

CITY OF ST. LOUIS

Gratiot County, Michigan

FINANCIAL STATEMENTS

June 30, 2015

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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, 2015, 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, 2015, 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.

Change in Accounting Principle and Emphasis of Matter

During the year ended June 30, 2015 and as described in Note 12 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of implementing this pronouncement, and also as discussed in Note 12, the City's net pension liability has been recognized on the government-wide and proprietary statements and prior year net position has been restated. Our opinion is not modified with respect to this matter.

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 49), schedule of pension contributions (page 50), and budgetary comparison information (pages 51 and 52), 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 November 25, 2015 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.

Bertchume & Co.

Saginaw, Michigan
November 25, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ST. LOUIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

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, 2015. 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 \$54,307,129 for the fiscal year ended June 30, 2015, compared to \$44,111,590 for the fiscal year ended June 30, 2014 (restated).
- In the City's governmental activities, revenues generated were \$2,738,016 while expenses totaled \$3,090,926.
- In the City's business-type activities, revenues generated were \$16,781,726 while expenses totaled \$6,293,495.
- Total net position increased by \$10,195,538.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

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 nine (9) individual governmental funds. Separate information is presented for the General Fund and New City Hall Fund, which are considered to be "major" funds. 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, 2015

THE CITY AS A WHOLE:

The City's total combined net position for the fiscal year ended June 30, 2015 is \$54,307,129, consisting of \$9,413,898 in governmental activities and \$44,893,231 in business-type activities.

Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$2,931,855. Governmental activities unrestricted total is \$857,787, while business-type activities is \$2,074,068.

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, 2015 and June 30, 2014 (restated).

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets:						
Current and other assets	\$ 2,813,598	\$ 3,257,162	\$ 13,740,275	\$ 18,488,138	\$ 16,553,873	\$ 21,745,300
Capital assets, net	8,938,963	6,960,593	41,974,934	22,349,244	50,913,897	29,309,837
Total assets	<u>11,752,561</u>	<u>10,217,755</u>	<u>55,715,209</u>	<u>40,837,382</u>	<u>67,467,770</u>	<u>51,055,137</u>
Deferred outflows	<u>51,548</u>	<u>41,328</u>	<u>241,176</u>	<u>193,354</u>	<u>292,724</u>	<u>234,682</u>
Liabilities:						
Other liabilities	512,165	143,858	4,359,610	2,177,563	4,871,775	2,321,421
Long-term liabilities	<u>1,878,046</u>	<u>697,542</u>	<u>6,703,544</u>	<u>4,159,265</u>	<u>8,581,590</u>	<u>4,856,807</u>
Total liabilities	<u>2,390,211</u>	<u>841,400</u>	<u>11,063,154</u>	<u>6,336,828</u>	<u>13,453,365</u>	<u>7,178,228</u>
Net position:						
Net investment in capital assets	7,457,949	6,694,823	36,956,135	20,015,631	44,414,084	26,710,454
Restricted	1,098,162	955,247	5,863,028	14,586,682	6,961,190	15,541,929
Unrestricted	<u>857,787</u>	<u>1,767,613</u>	<u>2,074,068</u>	<u>91,595</u>	<u>2,931,855</u>	<u>1,859,208</u>
Total net position	<u>\$ 9,413,898</u>	<u>\$ 9,417,683</u>	<u>\$ 44,893,231</u>	<u>\$ 34,693,908</u>	<u>\$ 54,307,129</u>	<u>\$ 44,111,591</u>

The City's combined total net position increased by \$10,195,538 during the current fiscal year. Governmental activities decreased by \$3,785 while business-type activities increased by \$10,199,323. The Water and Sewer Fund recognized a federal capital grant revenue of \$9,280,298 and other capital grants of \$297,040 which together account for most of the increase in business-type net position.

Governmental Activities:

The City's total governmental revenue is reported at \$2,738,016, an increase of \$28,758 from the prior fiscal year. Total expenses increased by \$376,976 from the prior fiscal year.

Business-type Activities:

The City's total business-type revenue is reported at \$16,781,726, an increase of \$3,514,537 from the prior fiscal year. This is due primarily to the receipt of the EPA grant. Total expenses decreased by \$541,233 from the prior fiscal year.

CITY OF ST. LOUIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The following table shows the comparison of the change in net position in a condensed format for the fiscal years ended June 30, 2015 and June 30, 2014 (restated).

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<i>2015</i>	<i>2014 *</i>	<i>2015</i>	<i>2014 *</i>	<i>2015</i>	<i>2014 *</i>
Net position, beginning	\$ 9,417,683	\$ 10,180,105	\$34,693,908	\$30,207,121	\$44,111,591	\$40,387,226
Revenues:						
Program revenues						
Charges for services	656,632	584,583	7,149,021	7,191,344	7,805,653	7,775,927
Operating grants	572,127	530,734	41,435	-	613,562	530,734
Capital grants	225,019	325,685	9,577,338	6,060,287	9,802,357	6,385,972
General revenues						
Property taxes	741,926	727,026	-	-	741,926	727,026
Franchise fees	26,866	30,038	-	-	26,866	30,038
State revenue sharing	496,658	491,349	-	-	496,658	491,349
Investment earnings	6,201	6,719	13,932	15,558	20,133	22,277
Other	12,587	13,124	-	-	12,587	13,124
Total revenues	<u>2,738,016</u>	<u>2,709,258</u>	<u>16,781,726</u>	<u>13,267,189</u>	<u>19,519,742</u>	<u>15,976,447</u>
Expenses:						
General government	565,355	171,953	-	-	565,355	171,953
Public safety	979,753	827,275	-	-	979,753	827,275
Public works	1,138,073	1,305,948	-	-	1,138,073	1,305,948
Community and economic development	122,579	113,459	-	-	122,579	113,459
Recreation and culture	266,663	278,356	-	-	266,663	278,356
Interest on long-term debt	18,503	16,959	-	-	18,503	16,959
Electric	-	-	4,183,476	4,459,998	4,183,476	4,459,998
Water and Sewer	-	-	1,803,036	2,051,881	1,803,036	2,051,881
Solid Waste	-	-	306,983	322,849	306,983	322,849
Total expenses	<u>3,090,926</u>	<u>2,713,950</u>	<u>6,293,495</u>	<u>6,834,728</u>	<u>9,384,421</u>	<u>9,548,678</u>
Excess of revenues over expenses before other	<u>(352,910)</u>	<u>(4,692)</u>	<u>10,488,231</u>	<u>6,432,461</u>	<u>10,135,321</u>	<u>6,427,769</u>
Other items:						
Contributions to principal	3,956	1,344	-	-	3,956	1,344
Sale of capital assets	56,261	3,318	-	-	56,261	3,318
Interfund transfers	288,908	416,429	(288,908)	(416,429)	-	-
Total other items	<u>349,125</u>	<u>421,091</u>	<u>(288,908)</u>	<u>(416,429)</u>	<u>60,217</u>	<u>4,662</u>
Changes in net position	(3,785)	416,399	10,199,323	6,016,032	10,195,538	6,432,431
Impact of GASB Statement No. 68 *	<u>-</u>	<u>(1,178,821)</u>	<u>-</u>	<u>(1,529,245)</u>	<u>-</u>	<u>(2,708,066)</u>
Net position, ending	<u>\$ 9,413,898</u>	<u>\$ 9,417,683</u>	<u>\$44,893,231</u>	<u>\$34,693,908</u>	<u>\$54,307,129</u>	<u>\$44,111,591</u>

CITY OF ST. LOUIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

* GASB Statement No. 68 was implemented by the City in fiscal year 2015. Fiscal year 2014 amounts shown have not been modified to reflect the retroactive application of the change; however, the ending net position for that year was adjusted to properly state the fiscal year 2015 beginning net position.

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 one of two governmental funds that is considered a major fund. 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, 2015, General Fund financing uses exceeded its financing sources by \$427,473, decreasing its ending fund balance to \$850,464. The City's second major governmental fund, the New City Hall Fund decreased its ending fund balance by \$552,758.

General Fund Budgetary Highlights:

The General Fund budget, as originally adopted, projected a net decrease in fund balance of \$270,980. During the year, the City made budget amendments which changed the projection to a net decrease in fund balance of \$684,597. The actual results for the year yielded a decrease in fund balance of \$427,473.

Capital Assets and Debt Administration:

At June 30, 2015, the City of St. Louis had \$50,913,897 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, 2014, this total was \$29,309,837. Additional information about the City's capital assets is presented in Note 1 and Note 5 of the Notes to the Financial Statements.

At June 30, 2015, the City of St. Louis's total long-term indebtedness (not including compensated absences and net pension liability) was \$6,499,813, of which \$1,481,014 was backed by the full faith and credit of the City and the remaining \$5,018,799 was backed by specific revenue sources. Additional information about the City's indebtedness is presented in Note 6 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 \$25,051,000 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 67% complete.

CITY OF ST. LOUIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

Gratiot County (which includes the City of St. Louis and the surrounding incorporated and unincorporated area), has a labor force of 18,275 as of July 2015, which is down from July 2014 by 119. The unemployment rate in the County for July 2015 is 6.4% which is down from the July 2014 rate of 9.1%. Similarly statewide the unemployment for the same period saw a downward trend of 1.8% to 5.9%.

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, 2015, the unassigned fund balance in the general fund is \$93,430. The City has projected a balanced budget for the upcoming fiscal year but continues to use fund balance to do so. Improvement in the housing market and increasing home prices are indicators that tax revenues in the general fund will begin to increase. It is believed that the available fund balance will be sufficient to meet any unforeseen changes in the local economy from the time the budget was prepared through the 2015-16 fiscal year.

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, 2015

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Assets:				
Cash and cash equivalents	\$ 2,042,610	\$ 1,730,559	\$ 3,773,169	\$ 16,370
Investments	315,100	-	315,100	-
Receivables	554,651	7,870,552	8,425,203	-
Internal balances	(161,038)	161,038	-	-
Inventory	26,313	246,434	272,747	-
Prepaid expenses	35,962	-	35,962	-
Restricted cash and cash equivalents	-	1,292,908	1,292,908	-
Restricted investments	-	1,688,784	1,688,784	-
Advance to Water Authority	-	750,000	750,000	-
Asset held for resale	-	-	-	85,000
Capital assets not being depreciated	5,111,178	30,634,358	35,745,536	-
Capital assets being depreciated, net	<u>3,827,785</u>	<u>11,340,576</u>	<u>15,168,361</u>	<u>-</u>
Total assets	<u>11,752,561</u>	<u>55,715,209</u>	<u>67,467,770</u>	<u>101,370</u>
Deferred outflows:				
Pension	<u>51,548</u>	<u>241,176</u>	<u>292,724</u>	<u>-</u>
Liabilities:				
Accounts payable and accrued expenses	512,165	4,359,610	4,871,775	98
Long-term liabilities:				
Due within one year	146,173	294,342	440,515	6,227
Due in more than one year	<u>1,731,873</u>	<u>6,409,202</u>	<u>8,141,075</u>	<u>40,061</u>
Total liabilities	<u>2,390,211</u>	<u>11,063,154</u>	<u>13,453,365</u>	<u>46,386</u>
Net position:				
Net investment in capital assets	7,457,949	36,956,135	44,414,084	-
Restricted for:				
Debt service	10,893	395,246	406,139	-
Equipment replacement/improvements	-	5,467,782	5,467,782	-
Library operations	134,087	-	134,087	-
Nonexpendable cemetery principal	175,002	-	175,002	-
Park improvements	40,578	-	40,578	-
Streets	737,602	-	737,602	-
Unrestricted	<u>857,787</u>	<u>2,074,068</u>	<u>2,931,855</u>	<u>54,984</u>
Total net position	<u>\$ 9,413,898</u>	<u>\$ 44,893,231</u>	<u>\$ 54,307,129</u>	<u>\$ 54,984</u>

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

CITY OF ST. LOUIS

STATEMENT OF ACTIVITIES Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
General government	\$ 565,355	\$ 494,807	\$ 5,905	\$ -	\$ (64,643)
Public safety	979,753	31,537	16,404	-	(931,812)
Public works	1,138,073	17,848	501,369	225,019	(393,837)
Community and economic development	122,579	-	18,140	-	(104,439)
Recreation and culture	266,663	112,440	30,309	-	(123,914)
Interest on long-term debt	18,503	-	-	-	(18,503)
Total governmental activities	<u>3,090,926</u>	<u>656,632</u>	<u>572,127</u>	<u>225,019</u>	<u>(1,637,148)</u>
<i>Business-type activities:</i>					
Electric	4,183,476	4,244,441	-	-	60,965
Water and Sewer	1,803,036	2,558,156	41,435	9,577,338	10,373,893
Solid Waste	306,983	346,424	-	-	39,441
Total business-type activities	<u>6,293,495</u>	<u>7,149,021</u>	<u>41,435</u>	<u>9,577,338</u>	<u>10,474,299</u>
Total primary government	<u>\$ 9,384,421</u>	<u>\$ 7,805,653</u>	<u>\$ 613,562</u>	<u>\$ 9,802,357</u>	<u>\$ 8,837,151</u>
COMPONENT UNIT:					
Downtown Development Authority	<u>\$ 27,777</u>	<u>\$ 6,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,389)</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, 2015

	<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	\$ (1,637,148)	\$ 10,474,299	\$ 8,837,151	\$ (21,389)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	635,555	-	635,555	-
Property taxes, levied for library operations	101,837	-	101,837	-
Property taxes, captured by component unit	-	-	-	19,017
Payment in lieu of taxes	4,534	-	4,534	-
Franchise fees	26,866	-	26,866	-
Grants and contributions not restricted to specific programs	496,658	-	496,658	-
Unrestricted investment earnings	6,201	13,932	20,133	22
Other	12,587	-	12,587	-
Contributions to principal of permanent funds	3,956	-	3,956	-
Special items:				
Gain (loss) on sale of capital asset	56,261	-	56,261	-
Transfers	288,908	(288,908)	-	-
Total general revenues and other	1,633,363	(274,976)	1,358,387	19,039
Change in net position	(3,785)	10,199,323	10,195,538	(2,350)
Net position, beginning of year, restated	9,417,683	34,693,908	44,111,591	57,334
Net position, end of year	\$ 9,413,898	\$ 44,893,231	\$ 54,307,129	\$ 54,984

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

CITY OF ST. LOUIS

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2015

	<u>General Fund</u>	<u>New City Hall Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 410,459	\$ 36,483	\$ 1,452,568	\$ 1,899,510
Investments	191,692	123,408	-	315,100
Taxes receivable	3,452	-	257	3,709
Accounts receivable	24,693	-	2,067	26,760
Notes receivable	4,947	-	-	4,947
Accrued interest receivable	576	-	243	819
Due from other governments	99,142	332,014	84,747	515,903
Inventory	8,434	-	-	8,434
Prepaid expenditures	35,962	-	-	35,962
Advance receivable from other funds	181,885	-	-	181,885
Total assets	<u>\$ 961,242</u>	<u>\$ 491,905</u>	<u>\$ 1,539,882</u>	<u>\$ 2,993,029</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 40,645	\$ 374,467	\$ 4,836	\$ 419,948
Accrued expenses	66,959	-	4,656	71,615
Due to other governments	3,174	-	-	3,174
Advance payable to other fund	-	80,000	-	80,000
Total liabilities	<u>110,778</u>	<u>454,467</u>	<u>9,492</u>	<u>574,737</u>
Fund balances:				
Nonspendable:				
Inventory	8,434	-	-	8,434
Prepaid expenditures	35,962	-	-	35,962
Long-term receivables	181,885	-	-	181,885
Nonexpendable cemetery principal	-	-	175,002	175,002
Restricted for:				
Debt service	-	-	10,893	10,893
Library operations	-	-	134,087	134,087
Park improvements	40,578	-	-	40,578
Streets	-	-	737,602	737,602
Assigned to:				
Capital improvements	442,201	-	438,548	880,749
Cemetery improvements	17,919	-	-	17,919
Cemetery operations	-	-	34,258	34,258
City Hall project	-	37,438	-	37,438
Pool house improvements	30,055	-	-	30,055
Unassigned	93,430	-	-	93,430
Total fund balances	<u>850,464</u>	<u>37,438</u>	<u>1,530,390</u>	<u>2,418,292</u>
Total liabilities and fund balances	<u>\$ 961,242</u>	<u>\$ 491,905</u>	<u>\$ 1,539,882</u>	<u>\$ 2,993,029</u>

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

CITY OF ST. LOUIS

RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2015

Fund balances of governmental funds	\$ 2,418,292
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	5,111,178
Capital assets being depreciated, net	3,084,459
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.	51,548
Interest payable in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.	(7,588)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.	
Bonds payable	(1,481,014)
Compensated absences payable	(55,087)
Net pension liability	(338,678)
A portion of the net position (including capital assets of \$743,326) and liabilities of the internal service fund are included in the governmental activities in the statement of net position (net of \$161,038 allocation to business-type activities).	<u>630,788</u>
Net position of governmental activities	<u>\$ 9,413,898</u>

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

CITY OF ST. LOUIS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	<u>General Fund</u>	<u>New City Hall Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Revenues:				
Property taxes	\$ 663,046	\$ -	\$ 101,837	\$ 764,883
Licenses and permits	17,570	-	-	17,570
Federal grants	-	-	189,490	189,490
State grants	524,080	-	526,883	1,050,963
Contributions from other units	-	-	18,140	18,140
Charges for services	505,464	-	6,835	512,299
Fines and forfeits	1,710	-	96,438	98,148
Interest and rents	8,368	603	3,139	12,110
Other revenue	171,012	-	20,286	191,298
Total revenues	<u>1,891,250</u>	<u>603</u>	<u>963,048</u>	<u>2,854,901</u>
Expenditures:				
Current				
General government	444,032	-	-	444,032
Public safety	1,115,079	-	-	1,115,079
Public works	109,832	-	240,448	350,280
Community and economic development	126,532	-	-	126,532
Recreation and culture	112,189	-	120,602	232,791
Other	80,094	-	-	80,094
Capital outlay	36,307	2,142,702	387,449	2,566,458
Debt service				
Principal	5,770	-	80,000	85,770
Interest and fees	561	-	13,132	13,693
Total expenditures	<u>2,030,396</u>	<u>2,142,702</u>	<u>841,631</u>	<u>5,014,729</u>
Excess (deficiency) of revenues over expenditures	<u>(139,146)</u>	<u>(2,142,099)</u>	<u>121,417</u>	<u>(2,159,828)</u>
Other financing sources (uses):				
Proceeds from bond issuance	-	1,301,014	-	1,301,014
Transfer from other funds	-	288,327	232,303	520,630
Transfers to other funds	(288,327)	-	(74,160)	(362,487)
Net other financing sources (uses)	<u>(288,327)</u>	<u>1,589,341</u>	<u>158,143</u>	<u>1,459,157</u>
Changes in fund balances	(427,473)	(552,758)	279,560	(700,671)
Fund balances, beginning of year	<u>1,277,937</u>	<u>590,196</u>	<u>1,250,830</u>	<u>3,118,963</u>
Fund balances, end of year	<u>\$ 850,464</u>	<u>\$ 37,438</u>	<u>\$ 1,530,390</u>	<u>\$ 2,418,292</u>

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

CITY OF ST. LOUIS

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

Year Ended June 30, 2015

Changes in fund balances of governmental funds	\$ (700,671)
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	2,544,383
Depreciation expense	(890,308)
Proceeds from issuance of bonds is revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position.	(1,301,014)
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.	85,770
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in compensated absences payable	5,538
Change in accrued interest on bonds	(4,275)
Change in net pension liability and related deferred outflow	39,730
Certain changes in net position of the internal service fund are reported with governmental activities in the statement of activities (net of \$45,781 allocation to business-type activities).	<u>217,062</u>
Change in net position of governmental activities	<u>\$ (3,785)</u>

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

CITY OF ST. LOUIS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

June 30, 2015

	<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>	
Assets:					
Current assets:					
Cash and cash equivalents	\$ 175,860	\$ 1,451,967	\$ 102,732	\$ 1,730,559	\$ 30,568
Accounts receivable	521,662	3,553,551	37,755	4,112,968	2,513
Accrued interest receivable	-	1,407	-	1,407	-
Due from other governments	6,227	3,709,889	-	3,716,116	-
Inventory	190,191	56,243	-	246,434	17,879
Total current assets	893,940	8,773,057	140,487	9,807,484	50,960
Noncurrent assets:					
Restricted cash and cash equivalents	863,247	429,661	-	1,292,908	112,532
Restricted investments	389,063	1,299,721	-	1,688,784	-
Due from other governments	40,061	-	-	40,061	-
Advance to Water Authority	-	750,000	-	750,000	-
Capital assets not being depreciated	731,710	29,902,648	-	30,634,358	-
Capital assets being depreciated, net	4,820,424	6,520,152	-	11,340,576	743,326
Total noncurrent assets	6,844,505	38,902,182	-	45,746,687	855,858
Total assets	7,738,445	47,675,239	140,487	55,554,171	906,818
Deferred outflows of resources:					
Pension	77,865	147,153	16,158	241,176	-
Liabilities:					
Current liabilities:					
Accounts payable	100,975	4,130,263	25,398	4,256,636	8,747
Accrued expenses	12,939	16,281	1,082	30,302	1,093
Deposits payable	28,636	10,313	-	38,949	-
Accrued interest payable	-	33,723	-	33,723	-
Advance payable to other fund	-	-	-	-	101,885
Current compensated absences payable	32,466	31,876	-	64,342	3,170
Current portion of long-term debt	-	230,000	-	230,000	-
Total current liabilities	175,016	4,452,456	26,480	4,653,952	114,895
Noncurrent liabilities:					
Compensated absences payable	20,415	15,448	-	35,863	97
Net pension liability	511,577	966,801	106,162	1,584,540	-
Long-term debt	160,000	4,628,799	-	4,788,799	-
Total noncurrent liabilities	691,992	5,611,048	106,162	6,409,202	97

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, 2015

	<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>	
Total liabilities	867,008	10,063,504	132,642	11,063,154	114,992
Net position:					
Net investment in capital assets	5,392,134	31,564,001	-	36,956,135	743,326
Restricted for:					
Debt service	275,443	119,803	-	395,246	-
Replacement/improvements	909,535	1,423,745	-	2,333,280	-
Water supply replacement	-	3,134,502	-	3,134,502	-
Unrestricted	372,190	1,516,837	24,003	1,913,030	48,500
Total net position	<u>\$ 6,949,302</u>	<u>\$ 37,758,888</u>	<u>\$ 24,003</u>	\$ 44,732,193	<u>\$ 791,826</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				161,038	
Net position of business-type activities				<u>\$ 44,893,231</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, 2015

	<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>		
Operating revenues:					
Charges for services	\$ 4,117,168	\$ 2,460,210	\$ 337,698	\$ 6,915,076	\$ -
Penalties	73,983	21,301	8,726	104,010	-
Equipment rental	-	-	-	-	342,735
Other	42,151	11,070	-	53,221	1,398
Total operating revenues	4,233,302	2,492,581	346,424	7,072,307	344,133
Operating expenses:					
Personnel	655,531	612,124	72,964	1,340,619	53,895
Administrative expense	191,500	193,030	12,210	396,740	-
Purchased energy	2,537,496	-	-	2,537,496	-
Other services and charges	471,563	516,742	237,328	1,225,633	142,401
Depreciation	315,701	388,439	-	704,140	71,576
Total operating expenses	4,171,791	1,710,335	322,502	6,204,628	267,872
Operating income	61,511	782,246	23,922	867,679	76,261
Non-operating revenues (expenses):					
State grants	-	41,435	-	41,435	-
Interest income	4,189	9,643	100	13,932	91
Rental income	-	46,452	-	46,452	-
Gain on disposal of capital assets	-	-	-	-	56,261
Interest expense	(11,685)	(92,701)	-	(104,386)	(535)
Net non-operating revenues (expenses)	(7,496)	4,829	100	(2,567)	55,817
Change in net position before capital contributions and transfers	54,015	787,075	24,022	865,112	132,078
Capital contributions and transfers:					
Capital contribution - Federal grant	-	9,280,298	-	9,280,298	-
Capital contribution - City of Alma	-	297,040	-	297,040	-
Transfers from other funds	-	-	-	-	130,765
Transfers to other funds	(94,707)	(186,144)	(8,057)	(288,908)	-
Net capital contributions and transfers	(94,707)	9,391,194	(8,057)	9,288,430	130,765

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, 2015

	<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>	
Change in net position	(40,692)	10,178,269	15,965	10,153,542	262,843
Net position, beginning of year, restated	<u>6,989,994</u>	<u>27,580,619</u>	<u>8,038</u>		<u>528,983</u>
Net position, end of year	<u>\$ 6,949,302</u>	<u>\$ 37,758,888</u>	<u>\$ 24,003</u>		<u>\$ 791,826</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>45,781</u>	
Change in net position of business-type activities				<u>\$ 10,199,323</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, 2015

	<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>	
Cash flows from operating activities:					
Cash received from customers	\$ 4,246,340	\$ 2,491,667	\$ 345,133	\$ 7,083,140	\$ 1,568
Cash received for interfund services	-	-	-	-	342,735
Cash payments to/for employees	(713,787)	(723,622)	(85,846)	(1,523,255)	(53,208)
Cash payments for goods, services and other	<u>(3,221,690)</u>	<u>(588,438)</u>	<u>(257,165)</u>	<u>(4,067,293)</u>	<u>(150,604)</u>
Net cash provided by operating activities	<u>310,863</u>	<u>1,179,607</u>	<u>2,122</u>	<u>1,492,592</u>	<u>140,491</u>
Cash flows from non-capital financing activities:					
State grants	-	41,435	-	41,435	-
Transfers from (to) other funds	<u>(94,707)</u>	<u>(55,379)</u>	<u>(8,057)</u>	<u>(158,143)</u>	<u>-</u>
Net cash provided (used) by non-capital financing activities	<u>(94,707)</u>	<u>(13,944)</u>	<u>(8,057)</u>	<u>(116,708)</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Advance from General Fund	-	-	-	-	107,000
Transfer from Water and Sewer Fund to Internal Service Fund	-	(130,765)	-	(130,765)	130,765
Capital contributions	-	6,639,905	-	6,639,905	-
Proceeds from bond issue debt	-	2,985,186	-	2,985,186	-
Acquisition of capital assets	(287,797)	(17,989,477)	-	(18,277,274)	(407,015)
Gain on disposal of capital assets	-	-	-	-	59,905
Principal payments	(75,000)	(225,000)	-	(300,000)	(5,115)
Interest paid	<u>(11,685)</u>	<u>(66,700)</u>	<u>-</u>	<u>(78,385)</u>	<u>(535)</u>
Net cash used by capital and related financing activities	<u>(374,482)</u>	<u>(8,786,851)</u>	<u>-</u>	<u>(9,161,333)</u>	<u>(114,995)</u>
Cash flows from investing activities:					
Interest received	4,189	9,720	100	14,009	91
Rent received	<u>-</u>	<u>46,452</u>	<u>-</u>	<u>46,452</u>	<u>-</u>
Net cash provided by investing activities	<u>4,189</u>	<u>56,172</u>	<u>100</u>	<u>60,461</u>	<u>91</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, 2015

	<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	(154,137)	(7,565,016)	(5,835)	(7,724,988)	25,587
Cash, cash equivalents and investments, beginning of year	<u>1,582,307</u>	<u>10,746,365</u>	<u>108,567</u>	<u>12,437,239</u>	<u>117,513</u>
Cash, cash equivalents and investments, end of year	<u>\$ 1,428,170</u>	<u>\$ 3,181,349</u>	<u>\$ 102,732</u>	<u>\$ 4,712,251</u>	<u>\$ 143,100</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 61,511	\$ 782,246	\$ 23,922	\$ 867,679	\$ 76,261
Adjustments:					
Depreciation	315,701	388,439	-	704,140	71,576
Change in assets and liabilities:					
Accounts receivable	7,115	40,521	(1,291)	46,345	170
Due from other governments	5,923	(41,435)	-	(35,512)	-
Inventory	(16,832)	5,546	-	(11,286)	(8,401)
Prepaid expenses	-	6,465	-	6,465	-
Deferred outflow - pension	(15,439)	(29,178)	(3,204)	(47,821)	-
Accounts payable	(1,566)	112,354	(7,627)	103,161	198
Accrued expenses	2,780	3,742	(429)	6,093	379
Deposits payable	(2,733)	(3,031)	-	(5,764)	-
Compensated absences	(1,024)	(1,824)	-	(2,848)	308
Net pension liability	<u>(44,573)</u>	<u>(84,238)</u>	<u>(9,249)</u>	<u>(138,060)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 310,863</u>	<u>\$ 1,179,607</u>	<u>\$ 2,122</u>	<u>\$ 1,492,592</u>	<u>\$ 140,491</u>

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

CITY OF ST. LOUIS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2015

	<i>Agency Funds</i>
	<u> </u>
Assets:	
Cash and cash equivalents	\$ 211,636
Accounts receivable	<u>6,987</u>
Total assets	<u>\$ 218,623</u>
Liabilities:	
Accrued liabilities	\$ 2,729
Due to other governmental units	<u>215,894</u>
Total liabilities	<u>\$ 218,623</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Reporting Entity:

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, 2015 was \$2,723. Complete financial statements for the Housing Commission’s June 30, 2015 year end can be obtained by contacting the Housing Commission, 308 S. Delaware Street, St. Louis, Michigan.

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2015, was \$102,341 and capital contribution was \$195,497. 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 franchise fee it receives to the Consortium. For the year ended June 30, 2015, this amounted to \$17,911. 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 Carey Hammel, 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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2015, the City paid \$146,413 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, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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, and capital project funds.

Proprietary funds provide goods or services to users in exchange for charges or fees.

The City reports the following major governmental fund:

General Fund – The General Fund is the City’s primary operating fund. It accounts for all financial resources, except for those required to be accounted for in another fund.

Capital Projects Fund – New City Hall Fund – The New City Hall Fund accounts for the construction of a new City hall including the bond proceeds received for the construction.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

Permanent Fund – Permanent Funds 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 – The 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 – Agency Funds account for assets held for other governments in an agency capacity, including tax collections.

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Specific Balances and Transactions:

Deposits and Investments – Cash includes cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the City considers all investments (including restricted assets) to be cash equivalents. 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, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Long-term Obligations – In the government-wide financial statements and the proprietary fund type 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. The General Fund is generally used to liquidate governmental 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 – In the fund financial statements, fund balance may be presented in five possible categories, each of which identifies the extent to which the City is bound to honor constraints on the specific purpose for which amounts can be spent:

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Unassigned – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. However, unassigned balances also include negative balances in other governmental funds.

Property Taxes – Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. 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 2014 taxable valuation of the City totaled \$47,981,685 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments). Taxes levied consisted of 13.4089 mills for the City’s operating purposes and .9983 mills for library operations. In addition, the Library Fund receives a portion of a county tax millage for library operations.

Pension Costs – The City provides pension benefits to employees and retirees in two different pension plans; one is a defined benefit plan and the other is a defined contribution plan. For the defined benefit plan, the City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the pension obligation over the remaining amortization period. In the governmental funds, pension costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports, in accordance with GASB 68, the full accrual cost of the pension benefit for the period.

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 1st 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.

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.

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Adoption of New Accounting Standard:

During the current year, the City adopted Government Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions*. Statement 68 requires governments participating in public employee defined benefit pension plans to recognize, in the government-wide and proprietary statements, their long-term liability for the pension benefits and the annual costs of providing these benefits.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

Annual budgets for all governmental funds are adopted in compliance with Michigan Law. The budgets are prepared on the modified accrual basis, which is consistent with generally accepted accounting principles. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the function level for the general fund and special revenue funds. The City does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at the end of the fiscal year and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the City did not incur expenditures in excess of the amounts budgeted.

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.

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

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, 2014	\$ -
Current year building permit revenue	17,570
Related expenses:	
Direct costs	(87,684)
Cumulative surplus at June 30, 2015	<u>\$ -</u>

NOTE 3: DEPOSITS AND INVESTMENTS

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.

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. As of year end, the City's bank deposits were \$4,270,879, of which \$3,667,295 was exposed to custodial credit risk because it was 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. The City analyzes the financial condition of the banks. The City only invests with those institutions with an acceptable estimated risk level for depositories and certificates of deposit.

Custodial Credit Risk – Investments – Public Act 196 of 1997 authorizes the City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States, in accounts of financial institutions, commercial paper with specific maximum maturities and ratings when purchased, repurchase agreements, bankers acceptances of United States banks, obligations of the State of Michigan or any of its political subdivisions, mutual funds composed of investment vehicles that are legal for direct investment by a public corporation and investments in Michigan government pools. 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 a policy for investment custodial credit risk and the City does not have a policy.

The City has invested in the Michigan Cooperative Liquid Asset Securities System (CLASS), which is a Michigan public sector joint investment program authorized by the State of Michigan. The rating of Michigan CLASS is AAAM (Standard and Poor's). The carrying amount (fair value) at year end of the City's funds invested with Michigan CLASS is \$3,144,618.

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

Interest Rate Risk – Investments – Public Act 196 of 1997 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.

Following is a reconciliation of deposit and investment balances as of June 30, 2015:

Statement of Net Position:

Cash and cash equivalents (including restricted):	
Primary Government	\$ 5,066,077
Component Unit	16,370
Investments (including restricted):	
Primary Government	2,003,884

Statement of Fiduciary Assets and Liabilities:

Cash and cash equivalents:	
Agency Funds	<u>211,636</u>
Total	<u>\$ 7,297,967</u>

Deposits and Investments:

Bank Deposits:	
Checking/Savings Accounts	\$ 3,777,340
Certificates of Deposits	375,779
Investments in Mutual Funds:	
Pooled investments - Michigan CLASS	3,144,618
Cash on Hand	<u>230</u>
Total	<u>\$ 7,297,967</u>

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>Total</i>
Electric Fund:			
Bond Reserve for Debt Service	\$ -	\$ 389,063	\$ 389,063
Replacement/Improvements	863,247	-	863,247
Water and Sewer Fund:			
Bond Reserve for Debt Service	103,065	-	103,065
Replacement/Improvements	<u>326,596</u>	<u>1,299,721</u>	<u>1,626,317</u>
	<u>\$ 1,292,908</u>	<u>\$ 1,688,784</u>	<u>\$ 2,981,692</u>

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,330,055	\$ -	\$ -	\$ 2,330,055
Construction in progress	594,906	2,534,103	(347,886)	2,781,123
Total capital assets not being depreciated	<u>2,924,961</u>	<u>2,534,103</u>	<u>(347,886)</u>	<u>5,111,178</u>
Capital assets being depreciated:				
Buildings and improvements	2,108,477	-	-	2,108,477
Equipment and vehicles	2,492,114	409,795	(257,370)	2,644,539
Infrastructure - storm sewer	2,701,677	-	-	2,701,677
Infrastructure - streets	22,246,646	347,886	-	22,594,532
Infrastructure - sidewalks	981,174	-	-	981,174
Total capital assets being depreciated	<u>30,530,088</u>	<u>757,681</u>	<u>(257,370)</u>	<u>31,030,399</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,060,901)	(73,649)	-	(1,134,550)
Equipment and vehicles	(2,035,755)	(90,900)	253,726	(1,872,929)
Infrastructure - storm sewer	(2,299,535)	(54,034)	-	(2,353,569)
Infrastructure - streets	(20,195,474)	(739,280)	-	(20,934,754)
Infrastructure - sidewalks	(902,791)	(4,021)	-	(906,812)
Total accumulated depreciation	<u>(26,494,456)</u>	<u>(961,884)</u>	<u>253,726</u>	<u>(27,202,614)</u>
Capital assets being depreciated, net	<u>4,035,632</u>	<u>(204,203)</u>	<u>(3,644)</u>	<u>3,827,785</u>
Governmental activities, capital assets, net	<u>\$ 6,960,593</u>	<u>\$ 2,329,900</u>	<u>\$ (351,530)</u>	<u>\$ 8,938,963</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 988,499	\$ -	\$ -	\$ 988,499
Construction in progress	9,367,017	20,278,842	-	29,645,859
Total capital assets not being depreciated	<u>10,355,516</u>	<u>20,278,842</u>	<u>-</u>	<u>30,634,358</u>
Capital assets being depreciated:				
Buildings and improvements	1,164,976	-	-	1,164,976
Equipment	443,308	30,643	(39,933)	434,018
Electric system	10,462,609	20,345	-	10,482,954
Sewer system	12,021,532	-	-	12,021,532
Water system	8,205,154	-	-	8,205,154
Total capital assets being depreciated	<u>32,297,579</u>	<u>50,988</u>	<u>(39,933)</u>	<u>32,308,634</u>

continued

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: CAPITAL ASSETS, CONTINUED

	<i>July 1, 2014</i>	<i>Additions</i>	<i>Retirements</i>	<i>June 30, 2015</i>
Less accumulated depreciation for:				
Buildings and improvements	(786,351)	(31,527)	-	(817,878)
Equipment	(258,624)	(29,628)	39,933	(248,319)
Electric system	(5,898,589)	(261,708)	-	(6,160,297)
Sewer system	(6,783,278)	(222,613)	-	(7,005,891)
Water system	(6,577,009)	(158,664)	-	(6,735,673)
Total accumulated depreciation	(20,303,851)	(704,140)	39,933	(20,968,058)
Capital assets being depreciated, net	<u>11,993,728</u>	<u>(653,152)</u>	<u>-</u>	<u>11,340,576</u>
Business-type activities capital assets, net	<u>\$ 22,349,244</u>	<u>\$ 19,625,690</u>	<u>\$ -</u>	<u>\$ 41,974,934</u>

Depreciation expense was charged to various functions as follows:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>
General government	\$ 48,175	\$ -
Public safety	12,946	-
Public works	801,923	-
Recreation and culture	27,264	-
Electric	-	315,701
Water and Sewer	-	388,439
Internal Service Fund	71,576	-
	<u>\$ 961,884</u>	<u>\$ 704,140</u>

NOTE 6: 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, 2015 is summarized as follows:

	<i>July 1, 2014 (Restated)</i>	<i>Additions</i>	<i>(Reductions)</i>	<i>June 30, 2015</i>	<i>Due Within One Year</i>
Governmental activities:					
<i>General obligations:</i>					
1996 Building Authority Bonds, principal due in annual installments of \$40,000 through April 2016, interest at 5.70% due semi-annually.	\$ 80,000	-	(40,000)	\$ 40,000	\$ 40,000

continued

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 6: LONG-TERM LIABILITIES, CONTINUED

	<i>July 1, 2014</i>			<i>June 30, 2015</i>	<i>Due Within One Year</i>
	<u>(Restated)</u>	<u>Additions</u>	<u>(Reductions)</u>		
2002 General Obligation Bond, principal due in annual installments of \$45,000 to \$50,000 through October 2017, interest from 4.80-4.90% due semi-annually.	180,000	-	(40,000)	140,000	45,000
2014 Capital Improvement Bond, principal due in annual installments of \$10,000 to \$72,000 through September 2054, interest at 3.50% due semi-annually.	-	1,301,014	-	1,301,014	10,000
Capital lease with Key Equipment, due in monthly installments of \$562 through May 2015.	5,770	-	(5,770)	-	-
<i>Other liabilities:</i>					
Compensated absences	63,584	51,179	(56,409)	58,354	51,173
Net pension liability	368,188	49,945	(79,455)	338,678	-
Governmental activities, long-term liabilities	<u>\$ 697,542</u>	<u>\$ 1,402,138</u>	<u>\$ (221,634)</u>	<u>\$ 1,878,046</u>	<u>\$ 146,173</u>
Business-type Activities:					
<i>Revenue Bonds:</i>					
2001 Electric Revenue Bonds, principal due in annual installments of \$75,000 to \$85,000 through July 2017, interest from 4.55-5.10% due semi-annually.	\$ 235,000	\$ -	\$ (75,000)	\$ 160,000	\$ -
2013 Water Supply and Sewage Disposal Revenue Bond, principal due in annual installments of \$225,000 to \$325,000 through April 1, 2034, interest of 2.00% due semi-annually.	2,098,613	2,985,186	(225,000)	4,858,799	230,000
<i>Other liabilities:</i>					
Compensated absences	103,053	66,552	(69,400)	100,205	64,342
Net pension liability	1,722,600	233,676	(371,736)	1,584,540	-
Business-type activities, long-term liabilities	<u>\$4,159,266</u>	<u>\$ 3,285,414</u>	<u>\$ (741,136)</u>	<u>\$ 6,703,544</u>	<u>\$ 294,342</u>
Component Unit:					
Loan payable to Electric Fund, monthly payments of \$700 including interest through December 2021.	\$ 52,211	\$ -	\$ (5,923)	\$ 46,288	\$ 6,227

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 6: LONG-TERM LIABILITIES, CONTINUED

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

<i>Year Ended</i> <i>June 30,</i>	<i>Governmental Activities</i>			<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2016	\$ 95,000	\$ 41,967	\$ 136,967	\$ 230,000	\$ 108,424	\$ 338,424
2017	74,000	59,191	133,191	310,000	105,992	415,992
2018	70,000	55,861	125,861	325,000	97,268	422,268
2019	21,000	53,936	74,936	245,000	90,300	335,300
2020	22,000	53,200	75,200	245,000	85,400	330,400
2021-2025	120,000	254,102	374,102	1,310,000	351,400	1,661,400
2026-2030	145,000	231,352	376,352	1,450,000	214,500	1,664,500
2031-2035	170,000	204,228	299,762	1,265,000	63,900	1,328,900
2036-2040	202,000	172,342	374,342	-	-	-
2041-2045	239,000	134,472	373,472	-	-	-
2046-2050	285,000	89,602	299,672	-	-	-
2051-2055	337,000	34,872	298,612	-	-	-
	<u>\$ 1,780,000</u>	<u>\$ 1,385,125</u>	<u>\$ 2,942,469</u>	<u>\$ 5,380,000</u>	<u>\$ 1,117,184</u>	<u>\$ 6,497,184</u>
Less: Amount not drawn	(298,986)			(361,201)		
	<u>\$ 1,481,014</u>			<u>\$ 5,018,799</u>		

<i>Year Ended</i> <i>June 30,</i>	<i>Component Unit</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2016	\$ 6,227	\$ 2,173	\$ 8,400
2017	6,546	1,854	8,400
2018	6,881	1,519	8,400
2019	7,233	1,167	8,400
2016-2020	34,490	7,510	42,000
2021-2022	11,798	9,934	71,058
	<u>\$ 46,288</u>	<u>\$ 17,444</u>	<u>\$ 113,058</u>

NOTE 7: INTERFUND BALANCES AND TRANSFERS

As of June 30, 2015, there is an outstanding advance between the General Fund and the New City Hall Fund of \$80,000. There are no repayment terms on this advance. In addition, there is an advance between the General Fund and the Internal Service Fund of \$101,885. 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.

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 7: INTERFUND BALANCES AND TRANSFERS, CONTINUED

Transfers during the current fiscal year were as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	New City Hall Fund	\$ 288,327
Nonmajor Governmental Funds	Nonmajor Governmental Funds	
Public Improvement Fund	2002 General Obligation Limited Tax Fund	29,600
T.A. Cutler Memorial Library Fund	Building Authority Fund	44,560
Electric Fund	Nonmajor Governmental Fund	
	Public Improvement Fund	94,707
Water and Sewer Fund	Nonmajor Governmental Fund	
	Public Improvement Fund	55,379
Water and Sewer Fund	Internal Service Fund	
	Motor Pool Fund	130,765
Solid Waste Fund	Nonmajor Governmental Fund	
	Public Improvement Fund	8,057
		<u>\$ 651,395</u>

NOTE 8: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Receivables:				
Property taxes	\$ 3,709	\$ -	\$ 3,709	\$ -
Accounts	29,273	4,112,968	4,142,241	-
Notes/Loans	4,947	46,288	51,235	-
Accrued interest	819	1,407	2,226	-
Intergovernmental	<u>515,903</u>	<u>3,709,889</u>	<u>4,225,792</u>	-
Total receivables	<u>\$ 554,651</u>	<u>\$ 7,870,552</u>	<u>\$ 8,425,203</u>	<u>\$ -</u>
Accounts payable and accrued expenses:				
Accounts	\$ 428,695	\$ 4,256,636	\$ 4,685,331	\$ 98
Payroll liabilities	72,708	30,302	103,010	-
Deposits payable	-	38,949	38,949	-
Accrued interest	7,588	33,723	41,311	-
Intergovernmental	<u>3,174</u>	<u>-</u>	<u>3,174</u>	-
Total accounts payable and accrued expenses	<u>\$ 512,165</u>	<u>\$ 4,359,610</u>	<u>\$ 4,871,775</u>	<u>\$ 98</u>

The business-type activities show a Notes/Loans receivable balance of \$46,288. Of this amount, \$6,227 is considered current and the remaining \$40,061 is long-term.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9: 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 \$1,000, respectively. When a claim is incurred and/or paid, the member's loss contribution account is charged or credited according to the member's actual loss experience; no obligation is credited for another member's losses. If contributions are in excess of actual expenses and reserves, future contributions are increased. Should any member have more losses paid on their behalf than contributions covering such losses, credit is extended within the association joint loss fund; such a deficit is repaid by the member in future contributions.

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

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

NOTE 10: 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.

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

Benefits Provided – The following are the benefits provided from the December 31, 2014 valuation. All divisions are closed to new hires.

	<u>General NonUnion</u>	<u>Police & 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)
	<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
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, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	33
Inactive employees entitled to but not yet receiving benefits:	5
Active employees:	<u>5</u>
Total	<u><u>43</u></u>

Contributions – The employer 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 employer may establish contribution rates to be paid by its covered employees.

The employers' annual required contributions (ARC), for the current year, were \$134,748 General NonUnion, \$19,008 Police & Fire, \$26,376 City Manager, and \$148,620 Electric Union. Amounts are based on the valuation payroll from the December 31, 2012 actuarial valuation.

Net Pension Liability – The employer's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

Actuarial assumptions – The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation: 3%-4%; Salary Increases: 4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively); Investment rate of return: 8.25%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%. Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 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 8.25% for 2014 and will be 8.0% in 2015 and thereafter. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. 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.

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

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 12/31/13	\$ 7,578,111	\$ 5,487,323	\$ 2,090,788
Service cost	30,348	-	30,348
Interest on total pension liability	600,818	-	600,818
Employer contributions	-	451,191	(451,191)
Employee contributions	-	14,871	(14,871)
Net investment income	-	345,343	(345,343)
Benefit payments, including employee refunds	(621,289)	(621,289)	-
Administrative expenses	-	(12,669)	12,669
Net changes	9,877	177,447	(167,570)
Balances at 12/31/14	<u>\$ 7,587,988</u>	<u>\$ 5,664,770</u>	<u>\$ 1,923,218</u>

The net pension liability is recorded as follows:

Governmental activities	\$ 338,678
Business-type activities	<u>1,584,540</u>
	<u>\$ 1,923,218</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate – The following presents the net pension liability (asset) of the employer, calculated using the discount rate of 8.25%, as well as what the employer's net pension liability (asset) would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	<i>1% Decrease Rate 7.25%</i>	<i>Current Rate 8.25%</i>	<i>1% Increase Rate 9.25%</i>
Net pension liability	\$ 2,606,553	\$ 1,923,218	\$ 1,331,197

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2015; the employer recognized pension expense, on the defined benefit plan, of \$203,273. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Net difference between projected and actual earnings on pension plan investments	\$ 80,348	\$ -
Contributions subsequent to the measurement date	<u>212,376</u>	<u>-</u>
	<u>\$ 292,724</u>	<u>\$ -</u>

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

The deferred outflows of resources are recorded as follows:

Governmental activities	\$	51,548
Business-type activities		<u>241,176</u>
	\$	<u>292,724</u>

The above amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2016.

The above amount reported as deferred outflows of resources related to pensions, and attributable to the difference between projected and actual plan earnings, will be recognized in pension expense as follows:

<u>Year</u> <u>Ended</u>	<u>Amount</u>
2016	\$ 20,087
2017	20,087
2018	20,087
2019	20,087

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. 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 \$97,209 for the year ended June 30, 2015. Employee contributions for the plan were \$36,236 for the year ended June 30, 2015. Plan provisions and contribution requirements are established and may be amended by the City Council.

NOTE 11: BOND PROJECTS IN PROGRESS

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, 2015, the balance of proceeds on the bond of \$361,201 was not yet drawn.

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 11: BOND PROJECTS IN PROGRESS

Bond Issuance Proceeds – On September 25, 2014, the City issued the 2014 Capital Improvement Bond (Limited Tax General Obligation – Taxable) for \$1,600,000 to acquire, construct, furnish and equip a City hall, police department and community facilities building, together with interests in land, site improvements, demolition, appurtenances and attachments thereto. At June 30, 2015, the balance of proceeds on the bond of \$298,986 was not yet drawn.

NOTE 12: PRIOR PERIOD ADJUSTMENT

Change in Accounting Principle – As a result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in the current year, the City has restated the beginning net position in the government-wide and proprietary funds Statement of Net Position, effectively decreasing net position as of July 1, 2014. The decrease results from recognition of a net pension liability and deferred outflow of resources.

The effect of the above changes on beginning net position is as follows:

	<i>Fund Statements</i>		
	<i>Electric Fund</i>	<i>Water and Sewer Fund</i>	<i>Solid Waste Fund</i>
Net position, previously stated June 30, 2014	\$ 7,483,718	\$ 28,513,683	\$ 110,495
Recognize net pension liability of \$1,722,600 and deferred outflow of \$193,355 as of June 30, 2014	(493,724)	(933,064)	(102,457)
Net position, restated June 30, 2014	<u>\$ 6,989,994</u>	<u>\$ 27,580,619</u>	<u>\$ 8,038</u>

	<i>Government-wide Statements</i>	
	<i>Governmental Activities</i>	<i>Business-type Activities</i>
Net position, previously stated June 30, 2014	\$ 10,596,504	\$ 36,223,153
Recognize net pension liability of \$2,090,788 and deferred outflow of \$234,682 and remove net pension asset of \$851,961 as of June 30, 2014	(1,178,821)	(1,529,245)
Net position, restated June 30, 2014	<u>\$ 9,417,683</u>	<u>\$ 34,693,908</u>

NOTE 13: SUBSEQUENT EVENTS

Bond Issuance – On November 19, 2015, the City issued the 2015 Electric Utility System Revenue Bond for \$9,500,000 to acquire, construct, furnish and equip the electric utility system improvement project.

Loan Agreement – On July 14, 2015, the City obtained an installment purchase loan in the amount of \$216,294 to acquire snow plowing equipment.

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 14: CONSTRUCTION COMMITMENTS

The City has entered into several in process construction contracts for a new City hall, replacement of the water supply system, and wastewater treatment plant upgrade. As of June 30, 2015, the City had outstanding work to be completed on construction contracts totaling \$7,652,971 that will be financed with bond proceeds, grants and operating funds. The remaining construction commitments, on these projects in process, are shown below:

	<i><u>Construction Commitments</u></i>
City hall project	\$ 389,994
Water supply replacement	7,249,436
Wastewater treatment plant upgrade	<u>13,541</u>
Total	<u>\$ 7,652,971</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ST. LOUIS

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

	<u>2015</u>
Service cost	\$ 30,348
Interest on total pension liability	600,818
Benefit payments, including employee refunds	<u>(621,289)</u>
Net change in total pension liability	9,877
Total pension liability - beginning	<u>7,578,111</u>
Total pension liability - ending	<u><u>\$ 7,587,988</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 451,191
Contributions - employee	14,871
Net investment income	345,343
Benefit payments, including employee refunds	(621,289)
Administrative expenses	<u>(12,669)</u>
Net change in plan fiduciary net position	177,447
Total plan fiduciary net position - beginning	<u>5,487,323</u>
Total plan fiduciary net position - ending	<u><u>\$ 5,664,770</u></u>
City's net pension liability	\$ 1,923,218
Plan fiduciary net position as a percentage of the total pension liability	74.65%
Covered employee payroll	\$ 311,066
City's net pension liability as a percentage of covered payroll	618.27%

CITY OF ST. LOUIS

SCHEDULE OF CITY PENSION CONTRIBUTIONS – DEFINED BENEFIT PLAN

Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 332,885	\$ 266,620	\$ 229,954	\$ 209,579	\$ 182,090
Contributions in relation to the actuarially determined contribution	<u>428,885</u>	<u>717,523</u>	<u>389,061</u>	<u>270,779</u>	<u>252,207</u>
Contribution (excess) deficiency	<u>\$ (96,000)</u>	<u>\$ (450,903)</u>	<u>\$ (159,107)</u>	<u>\$ (61,200)</u>	<u>\$ (70,117)</u>
Covered-employee payroll	\$ 311,066	\$ 435,849	\$ 470,555	\$ 572,413	\$ 620,970
Actuarially determined contribution as a percentage of covered-employee payroll	107%	61%	49%	37%	29%
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 128,748	\$ 122,168	\$ 116,968	\$ 86,907	\$ 83,784
Contributions in relation to the actuarially determined contribution	<u>163,548</u>	<u>146,168</u>	<u>141,211</u>	<u>110,907</u>	<u>102,941</u>
Contribution (excess) deficiency	<u>\$ (34,800)</u>	<u>\$ (24,000)</u>	<u>\$ (24,243)</u>	<u>\$ (24,000)</u>	<u>\$ (19,157)</u>
Covered-employee payroll	\$ 662,112	\$ 673,346	\$ 688,459	\$ 654,213	\$ 852,428
Actuarially determined contribution as a percentage of covered-employee payroll	19%	18%	17%	13%	10%

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 normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years
Asset valuation method	10-year smoothed market
Inflation	3-4%
Salary increases	4.5%
Investment rate of return	8.00% (8.25% 2014)
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	50% Male - 50% Female blend of the 1994 Group Annual Mortality Table
Other information	None

CITY OF ST. LOUIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Property taxes	\$ 624,530	\$ 636,530	\$ 663,046	\$ 26,516
Licenses and permits	13,100	17,100	17,570	470
Intergovernmental	684,200	515,000	524,080	9,080
Charges for services	481,010	481,268	505,464	24,196
Fines and forfeits	4,400	2,400	1,710	(690)
Interest and rents	9,030	7,230	8,368	1,138
Other revenue	10,600	172,600	171,012	(1,588)
Total revenues	1,826,870	1,832,128	1,891,250	59,122
Expenditures:				
Current				
General government				
Legislative	24,500	24,500	21,828	(2,672)
Executive	36,840	34,840	30,519	(4,321)
Clerk	32,880	32,880	27,818	(5,062)
Assessor	38,090	38,090	36,073	(2,017)
Finance Director/Treasurer	71,990	71,990	63,847	(8,143)
Elections	18,520	18,520	15,257	(3,263)
City hall	183,330	193,330	154,083	(39,247)
Corporate council	10,000	17,000	13,132	(3,868)
Cemetery	105,250	105,250	94,362	(10,888)
Total general government	521,400	536,400	456,919	(79,481)
Public safety				
Police	703,330	638,330	593,530	(44,800)
Fire	102,800	438,297	437,838	(459)
Building inspection/Code enforcement	91,010	91,010	87,684	(3,326)
Total public safety	897,140	1,167,637	1,119,052	(48,585)
Public works				
Department of public works	139,470	136,920	109,832	(27,088)
Community and economic development				
Planning	11,500	17,945	17,893	(52)
Economic and community development	86,880	82,380	77,939	(4,441)
Industrial Park	5,000	5,700	5,540	(160)
Community promotion	11,000	26,000	25,160	(840)
Total community and economic development	114,380	132,025	126,532	(5,493)

continued

CITY OF ST. LOUIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended June 30, 2015

	<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	51,600	51,600	43,353	(8,247)
Parks maintenance	290,800	93,300	88,283	(5,017)
Total recreation and culture	342,400	144,900	131,636	(13,264)
Other				
Pension liability contribution	87,160	95,176	80,094	(15,082)
Debt service	6,900	7,340	6,331	(1,009)
Total expenditures	2,108,850	2,220,398	2,030,396	(190,002)
Excess (deficiency) of revenues over expenditures	(281,980)	(388,270)	(139,146)	249,124
Other financing sources (uses):				
Transfers from other funds	21,000	21,000	-	(21,000)
Transfers to other funds	(10,000)	(317,327)	(288,327)	29,000
Net other financing sources (uses)	11,000	(296,327)	(288,327)	8,000
Change in fund balance	(270,980)	(684,597)	(427,473)	257,124
Fund balance, beginning of year	1,277,937	1,277,937	1,277,937	-
Fund balance, end of year	\$ 1,006,957	\$ 593,340	\$ 850,464	\$ 257,124

OTHER SUPPLEMENTARY INFORMATION

CITY OF ST. LOUIS

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2015

	<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>
Assets:					
Cash and cash equivalents	\$ 424,868	\$ 230,622	\$ 138,620	\$ 519	\$ 10,374
Taxes receivable	-	-	257	-	-
Accounts receivable	1,787	-	280	-	-
Accrued interest receivable	-	-	-	-	-
Due from other governments	56,012	28,735	-	-	-
Total assets	<u>\$ 482,667</u>	<u>\$ 259,357</u>	<u>\$ 139,157</u>	<u>\$ 519</u>	<u>\$ 10,374</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 1,560	\$ 368	\$ 2,908	\$ -	\$ -
Accrued expenses	1,678	816	2,162	-	-
Total liabilities	<u>3,238</u>	<u>1,184</u>	<u>5,070</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable:					
Nonexpendable cemetery principal	-	-	-	-	-
Restricted for:					
Streets	479,429	258,173	-	-	-
Library operations	-	-	134,087	-	-
Debt service	-	-	-	519	10,374
Assigned to:					
Capital improvements	-	-	-	-	-
Cemetery operations	-	-	-	-	-
Total fund balances	<u>479,429</u>	<u>258,173</u>	<u>134,087</u>	<u>519</u>	<u>10,374</u>
Total liabilities and fund balances	<u>\$ 482,667</u>	<u>\$ 259,357</u>	<u>\$ 139,157</u>	<u>\$ 519</u>	<u>\$ 10,374</u>

continued

CITY OF ST. LOUIS

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET, CONTINUED

June 30, 2015

	<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	
	<u>Public Improvement Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 438,548	\$ 209,017	\$ 1,452,568
Taxes receivable	-	-	257
Accounts receivable	-	-	2,067
Accrued interest receivable	-	243	243
Due from other governments	-	-	84,747
	<u>-\$ 438,548</u>	<u>-\$ 209,260</u>	<u>-\$ 1,539,882</u>
Total assets	<u>\$ 438,548</u>	<u>\$ 209,260</u>	<u>\$ 1,539,882</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 4,836
Accrued expenses	-	-	4,656
	<u>-</u>	<u>-</u>	<u>9,492</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>9,492</u>
Fund balances:			
Nonspendable:			
Nonexpendable cemetery principal	-	175,002	175,002
Restricted for:			
Streets	-	-	737,602
Library operations	-	-	134,087
Debt service	-	-	10,893
Assigned to:			
Capital improvements	438,548	-	438,548
Cemetery operations	-	34,258	34,258
	<u>438,548</u>	<u>209,260</u>	<u>1,530,390</u>
Total fund balances	<u>438,548</u>	<u>209,260</u>	<u>1,530,390</u>
Total liabilities and fund balances	<u>\$ 438,548</u>	<u>\$ 209,260</u>	<u>\$ 1,539,882</u>

CITY OF ST. LOUIS

NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended June 30, 2015

	<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>
Revenues:					
Property taxes	\$ -	\$ -	\$ 101,837	\$ -	\$ -
Federal grants	189,490	-	-	-	-
State grants	362,008	158,072	6,803	-	-
Contributions from other units	-	-	-	-	18,140
Charges for services	-	-	2,879	-	-
Fines and forfeits	-	-	96,438	-	-
Interest and rents	410	241	208	21	7
Other revenue	1,787	-	18,499	-	-
Total revenues	<u>553,695</u>	<u>158,313</u>	<u>226,664</u>	<u>21</u>	<u>18,147</u>
Expenditures:					
Current					
Public works	118,824	121,624	-	-	-
Recreation and culture	-	-	120,602	-	-
Capital outlay	387,449	-	-	-	-
Debt service					
Principal	-	-	-	40,000	40,000
Interest and fees	-	-	-	5,010	8,122
Total expenditures	<u>506,273</u>	<u>121,624</u>	<u>120,602</u>	<u>45,010</u>	<u>48,122</u>
Excess (deficiency) of revenues over expenditures	<u>47,422</u>	<u>36,689</u>	<u>106,062</u>	<u>(44,989)</u>	<u>(29,975)</u>
Other financing sources (uses):					
Transfers from other funds	-	-	-	44,560	29,600
Transfers to other funds	-	-	(44,560)	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(44,560)</u>	<u>44,560</u>	<u>29,600</u>
Changes in fund balances	47,422	36,689	61,502	(429)	(375)
Fund balances, beginning of year	<u>432,007</u>	<u>221,484</u>	<u>72,585</u>	<u>948</u>	<u>10,749</u>
Fund balances, end of year	<u>\$ 479,429</u>	<u>\$ 258,173</u>	<u>\$ 134,087</u>	<u>\$ 519</u>	<u>\$ 10,374</u>

continued

CITY OF ST. LOUIS

NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended June 30, 2015

	<i>Capital Projects Fund</i>	<i>Permanent Fund</i>	
	<i>Public Improvement Fund</i>	<i>Cemetery Perpetual Care Fund</i>	<i>Total</i>
Revenues:			
Property taxes	\$ -	\$ -	\$ 101,837
Federal grants	-	-	189,490
State grants	-	-	526,883
Contributions from other units	-	-	18,140
Charges for services	-	3,956	6,835
Fines and forfeits	-	-	96,438
Interest and rents	405	1,847	3,139
Other revenue	-	-	20,286
Total revenues	<u>405</u>	<u>5,803</u>	<u>963,048</u>
Expenditures:			
Current			
Public works	-	-	240,448
Recreation and culture	-	-	120,602
Capital outlay	-	-	387,449
Debt service			
Principal	-	-	80,000
Interest and fees	-	-	13,132
Total expenditures	<u>-</u>	<u>-</u>	<u>841,631</u>
Excess (deficiency) of revenues over expenditures	<u>405</u>	<u>5,803</u>	<u>121,417</u>
Other financing sources (uses):			
Transfers from other funds	158,143	-	232,303
Transfers to other funds	(29,600)	-	(74,160)
Net other financing sources (uses)	<u>128,543</u>	<u>-</u>	<u>158,143</u>
Changes in fund balances	128,948	5,803	279,560
Fund balances, beginning of year	<u>309,600</u>	<u>203,457</u>	<u>1,250,830</u>
Fund balances, end of year	<u>\$ 438,548</u>	<u>\$ 209,260</u>	<u>\$ 1,530,390</u>

CITY OF ST. LOUIS

WATER AND SEWER FUND

COMBINING STATEMENT OF NET POSITION

June 30, 2015

	<i>Water and Sewer Fund</i>	<i>Water Supply Replacement Fund</i>	<i>Total Water and Sewer Fund</i>
Assets:			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 1,451,967	\$ -	\$ 1,451,967
Accounts receivable	289,667	3,263,884	3,553,551
Accrued interest receivable	1,407	-	1,407
Due from other governments	248,777	3,461,112	3,709,889
Inventory	56,243	-	56,243
Total current assets	<u>2,048,061</u>	<u>6,724,996</u>	<u>8,773,057</u>
<i>Noncurrent assets:</i>			
Restricted cash and cash equivalents	429,661	-	429,661
Restricted investments	1,299,721	-	1,299,721
Advance to Water Authority	-	750,000	750,000
Capital assets not being depreciated	6,324,114	23,578,534	29,902,648
Capital assets being depreciated, net	6,520,152	-	6,520,152
Total noncurrent assets	<u>14,573,648</u>	<u>24,328,534</u>	<u>38,902,182</u>
Total assets	<u>16,621,709</u>	<u>31,053,530</u>	<u>47,675,239</u>
Deferred outflows of resources:			
Pension	<u>147,153</u>	<u>-</u>	<u>147,153</u>
Liabilities:			
<i>Current liabilities:</i>			
Accounts payable	310,649	3,819,614	4,130,263
Accrued expenses	16,281	-	16,281
Due to other funds	(514,032)	514,032	-
Deposits payable	10,313	-	10,313
Accrued interest payable	33,723	-	33,723
Current compensated absences	31,876	-	31,876
Current long-term debt	230,000	-	230,000
Total current liabilities	<u>118,810</u>	<u>4,333,646</u>	<u>4,452,456</u>
<i>Noncurrent liabilities:</i>			
Compensated absences payable	15,448	-	15,448
Net pension liability	966,801	-	966,801
Long-term debt, net current portion	4,628,799	-	4,628,799
Total noncurrent liabilities	<u>5,611,048</u>	<u>-</u>	<u>5,611,048</u>
Total liabilities	<u>5,729,858</u>	<u>4,333,646</u>	<u>10,063,504</u>

continued

CITY OF ST. LOUIS

WATER AND SEWER FUND

COMBINING STATEMENT OF NET POSITION, CONTINUED

June 30, 2015

	<i>Water and Sewer Fund</i>	<i>Water Supply Replacement Fund</i>	<i>Total Water and Sewer Fund</i>
Net position:			
Net investment in capital assets	7,985,467	23,578,534	31,564,001
Restricted for:			
Debt service	119,803	-	119,803
Replacement/improvements	1,423,745	-	1,423,745
Water supply replacement	-	3,134,502	3,134,502
Unrestricted	<u>1,509,989</u>	<u>6,848</u>	<u>1,516,837</u>
Total net position	<u>\$ 11,039,004</u>	<u>\$ 26,719,884</u>	<u>\$ 37,758,888</u>

CITY OF ST. LOUIS

WATER AND SEWER FUND

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION Year Ended June 30, 2015

	<i>Water and Sewer Fund</i>	<i>Water Supply Replacement Fund</i>	<i>Total Water and Sewer Fund</i>
Operating revenues:			
Charges for services	\$ 2,460,210	\$ -	\$ 2,460,210
Penalties	21,301	-	21,301
Other	11,070	-	11,070
Total operating revenues	<u>2,492,581</u>	<u>-</u>	<u>2,492,581</u>
Operating expenses:			
Personnel	612,124	-	612,124
Administrative expense	193,030	-	193,030
Other services and supplies	516,742	-	516,742
Depreciation	388,439	-	388,439
Total operating expenses	<u>1,710,335</u>	<u>-</u>	<u>1,710,335</u>
Operating income (loss)	<u>782,246</u>	<u>-</u>	<u>782,246</u>
Non-operating revenues (expenses):			
State grants	41,435	-	41,435
Interest income	5,843	3,800	9,643
Rental income	46,452	-	46,452
Interest expense	(92,701)	-	(92,701)
Net non-operating revenues (expenses)	<u>1,029</u>	<u>3,800</u>	<u>4,829</u>
Change in net position before capital contributions and transfers	<u>783,275</u>	<u>3,800</u>	<u>787,075</u>
Capital contributions and transfers:			
Capital contributions - Federal grant	207,342	9,072,956	9,280,298
Capital contributions - City of Alma	-	297,040	297,040
Transfer to other funds	(186,144)	-	(186,144)
Total capital contributions and transfers	<u>21,198</u>	<u>9,369,996</u>	<u>9,391,194</u>
Change in net position	804,473	9,373,796	10,178,269
Net position, beginning of year, restated	<u>10,234,531</u>	<u>17,346,088</u>	<u>27,580,619</u>
Net position, end of year	<u>\$ 11,039,004</u>	<u>\$ 26,719,884</u>	<u>\$ 37,758,888</u>

CITY OF ST. LOUIS

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

June 30, 2015

1996 BUILDING AUTHORITY BONDS (GENERAL OBLIGATION LIMITED TAX)

Issue in the amount of	\$ 425,000
Less: Principal paid in prior years	(345,000)
Principal paid in current year	<u>(40,000)</u>
Balance payable at June 30, 2015	<u>\$ 40,000</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Interest due</u> <u>October 1</u>	<u>Principal due</u> <u>April 1</u>	<u>Interest due</u> <u>April 1</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2016	5.70%	<u>\$ 1,140</u>	<u>\$ 40,000</u>	<u>\$ 1,140</u>	<u>\$ 42,280</u>

2002 GENERAL OBLIGATION LIMITED TAX BONDS

Issue in the amount of	\$ 500,000
Less: Principal paid in prior years	(320,000)
Principal paid in current year	<u>(40,000)</u>
Balance payable at June 30, 2015	<u>\$ 140,000</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>
2016	4.80%	\$ 45,000	\$ 3,396	\$ 2,316	\$ 50,712
2017	4.85%	45,000	2,316	1,225	48,541
2018	4.90%	<u>50,000</u>	<u>1,225</u>	<u>-</u>	<u>51,225</u>
		<u>\$ 140,000</u>	<u>\$ 6,937</u>	<u>\$ 3,541</u>	<u>\$ 150,478</u>

CITY OF ST. LOUIS

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

June 30, 2015

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

Issue in the amount of	\$ 1,600,000
Less: Amount not drawn yet	(298,986)
Principal paid in prior years	-
Principal paid in current year	-
Balance payable at June 30, 2015	<u>\$ 1,301,014</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>
2016	3.500%	\$ 10,000	\$ 11,382	\$ 22,593	\$ 43,975
2017	3.500%	29,000	27,825	27,825	84,650
2018	3.500%	20,000	27,318	27,318	74,636
2019	3.500%	21,000	26,968	26,968	74,936
2020	3.500%	22,000	26,600	26,600	75,200
2021	3.500%	22,000	26,215	26,215	74,430
2022	3.500%	23,000	25,830	25,830	74,660
2023	3.500%	24,000	25,428	25,428	74,856
2024	3.500%	25,000	25,008	25,008	75,016
2025	3.500%	26,000	24,570	24,570	75,140
2026	3.500%	27,000	24,115	24,115	75,230
2027	3.500%	28,000	23,643	23,643	75,286
2028	3.500%	29,000	23,153	23,153	75,306
2029	3.500%	30,000	22,645	22,645	75,290
2030	3.500%	31,000	22,120	22,120	75,240
2031	3.500%	32,000	21,578	21,578	75,156
2032	3.500%	33,000	21,018	21,018	75,036
2033	3.500%	34,000	20,440	20,440	74,880
2034	3.500%	35,000	19,845	19,845	74,690
2035	3.500%	36,000	19,233	19,233	74,466
2036	3.500%	38,000	18,603	18,603	75,206
2037	3.500%	39,000	17,938	17,938	74,876
2038	3.500%	40,000	17,255	17,255	74,510
2039	3.500%	42,000	16,555	16,555	75,110
2040	3.500%	43,000	15,820	15,820	74,640
2041	3.500%	45,000	15,068	15,068	75,136
2042	3.500%	46,000	14,280	14,280	74,560
2043	3.500%	48,000	13,475	13,475	74,950
2044	3.500%	49,000	12,635	12,635	74,270
2045	3.500%	51,000	11,778	11,778	74,556
2046	3.500%	53,000	10,885	10,885	74,770

continued

CITY OF ST. LOUIS

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS, CONTINUED

June 30, 2015

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

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due September 1</i>	<i>Interest due September 1</i>	<i>Interest due March 1</i>	<i>Total Annual Requirement</i>
2047	3.500%	55,000	9,958	9,958	74,916
2048	3.500%	57,000	8,995	8,995	74,990
2049	3.500%	59,000	7,998	7,998	74,996
2050	3.500%	61,000	6,965	6,965	74,930
2051	3.500%	63,000	5,898	5,898	74,796
2052	3.500%	65,000	4,765	4,765	74,530
2053	3.500%	67,000	3,658	3,658	74,316
2054	3.500%	70,000	2,485	2,485	74,970
2055	3.500%	72,000	1,260	-	73,260
		<u>\$ 1,600,000</u>	<u>\$ 681,208</u>	<u>\$ 691,159</u>	<u>\$ 2,972,367</u>
Less: Amount not drawn yet		<u>(298,986)</u>			
		<u>\$ 1,301,014</u>			

CITY OF ST. LOUIS

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

June 30, 2015

2001 ELECTRIC REVENUE BONDS

Issue in the amount of	\$ 995,000
Less: Principal paid in prior years	(760,000)
Principal paid in current year	<u>(75,000)</u>
Balance payable at June 30, 2015	<u>\$ 160,000</u>

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Principal due</i> <i>July 1</i>	<i>Interest due</i> <i>July 1</i>	<i>Interest due</i> <i>January 1</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2016	4.850%	\$ -	\$ -	\$ 4,024	\$ 4,024
2017	4.950%	75,000	4,024	2,168	81,192
2018	5.100%	<u>85,000</u>	<u>2,168</u>	<u>-</u>	<u>87,168</u>
		<u>\$ 160,000</u>	<u>\$ 6,192</u>	<u>\$ 6,192</u>	<u>\$ 172,384</u>

CITY OF ST. LOUIS

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

June 30, 2015

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BOND, SERIES 2013

Issue in the amount of	\$ 5,445,000
Less: Amount not drawn yet	(361,201)
Principal paid in prior years	-
Principal paid in current year	<u>(225,000)</u>
Balance payable at June 30, 2015	<u>\$ 4,858,799</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Interest due</u> <u>October 1</u>	<u>Principal due</u> <u>April 1</u>	<u>Interest due</u> <u>April 1</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2016	2.000%	\$ 52,200	\$ 230,000	\$ 52,200	\$ 334,400
2017	2.000%	49,900	235,000	49,900	334,800
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>\$ 552,400</u>	<u>\$ 5,220,000</u>	<u>\$ 552,400</u>	<u>\$ 6,324,800</u>
Less: Amount not drawn yet			<u>(361,201)</u>		
			<u>\$ 4,858,799</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, 2015, 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 November 25, 2015.

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.

Berthiaume & Co.

Saginaw, Michigan
November 25, 2015