<u>\$ 1,457,488</u>	<u>\$ 3,655,116</u>	<u>\$ 33,515</u>	<u>\$ 5,146,119</u>

### NOTE 5: FAIR VALUE MEASUREMENTS

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The City has the following recurring fair value measurement as of June 30, 2017:

Michigan CLASS investment pool in the amount of \$2,147,219 is valued at Level 2 inputs. The City did not have any investments valued with Level 1 or Level 3 inputs at June 30, 2017.

# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### NOTE 6: CAPITAL ASSETS, CONTINUED

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2017</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,329,569	\$ -	\$ -	\$ 2,329,569
Construction in progress	65,558	86,951	-	152,509
Capital assets not being depreciated	<u>2,395,127</u>	<u>86,951</u>	<u>-</u>	<u>2,482,078</u>
Capital assets being depreciated:				
Buildings and improvements	5,076,181	-	-	5,076,181
Equipment and vehicles	2,845,178	50,458	(30,588)	2,865,048
Infrastructure - storm sewer	2,701,677	-	-	2,701,677
Infrastructure - streets	22,962,786	189,063	(777,308)	22,374,541
Infrastructure - sidewalks	1,018,663	41,385	-	1,060,048
Capital assets being depreciated	<u>34,604,485</u>	<u>280,906</u>	<u>(807,896)</u>	<u>34,077,495</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,241,295)	(153,539)	-	(1,394,834)
Equipment and vehicles	(1,766,557)	(162,558)	30,588	(1,898,527)
Infrastructure - storm sewer	(2,407,602)	(54,034)	-	(2,461,636)
Infrastructure - streets	(20,917,223)	(128,454)	777,308	(20,268,369)
Infrastructure - sidewalks	(903,250)	(9,372)	-	(912,622)
Accumulated depreciation	<u>(27,235,927)</u>	<u>(507,957)</u>	<u>807,896</u>	<u>(26,935,988)</u>
Capital assets being depreciated, net	<u>7,368,558</u>	<u>(227,051)</u>	<u>-</u>	<u>7,141,507</u>
Governmental activities, capital assets, net	<u>\$ 9,763,685</u>	<u>\$ (140,100)</u>	<u>\$ -</u>	<u>\$ 9,623,585</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,005,492	\$ -	\$ (23,620)	\$ 981,872
Construction in progress	37,644,501	2,283,810	-	39,928,311
Capital assets not being depreciated	<u>38,649,993</u>	<u>2,283,810</u>	<u>(23,620)</u>	<u>40,910,183</u>
Capital assets being depreciated:				
Buildings and improvements	1,164,976	-	-	1,164,976
Equipment	410,882	-	-	410,882
Electric system	11,552,034	131,864	-	11,683,898
Sewer system	12,025,829	-	-	12,025,829
Water system	8,346,193	-	-	8,346,193
Capital assets being depreciated	<u>33,499,914</u>	<u>131,864</u>	<u>-</u>	<u>33,631,778</u>

continued

# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### NOTE 6: CAPITAL ASSETS, CONTINUED

Depreciation expense was charged to various functions as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2017</u>
Less accumulated depreciation for:				
Buildings and improvements	(849,404)	(31,317)	-	(880,721)
Equipment	(250,052)	(24,870)	-	(274,922)
Electric system	(6,358,846)	(236,768)	-	(6,595,614)
Sewer system	(7,175,373)	(218,074)	-	(7,393,447)
Water system	(6,873,563)	(147,357)	-	(7,020,920)
Accumulated depreciation	(21,507,238)	(658,386)	-	(22,165,624)
Capital assets being depreciated, net	<u>11,992,676</u>	<u>(526,522)</u>	-	<u>11,466,154</u>
Business-type activities capital assets, net	<u>\$ 50,642,669</u>	<u>\$ 1,757,288</u>	<u>\$ (23,620)</u>	<u>\$ 52,376,337</u>

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General government	\$ 108,862	\$ -
Public safety	17,491	-
Public works	196,876	-
Recreation and culture	55,112	-
Electric	-	285,000
Water and Sewer	-	373,386
Internal Service Fund	129,616	-
	<u>\$ 507,957</u>	<u>\$ 658,386</u>

### 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.

Long-term obligation activity for the year ended June 30, 2017 is summarized as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
<i>General obligations:</i>					
2002 General Obligation Bond, principal due in annual installments of \$50,000 through October 2017, interest 4.90% due semi-annually.	\$ 95,000	-	(45,000)	\$ 50,000	\$ 50,000

continued

# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### NOTE 7: LONG-TERM LIABILITIES, CONTINUED

	<u>July 1, 2016</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
2014 Capital Improvement Bond, principal due in annual installments of \$20,000 to \$72,000 through September 2054, interest at 3.50% due semi-annually.	1,581,000	-	(20,000)	1,561,000	21,000
2015 Equipment loan, due in monthly installments of \$3,781 including interest at 1.98% through September 2020.	185,138	-	(42,178)	142,960	43,039
2016 Capital lease, due in annual amounts of \$12,861 to \$13,691 through April 2018, interest at 6.50%.	26,201	-	(12,861)	13,340	13,340
<i>Other liabilities:</i>					
Compensated absences	67,085	60,243	(56,480)	70,848	59,931
Governmental activities, long-term liabilities	<u>\$1,954,424</u>	<u>\$ 60,243</u>	<u>\$ (176,519)</u>	<u>\$ 1,838,148</u>	<u>\$ 187,310</u>
<b>Business-type Activities:</b>					
<i>Revenue Bonds:</i>					
2001 Electric Revenue Bonds, principal due in annual installments of \$90,000 through July 2017, interest from 5.10% due semi- annually.	\$ 90,000	\$ -	\$ (90,000)	\$ -	\$ -
2013 Water Supply and Sewage Disposal Revenue Bond, principal due in annual installments of \$240,000 to \$325,000 through April 1, 2034, interest of 2.00% due semi-annually.	4,978,608	-	(235,000)	4,743,608	240,000
2015 Electric Revenue Bonds, principal due in annual installments of \$50,000 to \$80,000 through November 1, 2031, interest from 1.20-3.55% due semi-annually.	950,000	-	(50,000)	900,000	50,000
<i>Other liabilities:</i>					
Compensated absences	106,996	82,124	(79,595)	109,525	79,595
Business-type activities, long-term liabilities	<u>\$6,125,604</u>	<u>\$ 82,124</u>	<u>\$ (454,595)</u>	<u>\$ 5,753,133</u>	<u>\$ 369,595</u>

# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### NOTE 7: LONG-TERM LIABILITIES, CONTINUED

	<u>July 1, 2016</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
<b>Component Unit:</b>					
Loan payable to Electric Fund, monthly payments of \$700 including interest through December 2021.	\$ 40,060	\$ -	\$ (6,545)	\$ 33,515	\$ 6,881

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

<i>Year Ended</i> <u>June 30,</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 126,379	\$ 58,724	\$ 185,103	\$ 290,000	\$ 120,898	\$ 410,898
2019	64,860	55,077	119,937	295,000	113,280	408,280
2020	66,696	53,488	120,184	300,000	107,590	407,590
2021	33,365	52,081	85,446	305,000	101,755	406,755
2022	23,000	51,258	74,258	315,000	95,660	410,660
2023-2027	130,000	243,253	373,253	1,695,000	375,908	2,070,908
2028-2032	155,000	218,315	373,315	1,810,000	177,994	1,987,994
2033-2037	182,000	188,933	370,933	645,000	19,400	664,400
2038-2042	216,000	154,176	370,176	-	-	-
2043-2047	256,000	112,982	368,982	-	-	-
2048-2052	305,000	63,965	368,965	-	-	-
2053-2055	209,000	11,148	220,148	-	-	-
	<u>\$ 1,767,300</u>	<u>\$ 1,263,400</u>	<u>\$ 3,030,700</u>	<u>\$ 5,655,000</u>	<u>\$ 1,112,485</u>	<u>\$ 6,767,485</u>
Less: Amount not drawn				(11,392)		
				<u>\$ 5,643,608</u>		

<i>Year Ended</i> <u>June 30,</u>	<u>Component Unit</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 6,881	\$ 1,519	\$ 8,400
2019	7,233	1,167	8,400
2020	7,603	797	8,400
2021	7,992	408	8,400
2022	3,806	52	3,858
	<u>\$ 33,515</u>	<u>\$ 3,943</u>	<u>\$ 37,458</u>

# CITY OF ST. LOUIS

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### NOTE 8: INTERFUND BALANCES AND TRANSFERS

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At year end, the advance between the General Fund and the Internal Service Fund is \$60,033. Annual payments of \$22,600 are required including 2% interest. Final repayment is scheduled for February 2020.

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.

Transfers during the current fiscal year were as follows:

<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	
Major Street Fund	Local Street Fund	\$ 91,893
Public Improvement Fund	2002 General Obligation Limited Tax Fund	30,450
Building Authority Fund	T.A. Cutler Memorial Library Fund	509
Nonmajor Governmental Fund	Water and Sewer Fund	
Public Improvement Fund		384,694
Electric Fund	Nonmajor Governmental Fund	
	Public Improvement Fund	101,639
Water and Sewer Fund	Nonmajor Governmental Fund	
	Public Improvement Fund	67,853
Solid Waste Fund	Nonmajor Governmental Fund	
	Public Improvement Fund	8,093
		<u>\$ 685,131</u>

# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### NOTE 9: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Receivables:</b>				
Property taxes	\$ 11,194	\$ -	\$ 11,194	\$ -
Accounts	28,553	920,451	949,004	8
Intergovernmental	259,960	713,367	973,327	-
Total receivables	<u>\$ 299,707</u>	<u>\$ 1,634,039</u>	<u>\$ 1,933,746</u>	<u>\$ 8</u>
<b>Accounts payable and accrued expenses:</b>				
Accounts	\$ 323,060	\$ 1,156,159	\$ 1,479,219	\$ 69
Payroll liabilities	53,029	50,301	103,330	-
Deposits payable	-	38,722	38,722	-
Accrued interest	19,084	27,706	46,790	-
Intergovernmental	3,174	-	3,174	-
Total accounts payable and accrued expenses	<u>\$ 398,347</u>	<u>\$ 1,272,888</u>	<u>\$ 1,671,235</u>	<u>\$ 69</u>

Included in the business-type activities' intergovernmental amount is a receivable balance of \$33,515 due from the Downtown Development Authority. Of this amount, \$6,881 is considered current and the remaining \$26,634 is long-term.

### NOTE 10: RISK MANAGEMENT

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 \$5,000, 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.

# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### NOTE 10: RISK MANAGEMENT, CONTINUED

**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.

### NOTE 11: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS

The City has two employee pension plans: a Defined Contribution Plan and a Defined Benefit Plan (closed to all new hires beginning July 1, 1999), both administered by the MERS Retirement Board, of the Municipal Employee's Retirement System of Michigan (MERS).

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

**Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, if any, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Plan Description** – The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

**Benefits Provided** – The following are the benefits provided from the December 31, 2016 valuation. All divisions are closed to new hires.

	<u>General NonUnion</u>	<u>Police &amp; Fire</u>
Benefit Multiplier:	2.50% Multiplier (80% Max)	2.25% Multiplier (80% Max)
Normal Retirement Age:	60	60
Vesting:	6 years	6 years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25	50/25
	55/15	55/15
Final Average Compensation:	5 years	5 years
Employee Contributions:	4.88%	0.53%
DC Plan for New Hires:	6/15/1998	1/1/2000
Act 88:	Yes (Adopted 11/18/1970)	Yes (Adopted 11/18/1970)

# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### NOTE 11: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

	<u>City Manager</u>	<u>Electric Union</u>
Benefit Multiplier:	2.50% Multiplier (80% Max)	2.50% Multiplier (80% Max)
Normal Retirement Age:	60	60
Vesting:	6 years	6 years
Early Retirement (Unreduced):	55/15	55/25
Early Retirement (Reduced):	50/25	50/25
		55/15
Final Average Compensation:	3 years	5 years
COLA for Future Retirees:	2.50% (Non-Compound)	
Employee Contributions:	2.00%	4.88%
DC Plan for New Hires:	6/1/2013	7/1/1999
Act 88:	Yes (Adopted 11/18/1970)	Yes (Adopted 11/18/1970)

**Employees covered by benefit terms** – At the December 31, 2016 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	30
Inactive employees entitled to but not yet receiving benefits:	5
Active employees:	<u>5</u>
Total	<u><u>40</u></u>

**Contributions** – Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may establish contribution rates to be paid by its covered employees.

All divisions are closed to new employees. The annual City required contributions, for the current year, were \$140,244 for General NonUnion, \$4,260 Police & Fire, \$1,344 City Manager, and \$174,372 Electric Union. These amounts are equal to the actuarially determined contribution based on the valuation payroll from the December 31, 2014 actuarial valuation.

**Net Pension Liability** – The City's net pension liability reported at June 30, 2017 was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of that date.

**Actuarial assumptions** – The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation: 2.5%; Salary Increases: 3.75% in the long-term; Investment rate of return: 7.75%, net of investment and administrative expenses including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%. Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### NOTE 11: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the most recent actuarial experience study of 2009-2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

**Discount rate** – The discount rate used to measure the total pension liability is 8% for 2016. The projection of cash flows used to determine the discount rate assumes that City and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for the City. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability during the measurement year were as follows:

	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balances at 12/31/15	\$ 7,863,867	\$ 5,297,487	\$ 2,566,380
Service cost	32,244	-	32,244
Interest on total pension liability	606,193	-	606,193
Difference between expected and actual experience	-	-	-
Changes in assumptions	(199,017)	-	(199,017)
Employer contributions	-	399,556	(399,556)
Employee contributions	-	13,158	(13,158)
Net investment income (loss)	-	597,269	(597,269)
Benefit payments, including employee refunds	(605,162)	(605,162)	-
Administrative expenses	-	(11,786)	11,786
Other changes	-	-	-
Net changes	(165,742)	393,035	(558,777)
Balances at 12/31/16	<u>\$ 7,698,125</u>	<u>\$ 5,690,522</u>	<u>\$ 2,007,603</u>

# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### NOTE 11: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

The net pension liability is recorded as follows:

Governmental activities	\$ 357,243
Business-type activities	<u>1,650,360</u>
	<u>\$ 2,007,603</u>

**Sensitivity of the net pension liability to changes in the discount rate** – The following presents the net pension liability of the City, calculated using the discount rate of 8%, as well as what the City's net pension liability would be using a discount rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate.

	<u>1% Decrease Rate 7%</u>	<u>Current Rate 8%</u>	<u>1% Increase Rate 9%</u>
Net pension liability	\$ -	\$ 2,007,603	\$ -
Change in net pension liability as of 12/31/16	<u>705,112</u>	<u>-</u>	<u>(610,152)</u>
	<u>\$ 2,712,715</u>	<u>\$ 2,007,603</u>	<u>\$ 1,397,451</u>

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – For the year ended June 30, 2017; the City recognized pension expense, on the defined benefit plan, of \$114,034. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 218,432	\$ -
Contributions subsequent to the measurement date	<u>160,110</u>	<u>-</u>
	<u>\$ 378,542</u>	<u>\$ -</u>

The deferred outflows of resources are recorded as follows:

Governmental activities	\$ 70,428
Business-type activities	<u>308,114</u>
	<u>\$ 378,542</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$160,110), which will impact the net pension liability in fiscal year 2017, rather than pension expense.

# CITY OF ST. LOUIS

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### NOTE 11: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

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<i>Year Ended</i>	<i>Amount</i>
2018	\$ 91,616
2019	91,616
2020	71,528
2021	(36,328)

***Pension Plan Fiduciary Net Position*** – Detailed information about the plan’s fiduciary net position is available in the separately issued financial report found at [www.mersofmichigan.com](http://www.mersofmichigan.com). The plan’s fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

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

Beginning July 1, 1999, all new hires are eligible to participate in the Defined Contribution Money Purchase Plan. This is the only pension plan available to new hires after that date. The 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 \$111,259 for the year ended June 30, 2017. Employee contributions for the plan were \$41,493 for the year ended June 30, 2017. Plan provisions and contribution requirements are established and may be amended by the City Council.

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### NOTE 12: RESTRICTED NET POSITION

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The governmental activities statement of net position reports \$1,494,495 of restricted net position, of which \$926,120 is restricted by Act 51 enabling legislation.

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### NOTE 13: BOND PROJECTS IN PROGRESS

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***Bond Issuance Proceeds*** – On September 17, 2013, the City issued Water Supply and Sewage Disposal System Revenue Bond, Series 2013 for \$5,445,000 to provide for the acquisition, construction, furnishing and equipping of improvements to the water supply and sewage disposal system of the City. As of June 30, 2017, there is \$11,392 left on the bond to draw.

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### NOTE 14: CONSTRUCTION COMMITMENTS

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The City has entered into several in process construction contracts for replacement of the water supply system. As of June 30, 2017, the City had outstanding work to be completed on construction contracts totaling \$4,635,188 that will be financed with grant proceeds and operating funds.

# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### NOTE 15: SEGMENT REPORTING

The City issues revenue bonds to finance its water and sewer departments. The two departments are accounted for in a single fund, but investors in those bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for each department is presented below. The water department operates the City's water supply system. The sewer department operates the City's sewage system.

	<i>Sewer</i>	<i>Water</i>	<i>Total</i>
	<u><i>Department</i></u>	<u><i>Department</i></u>	<u><i>Water and</i></u>
			<u><i>Sewer</i></u>
			<u><i>Fund</i></u>
<b>CONDENSED STATEMENT OF NET POSITION</b>			
Assets:			
Cash, cash equivalents and investments	\$ 2,903,667	\$ 2,204,456	\$ 5,108,123
Other assets	228,957	1,608,518	1,837,475
Capital assets, net	<u>10,411,101</u>	<u>35,587,928</u>	<u>45,999,029</u>
Total assets	<u>13,543,725</u>	<u>39,400,902</u>	<u>52,944,627</u>
Deferred outflows of resources:			
Related to pension	<u>85,216</u>	<u>106,656</u>	<u>191,872</u>
Liabilities:			
Current liabilities	317,636	763,373	1,081,009
Noncurrent liabilities	<u>5,189,830</u>	<u>574,303</u>	<u>5,764,133</u>
Total liabilities	<u>5,507,466</u>	<u>1,337,676</u>	<u>6,845,142</u>
Net position:			
Net investment in capital assets	5,667,493	35,587,928	41,255,421
Restricted	2,340,205	2,481,859	4,822,064
Unrestricted	<u>114,168</u>	<u>99,704</u>	<u>213,872</u>
Total net position	<u>\$ 8,121,866</u>	<u>\$ 38,169,491</u>	<u>\$ 46,291,357</u>

# CITY OF ST. LOUIS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### NOTE 15: SEGMENT REPORTING, CONTINUED

	<i>Sewer Department</i>	<i>Water Department</i>	<i>Total Water and Sewer Fund</i>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>			
Operating revenues	\$ 1,630,949	\$ 1,351,438	\$ 2,982,387
Depreciation expense	(220,453)	(152,933)	(373,386)
Other operating expenses	(764,876)	(1,202,450)	(1,967,326)
Operating income (loss)	645,620	(3,945)	641,675
Non-operating revenues (expenses):			
Investment income	8,171	14,605	22,776
Rental income	-	38,800	38,800
State SAW grant	369,904	-	369,904
State SAW grant expenses	(411,005)	-	(411,005)
Gain on sale of capital assets	-	2,551	2,551
Interest expense	(90,100)	-	(90,100)
Net non-operating revenues (expenses)	(123,030)	55,956	(67,074)
Capital contributions and transfers			
Capital contributions	-	1,076,762	1,076,762
Interfund transfers in	-	983,510	983,510
Interfund transfers out	(534,628)	(132,041)	(666,669)
Net capital contributions and transfers	(534,628)	1,928,231	1,393,603
Change in net position	(12,038)	1,980,242	1,968,204
Beginning net position	8,133,904	36,189,249	44,323,153
Ending net position	\$ 8,121,866	\$ 38,169,491	\$ 46,291,357

### NOTE 16: TAX ABATEMENTS

#### Industrial Facilities Exemption:

The City has entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption (IFE)) PA 198 of 1974, as amended. PA 198 of 1974, as amended is designed to maintain existing jobs and create new job opportunities for residents by providing substantial property tax incentives to industry to renovate and expand aging manufacturing plants or to build new plants. An IFE certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the City. This is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

The City Council evaluates all PA 198 applications to determine that a good public purpose for the City would be served, that is, an economic growth, expanded tax base, and job creation. The City has the right to revoke the exemption and the recipient would be responsible to pay to the affecting taxing units an amount equal to those taxes it would have paid had the abatement not been in effect if the recipient is determined to be in violation of the provisions of the written agreement, such as insufficient job creation and/or investment.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

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**NOTE 16: TAX ABATEMENTS, CONTINUED**

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For the fiscal year ended June 30, 2017, there was approximately \$9,100 of property tax revenue abated under this program.

***Gratiot County Brownfield Redevelopment Authority Abatements:***

The City receives reduced property tax revenues as a result of Brownfield Redevelopment Agreements under PA 381 of 1996, as amended, granted by Gratiot County. These agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. For the fiscal year ended June 30, 2017 there was approximately \$1,500 of property tax revenue abated under this program.

***REQUIRED SUPPLEMENTARY INFORMATION***

# CITY OF ST. LOUIS

## SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service cost	\$ 32,244	\$ 30,251	\$ 30,348
Interest on total pension liability	606,193	601,032	600,818
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(199,017)	(118,385)	-
Changes in assumptions	-	398,731	-
Benefit payments, including employee refunds	(605,162)	(635,752)	(621,289)
Other changes	-	2	-
<b>Net change in total pension liability</b>	<b>(165,742)</b>	<b>275,879</b>	<b>9,877</b>
<b>Total pension liability - beginning</b>	<b>7,863,867</b>	<b>7,587,988</b>	<b>7,578,111</b>
<b>Total pension liability - ending</b>	<b>\$ 7,698,125</b>	<b>\$ 7,863,867</b>	<b>\$ 7,587,988</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 399,556	\$ 351,822	\$ 451,191
Contributions - employee	13,158	12,535	14,871
Net investment income (loss)	597,269	(83,639)	345,343
Benefit payments, including employee refunds	(605,162)	(635,752)	(621,289)
Administrative expenses	(11,786)	(12,249)	(12,669)
<b>Net change in plan fiduciary net position</b>	<b>393,035</b>	<b>(367,283)</b>	<b>177,447</b>
<b>Total plan fiduciary net position - beginning</b>	<b>5,297,487</b>	<b>5,664,770</b>	<b>5,487,323</b>
<b>Total plan fiduciary net position - ending</b>	<b>\$ 5,690,522</b>	<b>\$ 5,297,487</b>	<b>\$ 5,664,770</b>
<b>City's net pension liability</b>	<b>\$ 2,007,603</b>	<b>\$ 2,566,380</b>	<b>\$ 1,923,218</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>73.92%</b>	<b>67.36%</b>	<b>74.65%</b>
<b>Covered employee payroll</b>	<b>\$ 325,067</b>	<b>\$ 311,442</b>	<b>\$ 311,066</b>
<b>City's net pension liability as a percentage of covered payroll</b>	<b>617.60%</b>	<b>824.03%</b>	<b>618.27%</b>

# CITY OF ST. LOUIS

## SCHEDULE OF CITY DEFINED BENEFIT PLAN PENSION CONTRIBUTIONS

Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 320,220	\$ 278,892	\$ 332,885	\$ 266,620	\$ 229,954
Contributions in relation to the actuarially determined contribution	<u>320,220</u>	<u>378,892</u>	<u>428,885</u>	<u>717,523</u>	<u>389,061</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ (96,000)</u>	<u>\$ (450,903)</u>	<u>\$ (159,107)</u>
Covered-employee payroll	\$ 325,067	\$ 311,442	\$ 311,066	\$ 435,849	\$ 470,555
Actuarially determined contribution as a percentage of covered-employee payroll	99%	90%	107%	61%	49%
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 209,579	\$ 182,090	\$ 128,748	\$ 122,168	\$ 116,968
Contributions in relation to the actuarially determined contribution	<u>270,779</u>	<u>252,207</u>	<u>163,548</u>	<u>146,168</u>	<u>141,211</u>
Contribution (excess) deficiency	<u>\$ (61,200)</u>	<u>\$ (70,117)</u>	<u>\$ (34,800)</u>	<u>\$ (24,000)</u>	<u>\$ (24,243)</u>
Covered-employee payroll	\$ 572,413	\$ 620,970	\$ 413,112	\$ 673,346	\$ 560,329
Actuarially determined contribution as a percentage of covered-employee payroll	37%	29%	31%	18%	21%

### Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of December 31 each year, 18 months prior to the beginning of the fiscal year in which contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 years
Asset valuation method	5-year smoothed market
Inflation	2.5%
Salary increases	3.75% in the long-term
Investment rate of return	7.75% net of investment and administrative expense including inflation
Retirement age	50-60 years of age depending on years of service credited
Mortality	RP-2014 Group Annuitant Mortality Table of a 50% Male - 50% Female blend
Assumption and method changes	Asset smoothing was changed from 10 to 5 years. The gain (loss) recognized each year will be 20% of the current year's gain (loss) plus 20% of the gain (loss) from each of the 4 preceding years. The cumulative difference between market value and valuation assets as of December 31, 2015 will be recognized over 4 years.
	Annual changes in the Unfunded Accrued Liability (UAL) will be amortized over fixed periods, creating "layers" of UAL. This will require removing and creating "layers" of UAL on an annual basis.

# CITY OF ST. LOUIS

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2017

	<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	\$ 632,825	\$ 656,753	\$ 658,537	\$ 1,784
Licenses and permits	36,100	48,989	50,390	1,401
State grants	523,210	549,355	590,852	41,497
Charges for services	657,887	664,087	472,865	(191,222)
Fines and forfeits	1,600	3,201	3,393	192
Interest and rents	18,270	19,650	20,599	949
Other revenue	7,000	13,598	14,878	1,280
	<u>1,876,892</u>	<u>1,955,633</u>	<u>1,811,514</u>	<u>(144,119)</u>
<b>Total revenues</b>				
<b>Expenditures:</b>				
Current				
General government				
Legislative	29,425	29,425	20,653	(8,772)
Executive	35,245	35,245	29,657	(5,588)
Clerk	34,530	34,530	27,679	(6,851)
Assessor	60,645	60,645	54,576	(6,069)
Finance Director/Treasurer	76,569	64,059	48,318	(15,741)
Elections	24,310	24,310	15,588	(8,722)
City hall	193,130	273,130	191,304	(81,826)
Corporate council	20,000	20,000	565	(19,435)
Total general government	<u>473,854</u>	<u>541,344</u>	<u>388,340</u>	<u>(153,004)</u>
Public safety				
Police	693,342	666,752	631,273	(35,479)
Fire	97,100	97,100	97,074	(26)
Building inspection/Code enforcement	120,988	101,238	93,861	(7,377)
Total public safety	<u>911,430</u>	<u>865,090</u>	<u>822,208</u>	<u>(42,882)</u>
Public works				
Department of public works	131,200	131,200	131,227	27
Cemetery	124,800	107,300	85,037	(22,263)
Total public works	<u>256,000</u>	<u>238,500</u>	<u>216,264</u>	<u>(22,236)</u>
Community and economic development				
Planning	5,800	6,900	6,851	(49)
Economic and community development	90,480	88,236	81,423	(6,813)
Industrial Park	5,800	8,300	6,981	(1,319)
Community promotion	23,000	11,500	9,619	(1,881)
Total community and economic development	<u>125,080</u>	<u>114,936</u>	<u>104,874</u>	<u>(10,062)</u>

continued

# CITY OF ST. LOUIS

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended June 30, 2017

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
Recreation and culture				
Parks and recreation - pool	42,810	42,810	32,305	(10,505)
Parks maintenance	100,112	100,112	69,254	(30,858)
Total recreation and culture	142,922	142,922	101,559	(41,363)
Other				
Pension liability contribution	75,000	46,000	45,639	(361)
Debt service	84,650	84,650	89,554	4,904
Total expenditures	2,068,936	2,033,442	1,768,438	(265,004)
Excess (deficiency) of revenues over expenditures	(192,044)	(77,809)	43,076	120,885
<b>Other financing sources (uses):</b>				
Insurance recoveries	-	-	900	900
Sale of capital assets	-	48,700	48,680	(20)
Net other financing sources (uses)	-	48,700	49,580	880
Change in fund balance	(192,044)	(29,109)	92,656	121,765
Fund balance, beginning of year	735,104	735,104	735,104	-
Fund balance, end of year	\$ 543,060	\$ 705,995	\$ 827,760	\$ 121,765

***OTHER SUPPLEMENTARY INFORMATION***

# CITY OF ST. LOUIS

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

June 30, 2017

	<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	\$ 688,442	\$ 347,226	\$ 380,408	\$ -	\$ 11,483
Taxes receivable	-	-	364	-	-
Accounts receivable	309	6,059	226	-	-
Due from other governments	120,840	28,185	-	-	-
Total assets	<u>\$ 809,591</u>	<u>\$ 381,470</u>	<u>\$ 380,998</u>	<u>\$ -</u>	<u>\$ 11,483</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 123,667	\$ 138,920	\$ 1,519	\$ -	\$ -
Accrued expenses	1,070	1,284	3,908	-	-
Total liabilities	<u>124,737</u>	<u>140,204</u>	<u>5,427</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>					
Nonspendable:					
Nonexpendable cemetery principal	-	-	-	-	-
Restricted for:					
Streets	684,854	241,266	-	-	-
Library operations	-	-	375,571	-	-
Debt service	-	-	-	-	11,483
Assigned to:					
Capital improvements	-	-	-	-	-
Cemetery operations	-	-	-	-	-
Total fund balances	<u>684,854</u>	<u>241,266</u>	<u>375,571</u>	<u>-</u>	<u>11,483</u>
Total liabilities and fund balances	<u>\$ 809,591</u>	<u>\$ 381,470</u>	<u>\$ 380,998</u>	<u>\$ -</u>	<u>\$ 11,483</u>

continued

# CITY OF ST. LOUIS

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET, CONTINUED

June 30, 2017

	<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	
	<u>Public Improvement Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 338,492	\$ 218,861	\$ 1,984,912
Taxes receivable	-	-	364
Accounts receivable	-	-	6,594
Due from other governments	-	-	149,025
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 338,492</u>	<u>\$ 218,861</u>	<u>\$ 2,140,895</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ 264,106
Accrued expenses	-	-	6,262
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>270,368</u>
<b>Fund balances:</b>			
Nonspendable:			
Nonexpendable cemetery principal	-	181,321	181,321
Restricted for:			
Streets	-	-	926,120
Library operations	-	-	375,571
Debt service	-	-	11,483
Assigned to:			
Capital improvements	338,492	-	338,492
Cemetery operations	-	37,540	37,540
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>338,492</u>	<u>218,861</u>	<u>1,870,527</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 338,492</u>	<u>\$ 218,861</u>	<u>\$ 2,140,895</u>

# CITY OF ST. LOUIS

## NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended June 30, 2017

	<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>Revenues:</b>					
Property taxes	\$ -	\$ -	\$ 23	\$ -	\$ -
Federal grants	47,404	-	-	-	-
State grants	388,210	145,704	7,295	-	-
Contributions from other units	-	-	161,019	-	20,300
Charges for services	-	-	1,978	-	-
Fines and forfeits	-	-	87,697	-	-
Interest and rents	1,701	754	867	-	7
Other revenue	201	6,359	16,721	-	-
Total revenues	<u>437,516</u>	<u>152,817</u>	<u>275,600</u>	<u>-</u>	<u>20,307</u>
<b>Expenditures:</b>					
Current					
Public works	174,420	317,422	-	-	-
Recreation and culture	-	-	160,081	-	-
Capital outlay	80,966	-	-	-	-
Debt service					
Principal	-	-	-	-	45,000
Interest and fees	-	-	-	-	3,891
Total expenditures	<u>255,386</u>	<u>317,422</u>	<u>160,081</u>	<u>-</u>	<u>48,891</u>
Excess (deficiency) of revenues over expenditures	<u>182,130</u>	<u>(164,605)</u>	<u>115,519</u>	<u>-</u>	<u>(28,584)</u>
<b>Other financing sources (uses):</b>					
Interfund transfers in	-	91,893	509	-	30,450
Interfund transfers out	(91,893)	-	-	(509)	-
Net other financing sources (uses)	<u>(91,893)</u>	<u>91,893</u>	<u>509</u>	<u>(509)</u>	<u>30,450</u>
Changes in fund balances	90,237	(72,712)	116,028	(509)	1,866
Fund balances, beginning of year	<u>594,617</u>	<u>313,978</u>	<u>259,543</u>	<u>509</u>	<u>9,617</u>
Fund balances, end of year	<u>\$ 684,854</u>	<u>\$ 241,266</u>	<u>\$ 375,571</u>	<u>\$ -</u>	<u>\$ 11,483</u>

continued

# CITY OF ST. LOUIS

## NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended June 30, 2017

	<i>Capital Projects Fund</i>	<i>Permanent Fund</i>	
	<i>Public Improvement Fund</i>	<i>Cemetery Perpetual Care Fund</i>	<i>Total</i>
<b>Revenues:</b>			
Property taxes	\$ -	\$ -	\$ 23
Federal grants	-	-	47,404
State grants	-	-	541,209
Contributions from other units	-	-	181,319
Charges for services	-	2,925	4,903
Fines and forfeits	-	-	87,697
Interest and rents	1,214	1,710	6,253
Other revenue	-	-	23,281
Total revenues	<u>1,214</u>	<u>4,635</u>	<u>892,089</u>
<b>Expenditures:</b>			
Current			
Public works	-	-	491,842
Recreation and culture	-	-	160,081
Capital outlay	-	-	80,966
Debt service			
Principal	-	-	45,000
Interest and fees	-	-	3,891
Total expenditures	<u>-</u>	<u>-</u>	<u>781,780</u>
Excess (deficiency) of revenues over expenditures	<u>1,214</u>	<u>4,635</u>	<u>110,309</u>
<b>Other financing sources (uses):</b>			
Interfund transfers in	177,585	-	300,437
Interfund transfers out	<u>(415,144)</u>	<u>-</u>	<u>(507,546)</u>
Net other financing sources (uses)	<u>(237,559)</u>	<u>-</u>	<u>(207,109)</u>
Changes in fund balances	(236,345)	4,635	(96,800)
Fund balances, beginning of year	<u>574,837</u>	<u>214,226</u>	<u>1,967,327</u>
Fund balances, end of year	<u>\$ 338,492</u>	<u>\$ 218,861</u>	<u>\$ 1,870,527</u>

# CITY OF ST. LOUIS

## WATER AND SEWER FUND

### COMBINING STATEMENT OF NET POSITION

June 30, 2017

	<i><b>Water and Sewer Operations Fund</b></i>	<i><b>Water Supply Replacement Fund</b></i>	<i><b>Total Water and Sewer Fund</b></i>
<b>Assets:</b>			
<i><b>Current assets:</b></i>			
Cash and cash equivalents	\$ 1,001,574	\$ 23,308	\$ 1,024,882
Investments	-	804,408	804,408
Accounts receivable	346,924	-	346,924
Accrued interest receivable	221	-	221
Due from other governments	45,397	634,455	679,852
Inventory	60,478	-	60,478
Total current assets	<u>1,454,594</u>	<u>1,462,171</u>	<u>2,916,765</u>
<i><b>Noncurrent assets:</b></i>			
Restricted cash and cash equivalents	968,433	-	968,433
Restricted investments	2,310,400	-	2,310,400
Advance to Water Authority	-	750,000	750,000
Capital assets not being depreciated	6,189,953	33,832,299	40,022,252
Capital assets being depreciated, net	5,976,777	-	5,976,777
Total noncurrent assets	<u>15,445,563</u>	<u>34,582,299</u>	<u>50,027,862</u>
Total assets	<u>16,900,157</u>	<u>36,044,470</u>	<u>52,944,627</u>
<b>Deferred outflows of resources:</b>			
Related to pension	191,872	-	191,872
<b>Liabilities:</b>			
<i><b>Current liabilities:</b></i>			
Accounts payable	303,610	668,940	972,550
Accrued expenses	30,853	-	30,853
Deposits payable	10,052	-	10,052
Accrued interest payable	23,718	-	23,718
Current compensated absences	43,836	-	43,836
Current long-term debt	240,000	-	240,000
Total current liabilities	<u>652,069</u>	<u>668,940</u>	<u>1,321,009</u>
<i><b>Noncurrent liabilities:</b></i>			
Compensated absences payable	7,631	-	7,631
Long-term debt, net current portion	4,503,608	-	4,503,608
Net pension liability	1,012,894	-	1,012,894
Total noncurrent liabilities	<u>5,524,133</u>	<u>-</u>	<u>5,524,133</u>
Total liabilities	<u>6,176,202</u>	<u>668,940</u>	<u>6,845,142</u>

continued

# CITY OF ST. LOUIS

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## WATER AND SEWER FUND

### COMBINING STATEMENT OF NET POSITION, CONTINUED

June 30, 2017

	<i>Water Sewer Operations Fund</i>	<i>Water Supply Replacement Fund</i>	<i>Total Water and Sewer Fund</i>
<b>Net position:</b>			
Net investment in capital assets	7,423,122	33,832,299	41,255,421
Restricted for:			
Debt service	667,511	-	667,511
Replacement/improvements	2,611,322	-	2,611,322
Water supply replacement	-	1,543,231	1,543,231
Unrestricted	<u>213,872</u>	<u>-</u>	<u>213,872</u>
Total net position	<u>\$ 10,915,827</u>	<u>\$ 35,375,530</u>	<u>\$ 46,291,357</u>

# CITY OF ST. LOUIS

## WATER AND SEWER FUND

### COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended June 30, 2017

	<i>Water Sewer Operations Fund</i>	<i>Water Supply Replacement Fund</i>	<i>Total Water and Sewer Fund</i>
<b>Operating revenues:</b>			
Charges for services	\$ 2,844,789	\$ -	\$ 2,844,789
Penalties	36,529	-	36,529
Other	101,069	-	101,069
Total operating revenues	<u>2,982,387</u>	<u>-</u>	<u>2,982,387</u>
<b>Operating expenses:</b>			
Personnel	622,530	-	622,530
Contracted services	183,735	-	183,735
Purchase of water	617,611	-	617,611
Administrative expense	232,269	-	232,269
Other services and supplies	311,181	-	311,181
Depreciation	373,386	-	373,386
Total operating expenses	<u>2,340,712</u>	<u>-</u>	<u>2,340,712</u>
Operating income (loss)	<u>641,675</u>	<u>-</u>	<u>641,675</u>
<b>Non-operating revenues (expenses):</b>			
State SAW grant	369,904	-	369,904
State SAW grant expenses	(411,005)	-	(411,005)
Interest income	12,195	10,581	22,776
Rental income	38,800	-	38,800
Gain (loss) on sale of capital assets	2,551	-	2,551
Interest expense	(90,100)	-	(90,100)
Net non-operating revenues (expenses)	<u>(77,655)</u>	<u>10,581</u>	<u>(67,074)</u>
Change in net position before capital contributions and transfers	<u>564,020</u>	<u>10,581</u>	<u>574,601</u>
<b>Capital contributions and transfers:</b>			
Capital contributions - Federal grant	-	848,337	848,337
Capital contributions - City of Alma	-	228,425	228,425
Interfund transfers in (out)	(666,669)	983,510	316,841
Total capital contributions and transfers	<u>(666,669)</u>	<u>2,060,272</u>	<u>1,393,603</u>
Change in net position	(102,649)	2,070,853	1,968,204
Net position, beginning of year	<u>11,018,476</u>	<u>33,304,677</u>	<u>44,323,153</u>
Net position, end of year	<u>\$ 10,915,827</u>	<u>\$ 35,375,530</u>	<u>\$ 46,291,357</u>

# CITY OF ST. LOUIS

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## GOVERNMENTAL ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2017

#### 2002 GENERAL OBLIGATION LIMITED TAX BONDS

Issue in the amount of	\$	500,000
Less:		
Principal paid in prior years		(405,000)
Principal paid in current year		<u>(45,000)</u>
Balance payable at June 30, 2017	\$	<u>50,000</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>
2018	4.90%	<u>\$ 50,000</u>	<u>\$ 1,225</u>	<u>\$ -</u>	<u>\$ 51,225</u>

# CITY OF ST. LOUIS

## GOVERNMENTAL ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2017

#### 2014 CAPITAL IMPROVEMENT BOND (LIMITED TAX GENERAL OBLIGATION) (TAXABLE)

Issue in the amount of	\$ 1,600,000
Less: Principal paid in prior years	(19,000)
Principal paid in current year	<u>(20,000)</u>
Balance payable at June 30, 2017	<u>\$ 1,561,000</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Principal due</u> <u>September 1</u>	<u>Interest due</u> <u>September 1</u>	<u>Interest due</u> <u>March 1</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2018	3.500%	\$ 20,000	\$ 27,318	\$ 26,968	\$ 74,286
2019	3.500%	21,000	26,968	26,600	74,568
2020	3.500%	22,000	26,600	26,215	74,815
2021	3.500%	22,000	26,215	25,830	74,045
2022	3.500%	23,000	25,830	25,428	74,258
2023	3.500%	24,000	25,428	25,008	74,436
2024	3.500%	25,000	25,008	24,570	74,578
2025	3.500%	26,000	24,570	24,115	74,685
2026	3.500%	27,000	24,115	23,643	74,758
2027	3.500%	28,000	23,643	23,153	74,796
2028	3.500%	29,000	23,153	22,645	74,798
2029	3.500%	30,000	22,645	22,120	74,765
2030	3.500%	31,000	22,120	21,578	74,698
2031	3.500%	32,000	21,578	21,018	74,596
2032	3.500%	33,000	21,018	20,440	74,458
2033	3.500%	34,000	20,440	19,845	74,285
2034	3.500%	35,000	19,845	19,233	74,078
2035	3.500%	36,000	19,233	18,603	73,836
2036	3.500%	38,000	18,603	17,938	74,541
2037	3.500%	39,000	17,938	17,255	74,193
2038	3.500%	40,000	17,255	16,555	73,810
2039	3.500%	42,000	16,555	15,820	74,375
2040	3.500%	43,000	15,820	15,068	73,888
2041	3.500%	45,000	15,068	14,280	74,348
2042	3.500%	46,000	14,280	13,475	73,755
2043	3.500%	48,000	13,475	12,635	74,110
2044	3.500%	49,000	12,635	11,778	73,413
2045	3.500%	51,000	11,778	10,885	73,663
2046	3.500%	53,000	10,885	9,958	73,843
2047	3.500%	55,000	9,958	8,995	73,953

continued

# CITY OF ST. LOUIS

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## GOVERNMENTAL ACTIVITIES

### SCHEDULE OF INDEBTEDNESS, CONTINUED

June 30, 2017

#### 2014 CAPITAL IMPROVEMENT BOND (LIMITED TAX GENERAL OBLIGATION) (TAXABLE)

<i><u>Fiscal Year Ended</u></i>	<i><u>Interest Rate</u></i>	<i><u>Principal due September 1</u></i>	<i><u>Interest due September 1</u></i>	<i><u>Interest due March 1</u></i>	<i><u>Total Annual Requirement</u></i>
2048	3.500%	57,000	8,995	7,998	73,993
2049	3.500%	59,000	7,998	6,965	73,963
2050	3.500%	61,000	6,965	5,898	73,863
2051	3.500%	63,000	5,898	4,795	73,693
2052	3.500%	65,000	4,795	3,658	73,453
2053	3.500%	67,000	3,658	2,485	73,143
2054	3.500%	70,000	2,485	1,260	73,745
2055	3.500%	72,000	1,260	-	73,260
		<u>\$ 1,561,000</u>	<u>\$ 642,031</u>	<u>\$ 614,713</u>	<u>\$ 2,817,744</u>

# CITY OF ST. LOUIS

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## GOVERNMENTAL ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2017

#### 2015 EQUIPMENT LOAN

Issue in the amount of	\$	216,294
Less: Principal paid in prior years		(31,157)
Principal paid in current year		<u>(42,177)</u>
Balance payable at June 30, 2017	\$	<u>142,960</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>
2018	1.980%	\$ 43,039	\$ 2,330	\$ 45,369
2019	1.980%	43,860	1,509	45,369
2020	1.980%	44,696	673	45,369
2021	1.980%	<u>11,365</u>	<u>36</u>	<u>11,401</u>
		<u>\$ 142,960</u>	<u>\$ 4,548</u>	<u>\$ 147,508</u>

#### 2016 CAPITAL LEASE

Issue in the amount of	\$	41,126
Less: Principal paid in prior years		(14,925)
Principal paid in current year		<u>(12,861)</u>
Balance payable at June 30, 2017	\$	<u>13,340</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>
2018	6.500%	<u>\$ 13,340</u>	<u>\$ 884</u>	<u>\$ 14,224</u>

# CITY OF ST. LOUIS

## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2017

#### 2001 ELECTRIC REVENUE BONDS

Issue in the amount of	\$	995,000
Less:		
Principal paid in prior years		(905,000)
Principal paid in current year		<u>(90,000)</u>
Balance payable at June 30, 2017	\$	<u><u>-</u></u>

#### 2015 ELECTRIC REVENUE BONDS

Issue in the amount of	\$	950,000
Less:		
Principal paid in prior years		-
Principal paid in current year		<u>(50,000)</u>
Balance payable at June 30, 2017	\$	<u><u>900,000</u></u>

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Principal due</i> <i>November 1</i>	<i>Interest due</i> <i>November 1</i>	<i>Interest due</i> <i>May 1</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2018	1.200%	\$ 50,000	\$ 11,965	\$ 11,665	\$ 73,630
2019	1.400%	50,000	11,665	11,315	72,980
2020	1.600%	55,000	11,315	10,875	77,190
2021	1.800%	55,000	10,875	10,380	76,255
2022	2.000%	60,000	10,380	9,780	80,160
2023	2.250%	60,000	9,780	9,105	78,885
2024	2.500%	65,000	9,105	8,293	82,398
2025	2.750%	65,000	8,293	7,399	80,692
2026	3.000%	65,000	7,399	6,424	78,823
2027	3.250%	70,000	6,424	5,286	81,710
2028	3.350%	70,000	5,286	4,114	79,400
2029	3.450%	75,000	4,114	2,820	81,934
2030	3.500%	80,000	2,820	1,420	84,240
2031	3.550%	<u>80,000</u>	<u>1,420</u>	<u>-</u>	<u>81,420</u>
		<u>\$ 900,000</u>	<u>\$ 110,841</u>	<u>\$ 98,876</u>	<u>\$ 1,109,717</u>

# CITY OF ST. LOUIS

## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2017

#### WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BOND, SERIES 2013

Issue in the amount of	\$ 5,445,000
Less: Amount not drawn yet	(11,392)
Principal paid in prior years	(455,000)
Principal paid in current year	<u>(235,000)</u>
Balance payable at June 30, 2017	<u>\$ 4,743,608</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Interest due</u> <u>September 1</u>	<u>Principal due</u> <u>May 1</u>	<u>Interest due</u> <u>May 1</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2018	2.000%	\$ 47,550	\$ 240,000	\$ 47,550	\$ 335,100
2019	2.000%	45,150	245,000	45,150	335,300
2020	2.000%	42,700	245,000	42,700	330,400
2021	2.000%	40,250	250,000	40,250	330,500
2022	2.000%	37,750	255,000	37,750	330,500
2023	2.000%	35,200	260,000	35,200	330,400
2024	2.000%	32,600	270,000	32,600	335,200
2025	2.000%	29,900	275,000	29,900	334,800
2026	2.000%	27,150	280,000	27,150	334,300
2027	2.000%	24,350	285,000	24,350	333,700
2028	2.000%	21,500	290,000	21,500	333,000
2029	2.000%	18,600	295,000	18,600	332,200
2030	2.000%	15,650	300,000	15,650	331,300
2031	2.000%	12,650	305,000	12,650	330,300
2032	2.000%	9,600	315,000	9,600	334,200
2033	2.000%	6,450	320,000	6,450	332,900
2034	2.000%	3,250	325,000	3,250	331,500
		<u>\$ 450,300</u>	<u>\$ 4,755,000</u>	<u>\$ 450,300</u>	<u>\$ 5,655,600</u>
Less: Amount not drawn yet			<u>(11,392)</u>		
			<u>\$ 4,743,608</u>		



**INDEPENDENT AUDITORS' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of St. Louis, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of St. Louis' basic financial statements, and have issued our report thereon dated December 14, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of St. Louis' financial statements are free from 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

**Purpose of this Report**

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

*Bertchume & Co.*

Saginaw, Michigan  
December 14, 2017