

CITY OF ST. LOUIS

Gratiot County, Michigan

FINANCIAL STATEMENTS

June 30, 2020

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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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 9), schedule of changes in net pension liability and related ratios (pages 50 and 51), schedule of defined benefit plan pension contributions (page 52), and budgetary comparison information (pages 53 and 54), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2020 on our consideration of the City of Louis' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of St. Louis' internal control over financial reporting and compliance.

Berthiaume & Co.

Saginaw, Michigan
December 20, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ST. LOUIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

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, 2020. 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 \$49,024,677 for the fiscal year ended June 30, 2020, compared to \$47,105,049 for the fiscal year ended June 30, 2019.
- In the City's governmental activities, revenues generated were \$3,901,707 while expenses totaled \$3,252,757.
- In the City's business-type activities, revenues generated were \$9,336,664 while expenses totaled \$8,121,837.
- Total net position increased by \$1,919,628.

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, 2020

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 six (6) individual governmental funds. Separate information is presented for the General Fund, which is considered to be a "major" fund. Data from the other five (5) 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, 2020

THE CITY AS A WHOLE:

The City's total combined net position for the fiscal year ended June 30, 2020 is \$49,024,677, consisting of \$13,479,413 in governmental activities and \$35,545,264 in business-type activities.

Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$3,732,784. Governmental activities unrestricted total is \$1,673,993, while business-type activities is \$2,058,791.

The following table shows comparisons of total assets, total deferred outflows, total liabilities, total deferred inflows, and total net position in a condensed format as of June 30, 2020 and June 30, 2019.

| | <i>Governmental</i> | | <i>Business-type</i> | | <i>Total</i> | |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | <i>Activities</i> | | <i>Activities</i> | | | |
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Assets: | | | | | | |
| Current and other assets | \$ 4,854,908 | \$ 4,074,418 | \$ 12,180,933 | \$ 10,816,094 | \$ 17,035,841 | \$ 14,890,512 |
| Capital assets, net | <u>10,762,211</u> | <u>10,418,028</u> | <u>30,861,716</u> | <u>30,598,965</u> | <u>41,623,927</u> | <u>41,016,993</u> |
| Total assets | <u>15,617,119</u> | <u>14,492,446</u> | <u>43,042,649</u> | <u>41,415,059</u> | <u>58,659,768</u> | <u>55,907,505</u> |
| Deferred outflows | <u>45,064</u> | <u>130,713</u> | <u>220,815</u> | <u>521,855</u> | <u>265,879</u> | <u>652,568</u> |
| Liabilities: | | | | | | |
| Current liabilities | 355,479 | 410,492 | 737,028 | 451,050 | 1,092,507 | 861,542 |
| Long-term liabilities | <u>1,827,291</u> | <u>1,961,035</u> | <u>6,978,547</u> | <u>6,632,447</u> | <u>8,805,838</u> | <u>8,593,482</u> |
| Total liabilities | <u>2,182,770</u> | <u>2,371,527</u> | <u>7,715,575</u> | <u>7,083,497</u> | <u>9,898,345</u> | <u>9,455,024</u> |
| Deferred inflows | <u>-</u> | <u>-</u> | <u>2,625</u> | <u>-</u> | <u>2,625</u> | <u>-</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 9,252,849 | 8,841,965 | 25,729,507 | 25,528,965 | 34,982,356 | 34,370,930 |
| Restricted | 2,552,571 | 1,854,300 | 7,756,966 | 7,451,708 | 10,309,537 | 9,306,008 |
| Unrestricted | <u>1,673,993</u> | <u>1,555,367</u> | <u>2,058,791</u> | <u>1,872,744</u> | <u>3,732,784</u> | <u>3,428,111</u> |
| Total net position | <u>\$ 13,479,413</u> | <u>\$ 12,251,632</u> | <u>\$ 35,545,264</u> | <u>\$ 34,853,417</u> | <u>\$ 49,024,677</u> | <u>\$ 47,105,049</u> |

The City's combined total net position increased by \$1,919,628 during the current fiscal year. Governmental activities increased by \$1,227,781 while business-type activities increased by \$691,847.

Governmental Activities:

The City's total governmental revenue is reported at \$3,901,707, an increase of \$175,494 from the prior fiscal year. Total expenses increased by \$148,410 from the prior fiscal year.

Business-type Activities:

The City's total business-type revenue is reported at \$9,336,664, an increase of \$384,451 from the prior fiscal year. Total expenses increased by \$421,453 from the prior fiscal year.

CITY OF ST. LOUIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

The following table shows the comparison of the change in net position in a condensed format for the fiscal years ended June 30, 2020 and June 30, 2019.

| | <i>Governmental</i> | | <i>Business-type</i> | | <i>Total</i> | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | <i>Activities</i> | | <i>Activities</i> | | | |
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 1,180,893 | \$ 1,272,421 | \$ 9,046,125 | \$ 8,716,999 | \$ 10,227,018 | \$ 9,989,420 |
| Operating grants | 961,570 | 1,015,723 | - | - | 961,570 | 1,015,723 |
| Capital grants | 387,769 | - | 176,428 | 35,252 | 564,197 | 35,252 |
| General revenues | | | | | | |
| Property taxes | 731,613 | 739,415 | - | - | 731,613 | 739,415 |
| Franchise fees | 27,760 | 28,465 | - | - | 27,760 | 28,465 |
| Unrestricted grants | 565,200 | 587,906 | - | - | 565,200 | 587,906 |
| Investment earnings | 34,736 | 46,747 | 114,111 | 192,082 | 148,847 | 238,829 |
| Other | 12,166 | 35,536 | - | 7,880 | 12,166 | 43,416 |
| Total revenues | <u>3,901,707</u> | <u>3,726,213</u> | <u>9,336,664</u> | <u>8,952,213</u> | <u>13,238,371</u> | <u>12,678,426</u> |
| Expenses: | | | | | | |
| General government | 488,642 | 453,518 | - | - | 488,642 | 453,518 |
| Public safety | 1,033,663 | 938,586 | - | - | 1,033,663 | 938,586 |
| Public works | 1,205,014 | 1,212,765 | - | - | 1,205,014 | 1,212,765 |
| Community and economic development | 142,132 | 143,144 | - | - | 142,132 | 143,144 |
| Recreation and culture | 330,101 | 300,761 | - | - | 330,101 | 300,761 |
| Interest on long-term debt | 53,205 | 55,573 | - | - | 53,205 | 55,573 |
| Electric | - | - | 4,427,416 | 4,267,936 | 4,427,416 | 4,267,936 |
| Water and Sewer | - | - | 3,293,712 | 3,097,553 | 3,293,712 | 3,097,553 |
| Solid Waste | - | - | 400,709 | 334,895 | 400,709 | 334,895 |
| Total expenses | <u>3,252,757</u> | <u>3,104,347</u> | <u>8,121,837</u> | <u>7,700,384</u> | <u>11,374,594</u> | <u>10,804,731</u> |
| Excess of revenues over expenses before other | <u>648,950</u> | <u>621,866</u> | <u>1,214,827</u> | <u>1,251,829</u> | <u>1,863,777</u> | <u>1,873,695</u> |
| Other items: | | | | | | |
| Contributions to principal | 1,963 | 838 | - | - | 1,963 | 838 |
| Sale of capital assets | 53,888 | 8,054 | - | - | 53,888 | 8,054 |
| Transfer of capital assets to joint authority | - | - | - | (22,113,045) | - | (22,113,045) |
| Interfund transfers | 522,980 | 640,632 | (522,980) | (640,632) | - | - |
| Total other items | <u>578,831</u> | <u>649,524</u> | <u>(522,980)</u> | <u>(22,753,677)</u> | <u>55,851</u> | <u>(22,104,153)</u> |
| Changes in net position | <u>1,227,781</u> | <u>1,271,390</u> | <u>691,847</u> | <u>(21,501,848)</u> | <u>1,919,628</u> | <u>(20,230,458)</u> |
| Net position, beginning | <u>12,251,632</u> | <u>10,980,242</u> | <u>34,853,417</u> | <u>56,355,265</u> | <u>47,105,049</u> | <u>67,335,507</u> |
| Net position, ending | <u>\$ 13,479,413</u> | <u>\$ 12,251,632</u> | <u>\$ 35,545,264</u> | <u>\$ 34,853,417</u> | <u>\$ 49,024,677</u> | <u>\$ 47,105,049</u> |

CITY OF ST. LOUIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

THE CITY'S FUNDS:

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

The General Fund is the City's largest governmental fund and the only governmental fund that is considered a major fund in the current fiscal year. It pays for most of the City's government services. Its major components of revenue are property taxes and state shared revenue. For the year ended June 30, 2020, General Fund financing sources exceeded its financing uses by \$22,679, increasing its ending fund balance to \$1,191,867.

General Fund Budgetary Highlights:

The General Fund budget, as originally adopted, projected a decrease in fund balance of \$59,931. During the year, the City made budget amendments which changed the projection to a net increase in fund balance of \$22,300. The actual results for the year yielded an increase in fund balance of \$22,679.

Capital Assets and Debt Administration:

At June 30, 2020, the City of St. Louis had \$41,623,927 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, 2019, this total was \$41,016,993. Additional information about the City's capital assets is presented in Note 1 and Note 6 of the Notes to the Financial Statements.

At June 30, 2020, the City of St. Louis' total long-term indebtedness (not including compensated absences and net pension liability) was \$7,229,362, of which \$1,509,362 was backed by the full faith and credit of the City and the remaining \$5,720,000 was backed by specific revenue sources. Additional information about the City's indebtedness is presented in Note 7 of the Notes to the Financial Statements.

Economic Factors:

Following the discovery of traces of varying levels of the chemical compound para-Chlorobenzene Sulfonic Acid from the Velsicol Superfund Site in all six municipal drinking water supply wells, the Michigan Department of Environmental Quality strongly suggested replacement of the City's entire water supply in a location five miles or greater from the City. During fiscal year 2010-2011, litigation was settled against Velsicol Chemical Company, the Velsicol Trust Funds et al (responsible parties for the contamination) in the amount of \$26,500,000. These funds, together with a \$27,100,000 grant awarded by the United States Environmental Protection Agency (US EPA), are being used to design and construct a new water supply system. This system is a collaboration with the close-by City of Alma. The City of St. Louis began receiving water from the new project in 2015 even though significant construction continues for additional wells and transmission mains. To date, it is estimated that the project is 88% complete.

CITY OF ST. LOUIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the City's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the City for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the City's financial position, changes in financial position, and where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

Gratiot County (which includes the City of St. Louis and the surrounding incorporated and unincorporated area), has a labor force of 19,378 people. The unemployment rate in the County for July 2020 is 7.9% which is up from the July 2019 rate of 4.4%. Statewide the unemployment for the same period saw an upward trend from 3.7% to 14.8%. This downward spiral is primarily due to the pandemic.

The City continues to monitor spending closely and seek out revenue sources and programs in order to sustain the level of services that residents in the community have become accustomed to.

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, 2020

| | <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 | \$ 4,154,939 | \$ 2,103,471 | \$ 6,258,410 | \$ 34,589 |
| Investments | 729,208 | - | 729,208 | - |
| Receivables | 201,436 | 1,477,363 | 1,678,799 | - |
| Internal balances | (301,525) | 301,525 | - | - |
| Inventory | 24,224 | 240,385 | 264,609 | - |
| Prepaid expenses | 46,626 | - | 46,626 | - |
| Restricted cash and cash equivalents | - | 2,217,157 | 2,217,157 | - |
| Restricted investments | - | 5,841,032 | 5,841,032 | - |
| Asset held for resale | - | - | - | 85,000 |
| Capital assets not being depreciated | 2,784,066 | 6,504,590 | 9,288,656 | - |
| Capital assets being depreciated, net | 7,978,145 | 24,357,126 | 32,335,271 | - |
| Total assets | 15,617,119 | 43,042,649 | 58,659,768 | 119,589 |
| Deferred outflows of resources: | | | | |
| Related to pension | 45,064 | 220,815 | 265,879 | - |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | 353,249 | 737,028 | 1,090,277 | 49 |
| Unearned revenue | 2,230 | - | 2,230 | - |
| Long-term liabilities: | | | | |
| Due within one year | | | | |
| Compensated absences | 94,126 | 93,649 | 187,775 | - |
| Long-term debt | 33,362 | 355,000 | 388,362 | - |
| Due in more than one year | | | | |
| Compensated absences | 13,160 | 34,305 | 47,465 | - |
| Long-term debt | 1,476,000 | 5,365,000 | 6,841,000 | - |
| Net pension liability | 210,643 | 1,130,593 | 1,341,236 | - |
| Total liabilities | 2,182,770 | 7,715,575 | 9,898,345 | 49 |
| Deferred inflows of resources: | | | | |
| Related to pension | - | 2,625 | 2,625 | - |
| Net position: | | | | |
| Net investment in capital assets | 9,252,849 | 25,729,507 | 34,982,356 | - |
| Restricted for: | | | | |
| Debt service | - | 651,479 | 651,479 | - |
| Library operations | 683,965 | - | 683,965 | - |
| Nonexpendable cemetery principal | 186,495 | - | 186,495 | - |
| Replacement/improvements | - | 4,909,419 | 4,909,419 | - |
| Streets | 1,682,111 | - | 1,682,111 | - |
| Water supply replacement | - | 2,196,068 | 2,196,068 | - |
| Unrestricted | 1,673,993 | 2,058,791 | 3,732,784 | 119,540 |
| Total net position | \$ 13,479,413 | \$ 35,545,264 | \$ 49,024,677 | \$ 119,540 |

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

CITY OF ST. LOUIS

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

| 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 | \$ 488,642 | \$ 512,317 | \$ 5,720 | \$ - | \$ 29,395 |
| Public safety | 1,033,663 | 126,964 | 14,912 | 52,250 | (839,537) |
| Public works | 1,205,014 | 452,847 | 698,944 | 247,769 | 194,546 |
| Community and economic development | 142,132 | - | 12,832 | 18,000 | (111,300) |
| Recreation and culture | 330,101 | 88,765 | 229,162 | 69,750 | 57,576 |
| Interest on long-term debt | 53,205 | - | - | - | (53,205) |
| Total governmental activities | <u>3,252,757</u> | <u>1,180,893</u> | <u>961,570</u> | <u>387,769</u> | <u>(722,525)</u> |
| <i>Business-type activities:</i> | | | | | |
| Electric | 4,427,416 | 5,342,347 | - | - | 914,931 |
| Water and Sewer | 3,293,712 | 3,294,193 | - | 176,428 | 176,909 |
| Solid Waste | 400,709 | 409,585 | - | - | 8,876 |
| Total business-type activities | <u>8,121,837</u> | <u>9,046,125</u> | <u>-</u> | <u>176,428</u> | <u>1,100,716</u> |
| Total primary government | <u>\$ 11,374,594</u> | <u>\$ 10,227,018</u> | <u>\$ 961,570</u> | <u>\$ 564,197</u> | <u>\$ 378,191</u> |
| COMPONENT UNIT: | | | | | |
| Downtown Development Authority | <u>\$ 2,421</u> | <u>\$ 6,290</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,869</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, 2020

| | <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 | \$ (722,525) | \$ 1,100,716 | \$ 378,191 | \$ 3,869 |
| General revenues: | | | | |
| Taxes: | | | | |
| Property taxes, levied for general purpose | 724,428 | - | 724,428 | - |
| Property taxes, captured by component unit | - | - | - | 23,499 |
| Payment in lieu of taxes | 7,185 | - | 7,185 | - |
| Franchise fees | 27,760 | - | 27,760 | - |
| Grants and contributions not restricted to specific programs | | | | |
| | 565,200 | - | 565,200 | - |
| Unrestricted investment earnings | 34,736 | 114,111 | 148,847 | 232 |
| Other | 12,166 | - | 12,166 | - |
| Contributions to principal of permanent funds | 1,963 | - | 1,963 | - |
| Special items: | | | | |
| Sale of capital assets | 53,888 | - | 53,888 | - |
| Transfers | 522,980 | (522,980) | - | - |
| Total general revenues, contributions, special items and transfers | 1,950,306 | (408,869) | 1,541,437 | 23,731 |
| Change in net position | 1,227,781 | 691,847 | 1,919,628 | 27,600 |
| Net position, beginning of year | 12,251,632 | 34,853,417 | 47,105,049 | 91,940 |
| Net position, end of year | \$ 13,479,413 | \$ 35,545,264 | \$ 49,024,677 | \$ 119,540 |

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

CITY OF ST. LOUIS

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2020

| | <i>General Fund</i> | <i>Nonmajor Funds</i> | <i>Total</i> |
|---------------------------------------|-------------------------|---------------------------|---------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 410,053 | \$ 3,339,354 | \$ 3,749,407 |
| Investments | 729,208 | - | 729,208 |
| Taxes receivable | 3,958 | 12 | 3,970 |
| Accounts receivable | 16,460 | 752 | 17,212 |
| Accrued interest receivable | - | 1,014 | 1,014 |
| Due from other governments | 81,257 | 97,983 | 179,240 |
| Prepaid expenditures | 46,626 | - | 46,626 |
| | <u>1,287,562</u> | <u>3,439,115</u> | <u>4,726,677</u> |
| Total assets | <u>\$ 1,287,562</u> | <u>\$ 3,439,115</u> | <u>\$ 4,726,677</u> |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 36,622 | \$ 145,416 | \$ 182,038 |
| Due to other governments | 6,550 | - | 6,550 |
| Deposits payable | 225 | 15,000 | 15,225 |
| Accrued wages payable | 52,298 | 15,770 | 68,068 |
| Unearned revenue | - | 2,230 | 2,230 |
| | <u>95,695</u> | <u>178,416</u> | <u>274,111</u> |
| Total liabilities | <u>95,695</u> | <u>178,416</u> | <u>274,111</u> |
| Fund balances: | | | |
| Nonspendable: | | | |
| Prepaid expenditures | 46,626 | - | 46,626 |
| Nonexpendable cemetery principal | - | 186,495 | 186,495 |
| Restricted for: | | | |
| Library operations | - | 683,965 | 683,965 |
| Streets | - | 1,682,111 | 1,682,111 |
| Committed to: | | | |
| Capital improvements | - | 658,118 | 658,118 |
| Cemetery operations | - | 50,010 | 50,010 |
| Assigned to: | | | |
| Cemetery improvements | 33,325 | - | 33,325 |
| Public safety | 15,484 | - | 15,484 |
| Unassigned | 1,096,432 | - | 1,096,432 |
| | <u>1,191,867</u> | <u>3,260,699</u> | <u>4,452,566</u> |
| Total fund balances | <u>1,191,867</u> | <u>3,260,699</u> | <u>4,452,566</u> |
| Total liabilities and fund balances | <u>\$ 1,287,562</u> | <u>\$ 3,439,115</u> | <u>\$ 4,726,677</u> |

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

CITY OF ST. LOUIS

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

June 30, 2020

| | |
|--|-----------------------------|
| Fund balances of governmental funds | \$ 4,452,566 |
| Net position reported for governmental activities in the statement of net position is different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | |
| Capital assets not being depreciated | 2,784,066 |
| Capital assets being depreciated, net | 7,978,145 |
| Capital assets accounted for in the internal service fund | (1,508,713) |
| Deferred outflows from the difference between projected and actual investment earnings of the pension plan as well as the City contributions made after the measurement date of the net pension liability are not reported in the funds. | 45,064 |
| Interest payable in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds. | (17,427) |
| Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds. | |
| Bonds payable | (1,509,362) |
| Bonds payable accounted for in the internal service fund | 11,362 |
| Compensated absences payable | (107,286) |
| Compensated absences payable accounted for in the internal service fund | 2,927 |
| Net pension liability | (210,643) |
| A portion of the net position (including capital assets of \$1,508,713) and liabilities of the internal service fund are included in the governmental activities in the statement of net position (net of \$301,525 allocation to business-type activities). | <u>1,558,714</u> |
| Net position of governmental activities | <u><u>\$ 13,479,413</u></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, 2020

| | <i>General Fund</i> | <i>Nonmajor Funds</i> | <i>Total</i> |
|--|-------------------------|---------------------------|---------------------|
| Revenues: | | | |
| Property taxes | \$ 731,613 | \$ - | \$ 731,613 |
| Special assessments | 101,840 | - | 101,840 |
| Licenses and permits | 42,031 | - | 42,031 |
| Federal grants | 70,250 | - | 70,250 |
| State grants | 593,083 | 955,259 | 1,548,342 |
| Contributions from other units | 22,280 | 201,989 | 224,269 |
| Charges for services | 520,995 | 6,195 | 527,190 |
| Fines and forfeits | 2,396 | 83,198 | 85,594 |
| Interest and rents | 18,063 | 19,949 | 38,012 |
| Other revenue | 90,845 | 18,286 | 109,131 |
| | <u>2,193,396</u> | <u>1,284,876</u> | <u>3,478,272</u> |
| Expenditures: | | | |
| Current | | | |
| General government | 350,189 | - | 350,189 |
| Public safety | 996,092 | - | 996,092 |
| Public works | 273,551 | 261,486 | 535,037 |
| Community and economic development | 141,385 | - | 141,385 |
| Recreation and culture | 118,122 | 182,526 | 300,648 |
| Other | 42,771 | - | 42,771 |
| Capital outlay | 174,247 | 396,348 | 570,595 |
| Debt service | | | |
| Principal | 22,000 | - | 22,000 |
| Interest and fees | 52,666 | - | 52,666 |
| | <u>2,171,023</u> | <u>840,360</u> | <u>3,011,383</u> |
| Excess (deficiency) of revenues over expenditures | <u>22,373</u> | <u>444,516</u> | <u>466,889</u> |
| Other financing sources (uses): | | | |
| Sale of capital assets | 306 | - | 306 |
| Interfund transfers in | - | 595,585 | 595,585 |
| Interfund transfers out | - | (387,564) | (387,564) |
| | <u>306</u> | <u>208,021</u> | <u>208,327</u> |
| Net other financing sources (uses) | <u>306</u> | <u>208,021</u> | <u>208,327</u> |
| Changes in fund balances | 22,679 | 652,537 | 675,216 |
| Fund balances, beginning of year | <u>1,169,188</u> | <u>2,608,162</u> | <u>3,777,350</u> |
| Fund balances, end of year | <u>\$ 1,191,867</u> | <u>\$ 3,260,699</u> | <u>\$ 4,452,566</u> |

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

CITY OF ST. LOUIS

RECONCILIATION OF CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2020

| | |
|---|----------------------------|
| Changes in fund balances of governmental funds | \$ 675,216 |
| 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 | 1,026,476 |
| Purchases/Acquisitions of capital assets accounted for in the internal service fund | (444,870) |
| Depreciation expense | (630,270) |
| Depreciation expense accounted for in the internal service fund | 212,500 |
| 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. | |
| Payments of principal | 22,000 |
| 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 | (22,309) |
| Change in accrued interest on bonds | 257 |
| Change in net pension liability and related deferred outflows of resources and deferred inflows of resources | 2,147 |
| Certain changes in net position of the internal service fund are reported with governmental activities in the statement of activities (net of \$32,532 allocation to business-type activities). | <u>386,634</u> |
| Change in net position of governmental activities | <u><u>\$ 1,227,781</u></u> |

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

CITY OF ST. LOUIS

PROPRIETARY FUNDS STATEMENT OF NET POSITION

June 30, 2020

| | <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 | \$ 1,353,256 | \$ 626,191 | \$ 124,024 | \$ 2,103,471 | \$ 405,532 |
| Accounts receivable | 669,649 | 383,760 | 41,585 | 1,094,994 | - |
| Accrued interest receivable | - | 462 | - | 462 | - |
| Due from other governments | - | 381,907 | - | 381,907 | - |
| Inventory | 165,851 | 57,546 | 16,988 | 240,385 | 24,224 |
| Total current assets | 2,188,756 | 1,449,866 | 182,597 | 3,821,219 | 429,756 |
| Noncurrent assets: | | | | | |
| Restricted cash and cash equivalents | 2,095,425 | 121,732 | - | 2,217,157 | - |
| Restricted investments | 1,171,992 | 4,669,040 | - | 5,841,032 | - |
| Capital assets not being depreciated | 300,237 | 6,204,353 | - | 6,504,590 | - |
| Capital assets being depreciated, net | 5,663,529 | 18,693,597 | - | 24,357,126 | 1,508,713 |
| Total noncurrent assets | 9,231,183 | 29,688,722 | - | 38,919,905 | 1,508,713 |
| Total assets | 11,419,939 | 31,138,588 | 182,597 | 42,741,124 | 1,938,469 |
| Deferred outflows of resources: | | | | | |
| Related to pension | 63,766 | 137,687 | 19,362 | 220,815 | - |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 105,056 | 494,546 | 13,359 | 612,961 | 61,638 |
| Accrued interest payable | 3,625 | 23,028 | - | 26,653 | 9 |
| Deposits payable | 29,208 | 9,752 | - | 38,960 | - |
| Accrued wages payable | 27,550 | 29,274 | 1,630 | 58,454 | 2,294 |
| Compensated absences payable - current | 50,307 | 38,138 | 5,204 | 93,649 | 2,586 |
| Long-term debt - current | 55,000 | 300,000 | - | 355,000 | 11,362 |
| Total current liabilities | 270,746 | 894,738 | 20,193 | 1,185,677 | 77,889 |

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, 2020

| | <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> | |
| Noncurrent liabilities: | | | | | |
| Compensated absences payable | 27,007 | 6,546 | 752 | 34,305 | 341 |
| Long-term debt, net of current | 690,000 | 4,675,000 | - | 5,365,000 | - |
| Net pension liability | 341,579 | 699,701 | 89,313 | 1,130,593 | - |
| Total noncurrent liabilities | <u>1,058,586</u> | <u>5,381,247</u> | <u>90,065</u> | <u>6,529,898</u> | <u>341</u> |
| Total liabilities | <u>1,329,332</u> | <u>6,275,985</u> | <u>110,258</u> | <u>7,715,575</u> | <u>78,230</u> |
| Deferred inflows of resources: | | | | | |
| Related to pension | <u>2,625</u> | <u>-</u> | <u>-</u> | <u>2,625</u> | <u>-</u> |
| Net position: | | | | | |
| Net investment in capital assets | 5,218,766 | 20,510,741 | - | 25,729,507 | 1,497,351 |
| Restricted for: | | | | | |
| Debt service | 151,292 | 500,187 | - | 651,479 | - |
| Replacement/improvements | 3,116,125 | 1,793,294 | - | 4,909,419 | - |
| Water supply replacement | - | 2,196,068 | - | 2,196,068 | - |
| Unrestricted | <u>1,665,565</u> | <u>-</u> | <u>91,701</u> | <u>1,757,266</u> | <u>362,888</u> |
| Total net position | <u>\$ 10,151,748</u> | <u>\$ 25,000,290</u> | <u>\$ 91,701</u> | 35,243,739 | <u>\$ 1,860,239</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | <u>301,525</u> | |
| Net position of business-type activities | | | | <u>\$ 35,545,264</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, 2020

| | <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> | |
| Operating revenues: | | | | | |
| Charges for services | | | | | |
| Sales | \$ 5,240,235 | \$ 3,105,141 | \$ 395,442 | \$ 8,740,818 | \$ - |
| Other | 31,874 | 116,955 | 7,984 | 156,813 | 4,082 |
| Penalties | 66,853 | 20,551 | 6,159 | 93,563 | - |
| Equipment rental | - | - | - | - | 420,727 |
| Total operating revenues | <u>5,338,962</u> | <u>3,242,647</u> | <u>409,585</u> | <u>8,991,194</u> | <u>424,809</u> |
| Operating expenses: | | | | | |
| Personnel | 857,978 | 759,000 | 113,268 | 1,730,246 | 50,569 |
| Contracted services | 253,001 | 218,759 | 177,857 | 649,617 | 4,073 |
| Purchased water | - | 701,833 | - | 701,833 | - |
| Administrative expense | 244,426 | 219,567 | 21,480 | 485,473 | - |
| Purchased energy | 2,498,968 | - | - | 2,498,968 | - |
| Other services and charges | 284,437 | 591,725 | 99,287 | 975,449 | 106,835 |
| Depreciation | 277,746 | 725,916 | - | 1,003,662 | 212,500 |
| Total operating expenses | <u>4,416,556</u> | <u>3,216,800</u> | <u>411,892</u> | <u>8,045,248</u> | <u>373,977</u> |
| Operating income (loss) | <u>922,406</u> | <u>25,847</u> | <u>(2,307)</u> | <u>945,946</u> | <u>50,832</u> |
| Non-operating revenues (expenses): | | | | | |
| Interest income | 39,809 | 73,616 | 686 | 114,111 | 589 |
| Rental income | 3,385 | 51,546 | - | 54,931 | - |
| Sale of capital assets | - | - | - | - | 53,582 |
| Interest expense | (22,043) | (87,078) | - | (109,121) | (796) |
| Net non-operating revenues (expenses) | <u>21,151</u> | <u>38,084</u> | <u>686</u> | <u>59,921</u> | <u>53,375</u> |
| Change in net position before capital contributions and transfers | 943,557 | 63,931 | (1,621) | 1,005,867 | 104,207 |

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, 2020

| | <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> | |
| Capital contributions and transfers: | | | | | |
| Capital contribution - Federal grant | - | 175,986 | - | 175,986 | - |
| Capital contribution - City of Alma | - | 442 | - | 442 | - |
| Interfund transfers in | - | - | - | - | 314,959 |
| Interfund transfers out | (438,966) | (74,524) | (9,490) | (522,980) | - |
| Net capital contributions and transfers | (438,966) | 101,904 | (9,490) | (346,552) | 314,959 |
| Change in net position | 504,591 | 165,835 | (11,111) | 659,315 | 419,166 |
| Net position, beginning of year | 9,647,157 | 24,834,455 | 102,812 | | 1,441,073 |
| Net position, end of year | <u>\$ 10,151,748</u> | <u>\$ 25,000,290</u> | <u>\$ 91,701</u> | | <u>\$ 1,860,239</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | 32,532 | |
| Change in net position of business-type activities | | | | <u>\$ 691,847</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, 2020

| | <i>Enterprise Funds</i> | | | | |
|--|--------------------------|-------------------------------------|---------------------------------|------------------|--------------------------------------|
| | <i>Electric Fund</i> | <i>Water and Sewer Fund</i> | <i>Nonmajor</i> | <i>Total</i> | <i>Internal Service Fund</i> |
| | | | <i>Solid Waste Fund</i> | | |
| Cash flows from operating activities: | | | | | |
| Cash received from customers | \$ 5,200,007 | \$ 3,224,495 | \$ 408,270 | \$ 8,832,772 | \$ 4,082 |
| Cash received (payments) for interfund services | (91,676) | (83,181) | (94,167) | (269,024) | 420,727 |
| Cash payments to and on behalf of employees | (850,850) | (757,958) | (109,140) | (1,717,948) | (50,942) |
| Cash payments for goods, services and other | (3,122,073) | (1,577,599) | (204,986) | (4,904,658) | (128,577) |
| Net cash provided (used) by operating activities | <u>1,135,408</u> | <u>805,757</u> | <u>(23)</u> | <u>1,941,142</u> | <u>245,290</u> |
| Cash flows from non-capital financing activities: | | | | | |
| Payments on advances to other governments | 19,402 | - | - | 19,402 | - |
| Interfund transfers in (out) | (124,017) | (74,524) | (9,490) | (208,031) | - |
| Net cash provided (used) by non-capital financing activities | <u>(104,615)</u> | <u>(74,524)</u> | <u>(9,490)</u> | <u>(188,629)</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Payments on advance from other funds | - | - | - | - | (16,478) |
| Interfund transfers in (out) | (314,949) | - | - | (314,949) | 314,959 |
| Capital contributions | - | 9,277 | - | 9,277 | - |
| Proceeds from bonds and loans | - | 950,000 | - | 950,000 | - |
| Acquisition of capital assets | (12,465) | (1,114,758) | - | (1,127,223) | (386,351) |
| Proceeds from sale of capital assets | - | - | - | - | 105,605 |
| Principal payments on debt | (55,000) | (245,000) | - | (300,000) | (44,701) |
| Interest paid | (22,190) | (85,400) | - | (107,590) | (831) |
| Net cash provided (used) by capital and related financing activities | <u>(404,604)</u> | <u>(485,881)</u> | <u>-</u> | <u>(890,485)</u> | <u>(27,797)</u> |
| Cash flows from investing activities: | | | | | |
| Interest received | 39,809 | 73,348 | 686 | 113,843 | 589 |
| Rent received | 3,385 | 51,546 | - | 54,931 | - |
| Net cash provided by investing activities | <u>43,194</u> | <u>124,894</u> | <u>686</u> | <u>168,774</u> | <u>589</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, 2020

| | <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> | |
| Net increase (decrease) in cash, cash equivalents and investments | 669,383 | 370,246 | (8,827) | 1,030,802 | 218,082 |
| Cash, cash equivalents and investments, beginning of year | <u>3,951,290</u> | <u>5,046,717</u> | <u>132,851</u> | <u>9,130,858</u> | <u>187,450</u> |
| Cash, cash equivalents and investments, end of year | <u>\$ 4,620,673</u> | <u>\$ 5,416,963</u> | <u>\$ 124,024</u> | <u>\$ 10,161,660</u> | <u>\$ 405,532</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Operating income (loss) | \$ 922,406 | \$ 25,847 | \$ (2,307) | \$ 945,946 | \$ 50,832 |
| Adjustments: | | | | | |
| Depreciation | 277,746 | 725,916 | - | 1,003,662 | 212,500 |
| Change in assets and liabilities: | | | | | |
| Accounts receivable | (138,955) | (18,152) | (1,315) | (158,422) | - |
| Inventory | 4,247 | 244 | 443 | 4,934 | (17,150) |
| Accounts payable | 61,811 | 70,370 | (972) | 131,209 | (519) |
| Deposits payable | 1,025 | 490 | - | 1,515 | - |
| Accrued wages payable | 6,780 | 7,191 | (1,438) | 12,533 | 1,183 |
| Compensated absences | 2,983 | (1,562) | 5,956 | 7,377 | (1,556) |
| Net pension liability and related deferred outflow of resources | <u>(2,635)</u> | <u>(4,587)</u> | <u>(390)</u> | <u>(7,612)</u> | <u>-</u> |
| Net cash provided (used) by operating activities | <u>\$ 1,135,408</u> | <u>\$ 805,757</u> | <u>\$ (23)</u> | <u>\$ 1,941,142</u> | <u>\$ 245,290</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, 2020

| | <i>Agency Funds</i> |
|---------------------------|-------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 19,312 |
| Accounts receivable | <u>4,034</u> |
| Total assets | <u>\$ 23,346</u> |
| Liabilities: | |
| Accrued liabilities | \$ 5,241 |
| Due to other governments | <u>18,105</u> |
| Total liabilities | <u>\$ 23,346</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, 2020

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.

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 when there is activity. There is no activity in the current year.

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. Detailed 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, 2020 was \$3,418. Complete financial statements for the Housing Commission’s June 30, 2020 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, 2020

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, 2020, was \$97,953. 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 financial statements can be obtained at the City of St. Louis administration office.

Mid-Michigan Area Cable Communications Consortium – The Mid-Michigan Area Cable Communications Consortium is a joint venture between twelve Mid-Michigan communities with cable franchised agreements granted to Charter Communications. The Consortium is responsible for developing and monitoring the enforcement of the cable ordinance, negotiating and monitoring of cable franchise agreements, and, to the extent permitted by federal law, regulate cable rates. Additionally, the Consortium is responsible for the operation of public education and governmental access channels. Each community is permitted to appoint two members of the governing Board.

The City remits 40% of the cable tv franchise fee it receives to the Consortium. For the year ended June 30, 2020, this amounted to \$18,506. The Consortium operates on a calendar year and produces separate financial statements. Per provisions of the agreement, there is no equity interest in the Consortium. Copies of the Mid-Michigan Area Cable Communications Consortium financial statements can be obtained by writing to Operations and Administrative Director, 312 West Michigan Street, Mt. Pleasant, MI 48860.

Gratiot Community Airport Authority – The City is a member of the Gratiot Community Airport Authority which operates the only public airport in Gratiot County. Under MCL 259.621, et. Seq. an agreement to establish the Gratiot Community Airport Authority was entered into on February 18, 2009 and amended on January 30, 2012. The Authority is operated by a six-person board, one member from each member municipality. The City is required to contribute \$4,000 per year. The City of St. Louis has no stated equity interest. The City of Alma maintains the accounting records for the Authority. It is reported as a proprietary fund in the City of Alma’s financial statements. Copies of the City of Alma financial statements can be obtained by writing to City of Alma, 525 E. Superior, Alma, MI 48801.

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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. No contributions were made to the Authority during the current fiscal year; the City paid for the solid waste services directly to the third-party service provider.

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.

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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.

Basis of Accounting:

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

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

Fund Accounting:

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

Nonmajor Enterprise Fund – Solid Waste Fund accounts for operations of a garbage and rubbish collection system.

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

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

Specific Balances and Transactions:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the City considers all investments (including restricted assets) to be cash equivalents. The investment policy adopted by the City Council is in accordance with Public Act 20 of 1943, as amended. The City's deposits and investments have been made in accordance with statutory authority.

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

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

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

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

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

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

Property Taxes – Property taxes are levied on each July 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 2019 taxable valuation of the City totaled \$53,893,723 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments). Taxes levied consisted of 13.1376 mills for the City's operating purposes and 2 mills for public safety. The 2 mills levied for public safety are on the real property taxable value of \$49,465,223.

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 years' service. A maximum of 200 hours can be earned during the prior year. Added to earned vacation time is a maximum of 40 hours carryover of any prior year unused vacation time. Except for a 40-hour carryover, vacation time is to be used within the year received and is paid to employees upon termination.

Pension Costs – The City offers a defined benefit pension plan to its employees which has closed to new employees after June 30, 1999. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 nonoperating revenues rental income and investment income. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not included in these classifications are reported as nonoperating expenses.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interfund Activity:

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

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

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.

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

State Construction Code Act:

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

| | | |
|--------------------------------------|----|-----------------|
| Cumulative surplus at July 1, 2019 | \$ | - |
| Current year building permit revenue | | 14,271 |
| Related expenses: | | |
| Direct costs | | <u>96,068</u> |
| Cumulative surplus at June 30, 2020 | \$ | <u><u>-</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.

Summary of Deposit and Investment Balances:

The following is a reconciliation of deposit and investment balances as of June 30, 2020:

Statement of Net Position:

Cash and cash equivalents (including restricted):

| | | |
|--------------------|----|-----------|
| Primary Government | \$ | 8,475,567 |
| Component Unit | | 34,589 |

Investments (including restricted):

| | | |
|--------------------|--|-----------|
| Primary Government | | 6,570,240 |
|--------------------|--|-----------|

Statement of Fiduciary Assets and Liabilities:

Cash and cash equivalents:

| | | |
|--------------|--|---------------|
| Agency Funds | | <u>19,312</u> |
|--------------|--|---------------|

| | | |
|-------|----|--------------------------|
| Total | \$ | <u><u>15,099,708</u></u> |
|-------|----|--------------------------|

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

Deposits and Investments:

| | |
|-------------------------------------|----------------------|
| Bank deposits | \$ 8,529,175 |
| Investments: | |
| Pooled investments - Michigan CLASS | 6,570,240 |
| Cash on hand | <u>293</u> |
| Total | <u>\$ 15,099,708</u> |

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned. State law does not require and the City does not have a deposit policy for custodial credit risk. At year end, \$8,578,966 of the City’s bank deposits (certificates of deposit, checking and cash) of which \$7,725,186 was exposed to custodial credit risk because they were uninsured and uncollateralized. The City’s investment policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those with an acceptable risk level are used for depositories.

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

| <u>Investment Type</u> | <u>Market Value</u> | <u>Less than 1 Year</u> | <u>1 to 2 Years</u> | <u>2 to 3 Years</u> |
|------------------------|---------------------|-------------------------|---------------------|---------------------|
| Pooled investments | \$ 6,570,240 | \$ 6,570,240 | \$ - | \$ - |

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

| <u>Investment Type</u> | <u>Market Value</u> | <u>Rating</u> | <u>Rating Organization</u> |
|------------------------|---------------------|---------------|----------------------------|
| Pooled investments | \$ 6,570,240 | AAAm | S&P |

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

Custodial Credit Risk – Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. At year end, none of the City’s investments were subject to custodial credit risk due to one of the following: 1) Investments were part of an insured pool; 2) Investments were book-entry only in the name of the City and were fully insured; 3) Investments were part of a mutual fund; or 4) Investments were held by an agent in the City’s name.

NOTE 4: FAIR VALUE MEASUREMENTS

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The City has the following recurring fair value measurement as of June 30, 2020:

| <i>Investment Type</i> | <i>Market Value</i> | <i>Level 1 Inputs</i> | <i>Level 2 Inputs</i> | <i>Level 3 Inputs</i> |
|------------------------|---------------------|-----------------------|-----------------------|-----------------------|
| Pooled investments | \$ 6,570,240 | \$ - | \$ 6,570,240 | \$ - |

NOTE 5: 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>Electric Fund</i> | <i>Water and Sewer Fund</i> | <i>Total</i> |
|--|----------------------|-----------------------------|---------------------|
| Restricted cash and cash equivalents: | | | |
| Debt service | \$ 151,292 | \$ 121,732 | \$ 273,024 |
| Replacement/Improvements | 1,944,133 | - | 1,944,133 |
| Restricted investments: | | | |
| Debt service | - | 378,455 | 378,455 |
| Replacement/Improvements | 1,171,992 | 4,290,585 | 5,462,577 |
| | <u>\$ 3,267,417</u> | <u>\$ 4,790,772</u> | <u>\$ 8,058,189</u> |

In accordance with the City Charter, a reserve fund shall be created and maintained for each utility to provide for the replacement of old utility plant equipment and the purchase of additional utility plant equipment. A fund balance equal to 10% of the replacement cost of utility plant equipment shall be maintained for each utility. At June 30, 2020, the City’s Water and Sewer Fund was not in compliance with the City Charter requirements because funds were not adequate.

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: CAPITAL ASSETS, CONTINUED

| | <u>July 1, 2019</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2020</u> |
|--|-------------------------|-------------------|---------------------|--------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,329,569 | \$ - | \$ - | \$ 2,329,569 |
| Construction in progress | <u>242,792</u> | <u>439,877</u> | <u>(228,172)</u> | <u>454,497</u> |
| Capital assets not being depreciated | <u>2,572,361</u> | <u>439,877</u> | <u>(228,172)</u> | <u>2,784,066</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 4,672,671 | 271,413 | (14,109) | 4,929,975 |
| Equipment and vehicles | 3,537,646 | 543,358 | (238,075) | 3,842,929 |
| Infrastructure - storm sewer | 2,701,677 | - | - | 2,701,677 |
| Infrastructure - streets | 23,223,828 | - | - | 23,223,828 |
| Infrastructure - sidewalks | <u>1,105,188</u> | <u>-</u> | <u>-</u> | <u>1,105,188</u> |
| Capital assets being depreciated | <u>35,241,010</u> | <u>814,771</u> | <u>(252,184)</u> | <u>35,803,597</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (1,257,185) | (130,431) | 14,109 | (1,373,507) |
| Equipment and vehicles | (2,144,776) | (252,991) | 186,052 | (2,211,715) |
| Infrastructure - storm sewer | (2,569,704) | (54,033) | - | (2,623,737) |
| Infrastructure - streets | (20,512,144) | (180,860) | - | (20,693,004) |
| Infrastructure - sidewalks | <u>(911,534)</u> | <u>(11,955)</u> | <u>-</u> | <u>(923,489)</u> |
| Accumulated depreciation | <u>(27,395,343)</u> | <u>(630,270)</u> | <u>200,161</u> | <u>(27,825,452)</u> |
| Capital assets being depreciated, net | <u>7,845,667</u> | <u>184,501</u> | <u>(52,023)</u> | <u>7,978,145</u> |
| Governmental activities, capital assets, net | <u>\$ 10,418,028</u> | <u>\$ 624,378</u> | <u>\$ (280,195)</u> | <u>\$ 10,762,211</u> |
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 981,872 | \$ - | \$ - | \$ 981,872 |
| Construction in progress | <u>4,431,548</u> | <u>1,266,412</u> | <u>(175,244)</u> | <u>5,522,716</u> |
| Capital assets not being depreciated | <u>5,413,420</u> | <u>1,266,412</u> | <u>(175,244)</u> | <u>6,504,588</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 1,164,976 | - | - | 1,164,976 |
| Equipment | 424,115 | - | - | 424,115 |
| Electric system | 12,711,521 | - | - | 12,711,521 |
| Sewer system | 17,772,360 | 175,244 | - | 17,947,604 |
| Water system | <u>17,066,275</u> | <u>-</u> | <u>-</u> | <u>17,066,275</u> |
| Capital assets being depreciated | <u>49,139,247</u> | <u>175,244</u> | <u>-</u> | <u>49,314,491</u> |

continued

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: CAPITAL ASSETS, CONTINUED

| | <u>July 1, 2019</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2020</u> |
|--|-------------------------|-------------------|---------------------|--------------------------|
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (937,538) | (25,304) | - | (962,842) |
| Equipment | (310,347) | (17,301) | - | (327,648) |
| Electric system | (7,092,480) | (238,964) | - | (7,331,444) |
| Sewer system | (8,083,434) | (370,848) | - | (8,454,282) |
| Water system | (7,529,903) | (351,245) | - | (7,881,148) |
| Accumulated depreciation | (23,953,702) | (1,003,662) | - | (24,957,364) |
| Capital assets being depreciated, net | 25,185,545 | (828,418) | - | 24,357,127 |
| Business-type activities capital assets, net | <u>\$ 30,598,965</u> | <u>\$ 437,994</u> | <u>\$ (175,244)</u> | <u>\$ 30,861,715</u> |

Depreciation expense was charged to various functions as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|------------------------|------------------------------------|-------------------------------------|
| General government | \$ 88,139 | \$ - |
| Public safety | 27,376 | - |
| Public works | 252,011 | - |
| Recreation and culture | 50,244 | - |
| Electric | - | 277,746 |
| Water and Sewer | - | 725,916 |
| Internal Service Fund | 212,500 | - |
| | <u>\$ 630,270</u> | <u>\$ 1,003,662</u> |

NOTE 7: LONG-TERM LIABILITIES

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

Long-term obligation activity for the year ended June 30, 2020 is summarized as follows:

| | <u>July 1, 2019</u> | <u>Additions</u> | <u>(Reductions)</u> | <u>June 30, 2020</u> | <u>Due Within One Year</u> |
|--|-------------------------|------------------|---------------------|--------------------------|------------------------------------|
| Governmental activities: | | | | | |
| 2014 Capital Improvement Bond, principal due in annual installments of \$22,000 to \$72,000 through September 2054, interest at 3.50% due semi-annually. | \$ 1,520,000 | \$ - | \$ (22,000) | \$ 1,498,000 | \$ 22,000 |

continued

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: LONG-TERM LIABILITIES, CONTINUED

| | <u>July 1, 2019</u> | <u>Additions</u> | <u>(Reductions)</u> | <u>June 30, 2020</u> | <u>Due Within One Year</u> |
|--|-------------------------|---------------------|---------------------|--------------------------|------------------------------------|
| 2015 Equipment loan, due in monthly installments of \$3,781 including interest at 1.98% through September 2020. | 56,063 | - | (44,701) | 11,362 | 11,362 |
| <i>Other liabilities:</i> | | | | | |
| Compensated absences | 86,533 | 95,983 | (75,230) | 107,286 | 94,126 |
| Governmental activities, long-term liabilities | <u>\$ 1,662,596</u> | <u>\$ 95,983</u> | <u>\$ (141,931)</u> | <u>\$ 1,616,648</u> | <u>\$ 127,488</u> |
| Business-type Activities: | | | | | |
| <i>Revenue Bonds:</i> | | | | | |
| 2013 Water Supply and Sewage Disposal Revenue Bond, principal due in annual installments of \$250,000 to \$325,000 through April 1, 2034, interest of 2.00% due semi-annually. | \$ 4,270,000 | \$ - | \$ (245,000) | \$ 4,025,000 | \$ 250,000 |
| 2015 Electric Revenue Bonds, principal due in annual installments of \$55,000 to \$80,000 through November 1, 2031, interest from 1.80-3.55% due semi-annually. | 800,000 | - | (55,000) | 745,000 | 55,000 |
| 2020 Water Supply and Sewage Disposal System Revenue Bond, due in annual installments of \$50,000 to \$77,000 through March 1, 2035, interest from 1.55-1.87% due semi-annually. | - | 950,000 | - | 950,000 | 50,000 |
| <i>Other liabilities:</i> | | | | | |
| Compensated absences | 120,577 | 93,061 | (85,684) | 127,954 | 93,649 |
| Business-type activities, long-term liabilities | <u>\$ 5,190,577</u> | <u>\$ 1,043,061</u> | <u>\$ (385,684)</u> | <u>\$ 5,847,954</u> | <u>\$ 448,649</u> |
| Component Unit: | | | | | |
| Advance from Electric Fund, monthly payments of \$700 including interest. Balance paid off April 2020. | <u>\$ 19,402</u> | <u>\$ -</u> | <u>\$ (19,402)</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: 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> |
| 2021 | \$ 33,362 | \$ 52,063 | \$ 85,425 | \$ 355,000 | \$ 118,402 | \$ 473,402 |
| 2022 | 23,000 | 51,258 | 74,258 | 368,000 | 110,988 | 478,988 |
| 2023 | 24,000 | 50,436 | 74,436 | 374,000 | 103,791 | 477,791 |
| 2024 | 25,000 | 49,578 | 74,578 | 391,000 | 96,246 | 487,246 |
| 2025 | 26,000 | 48,685 | 74,685 | 397,000 | 88,250 | 485,250 |
| 2026-2030 | 145,000 | 228,815 | 373,815 | 2,125,000 | 309,629 | 2,434,629 |
| 2031-2035 | 170,000 | 201,253 | 371,253 | 1,710,000 | 85,056 | 1,795,056 |
| 2036-2040 | 202,000 | 168,807 | 370,807 | - | - | - |
| 2041-2045 | 239,000 | 130,289 | 369,289 | - | - | - |
| 2046-2050 | 285,000 | 84,615 | 369,615 | - | - | - |
| 2051-2055 | 337,000 | 30,294 | 367,294 | - | - | - |
| | <u>\$ 1,509,362</u> | <u>\$ 1,096,093</u> | <u>\$ 2,605,455</u> | <u>\$ 5,720,000</u> | <u>\$ 912,362</u> | <u>\$ 6,632,362</u> |

NOTE 8: INTERFUND TRANSFERS

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

Transfers during the current fiscal year were as follows:

| <i>Funds Transferred From</i> | <i>Funds Transferred To</i> | <i>Amount</i> |
|--|---|-------------------|
| Nonmajor Governmental Funds Major Street Fund | Nonmajor Governmental Funds Local Street Fund | \$ 123,564 |
| Nonmajor Governmental Funds Public Improvement Fund | Nonmajor Governmental Funds Local Street Fund | 264,000 |
| Electric Fund | Nonmajor Governmental Fund Public Improvement Fund | 124,007 |
| Water and Sewer Fund | Nonmajor Governmental Fund Public Improvement Fund | 74,524 |
| Electric Fund | Internal Service Fund | 314,959 |
| Solid Waste Fund | Nonmajor Governmental Fund Public Improvement Fund | 9,490 |
| | | <u>\$ 910,544</u> |

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 9: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

| | <i>Primary Government</i> | | | <i>Component Unit</i> |
|---|--------------------------------|---------------------------------|---------------------|-----------------------|
| | <i>Governmental Activities</i> | <i>Business-type Activities</i> | <i>Total</i> | |
| Receivables: | | | | |
| Property taxes | \$ 3,970 | \$ - | \$ 3,970 | \$ - |
| Accounts | 17,212 | 1,094,994 | 1,112,206 | - |
| Accrued interest | 1,014 | 462 | 1,476 | - |
| Intergovernmental | 179,240 | 381,907 | 561,147 | - |
| Total receivables | <u>\$ 201,436</u> | <u>\$ 1,477,363</u> | <u>\$ 1,678,799</u> | <u>\$ -</u> |
| Accounts payable and accrued expenses: | | | | |
| Accounts | \$ 243,676 | \$ 612,961 | \$ 856,637 | \$ 49 |
| Payroll liabilities | 70,362 | 58,454 | 128,816 | - |
| Deposits payable | 15,225 | 38,960 | 54,185 | - |
| Accrued interest | 17,436 | 26,653 | 44,089 | - |
| Intergovernmental | 6,550 | - | 6,550 | - |
| Total accounts payable and accrued expenses | <u>\$ 353,249</u> | <u>\$ 737,028</u> | <u>\$ 1,090,277</u> | <u>\$ 49</u> |

NOTE 10: RISK MANAGEMENT

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

Liability, vehicle physical damage and property and crime – The City is a member of the Michigan Municipal Liability and Property Pool, which is an association organized to purchase commercial insurance for protection against loss for Michigan cities, counties, townships and special service governments. The City is insured up to the following limits: Liability - \$5,000,000, vehicle physical damage - \$5,000,000 and property and crime - \$5,000,000, subject to deductibles of \$1,000, \$100-\$250 and \$5,000, respectively. When a claim is incurred and/or paid, the member's loss contribution account is charged or credited according to the member's actual loss experience; no obligation is credited for another member's losses. If contributions are in excess of actual expenses and reserves, future contributions are increased. Should any member have more losses paid on their behalf than contributions covering such losses, credit is extended within the association joint loss fund; such a deficit is repaid by the member in future contributions. The Plan does not maintain separate funds for members and consequently the City's share of total assets and total equity is unknown. Audited financial statements of the Plan are available.

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.

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 11: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS

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

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

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

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

Benefits Provided – The following are the benefits provided from the December 31, 2019 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 |
| COLA for Future Retirees: | 2.50% (Non-Compound) | |
| Employee Contributions: | 2.00% | 4.88% |
| DC Plan for New Hires: | 6/1/2013 | 7/1/1999 |
| Act 88: | Yes (Adopted 11/18/1970) | Yes (Adopted 11/18/1970) |

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 11: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

Employees covered by benefit terms – At the December 31, 2019 valuation date, the following employees were covered by the benefit terms:

| | |
|---|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 29 |
| Inactive employees entitled to but not yet receiving benefits (including refunds) | 5 |
| Active employees | <u>4</u> |
| Total | <u>38</u> |

Contributions – Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may establish contribution rates to be paid by its covered employees. All divisions are closed to new employees. The annual City minimum required contributions (phase-in), for the current year, were \$173,028 for General NonUnion, \$31,800 Police & Fire, \$11,268 City Manager, and \$201,852 Electric Union. These amounts are equal to the actuarially determined contribution based on the valuation payroll from the December 31, 2017 actuarial valuation.

Net Pension Liability – The City’s net pension liability reported at June 30, 2020 was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation: 2.5%; Salary Increases: 3.00% in the long-term; Investment rate of return: 7.35%, net of investment and administrative expenses including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%. Mortality rates used were based on the RP-2014 Healthy Annuitant Tables with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables, all with a 50% male and 50% female blend.

The actuarial assumptions used in the December 31, 2019 valuation were based on the Experience Study of 2009 through 2013 completed in 2015.

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.

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 11: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

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 Gross Return | Long-term Expected Gross Return Contribution | Inflation Assumption | Long-Term Expected Real Rate of Return |
|---------------------|-------------------|---------------------------------|--|----------------------|--|
| Global Equity | 60.0% | 7.75% | 4.65% | 57.5% | 3.15% |
| Global Fixed Income | 20.0% | 3.75% | 0.75% | 20.0% | 0.25% |
| Private Investments | 20.0% | 9.75% | 1.95% | 10.0% | 1.45% |
| Total | 100.0% | | 7.35% | | 4.85% |

Discount rate – The discount rate used to measure the total pension liability is 7.60%. The projection of cash flows used to determine the discount rate assumes that City and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for the City.

Projected Cash Flows – Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

| | <i>Increase (Decrease)</i> | | |
|---|--------------------------------|------------------------------------|------------------------------|
| | <i>Total Pension Liability</i> | <i>Plan Fiduciary Net Position</i> | <i>Net Pension Liability</i> |
| Balances at 12/31/18 | \$ 7,493,147 | \$ 5,752,838 | \$ 1,740,309 |
| Service cost | 27,449 | - | 27,449 |
| Interest on total pension liability | 575,965 | - | 575,965 |
| Difference between expected and actual experience | (2,393) | - | (2,393) |
| Changes in assumptions | 230,181 | - | 230,181 |
| Employer contributions | - | 456,066 | (456,066) |
| Employee contributions | - | 10,633 | (10,633) |
| Net investment income (loss) | - | 776,959 | (776,959) |
| Benefit payments, including employee refunds | (614,601) | (614,601) | - |
| Administrative expenses | - | (13,383) | 13,383 |
| Net changes | 216,601 | 615,674 | (399,073) |
| Balances at 12/31/19 | <u>\$ 7,709,748</u> | <u>\$ 6,368,512</u> | <u>\$ 1,341,236</u> |

The net pension liability is recorded as follows:

| | |
|--------------------------|---------------------|
| Governmental activities | \$ 210,643 |
| Business-type activities | <u>1,130,593</u> |
| | <u>\$ 1,341,236</u> |

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 11: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the City, calculated using the discount rate of 7.6%, as well as what the City’s net pension liability would be using a discount rate that is 1 percentage point lower (6.6%) or 1 percentage point higher (8.6%) than the current rate.

| | <u>1% Decrease Rate 6.6%</u> | <u>Current Rate 7.6%</u> | <u>1% Increase Rate 8.6%</u> |
|--|----------------------------------|------------------------------|----------------------------------|
| Net pension liability | \$ - | \$ 1,341,236 | \$ - |
| Change in net pension liability as of 12/31/19 | 684,353 | - | (593,980) |
| | <u>\$ 2,025,589</u> | <u>\$ 1,341,236</u> | <u>\$ 747,256</u> |

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2020; the City recognized pension expense, on the defined benefit plan, of \$472,881. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Net difference between projected and actual earnings on pension plan investments | \$ 24,559 | \$ 2,625 |
| Contributions subsequent to the measurement date | 241,320 | - |
| | <u>\$ 265,879</u> | <u>\$ 2,625</u> |

The deferred outflows of resources and deferred inflows of resources are recorded as follows:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--------------------------|---|--|
| Governmental activities | \$ 45,064 | \$ - |
| Business-type activities | 220,815 | 2,625 |
| | <u>\$ 265,879</u> | <u>\$ 2,625</u> |

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$241,320), which will impact the net pension liability in fiscal year 2021, rather than pension expense.

| <u>Year Ended</u> | <u>Amount</u> |
|-----------------------|---------------|
| 2021 | \$ (15,152) |
| 2022 | 21,176 |
| 2023 | 80,546 |
| 2024 | (64,636) |

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 11: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

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 \$129,309 for the year ended June 30, 2020. Employee contributions for the plan were \$48,160 for the year ended June 30, 2020. Plan provisions and contribution requirements are established and may be amended by the City Council.

NOTE 12: CONSTRUCTION COMMITMENTS

The City has construction contracts for projects in process within the City. As of June 30, 2020, the City had outstanding work to be completed on construction contracts as shown below:

| | |
|---|---------------------|
| Water supply replacement project 10 & 11 transmission mains | \$ 490,732 |
| Maple Street | <u>524,600</u> |
| | <u>\$ 1,015,332</u> |

NOTE 13: SEGMENT REPORTING

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

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 13: SEGMENT REPORTING, CONTINUED

| | <i>Sewer Department</i> | <i>Water Department</i> | <i>Total Water and Sewer Fund</i> |
|---|-----------------------------|-----------------------------|---|
| CONDENSED STATEMENT OF NET POSITION | | | |
| Assets: | | | |
| Cash, cash equivalents and investments | \$ 2,299,420 | \$ 3,117,543 | \$ 5,416,963 |
| Other assets | 195,188 | 628,487 | 823,675 |
| Capital assets, net | 9,812,248 | 15,085,702 | 24,897,950 |
| Total assets | <u>12,306,856</u> | <u>18,831,732</u> | <u>31,138,588</u> |
| Deferred outflows of resources: | | | |
| Related to pension | <u>59,775</u> | <u>77,912</u> | <u>137,687</u> |
| Liabilities: | | | |
| Current liabilities | 577,503 | 317,235 | 894,738 |
| Noncurrent liabilities | <u>4,079,306</u> | <u>1,301,941</u> | <u>5,381,247</u> |
| Total liabilities | <u>4,656,809</u> | <u>1,619,176</u> | <u>6,275,985</u> |
| Net position: | | | |
| Net investment in capital assets | 5,787,248 | 14,723,493 | 20,510,741 |
| Restricted | <u>1,922,574</u> | <u>2,566,975</u> | <u>4,489,549</u> |
| Total net position | <u>\$ 7,709,822</u> | <u>\$ 17,290,468</u> | <u>\$ 25,000,290</u> |
| CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION | | | |
| Operating revenues | \$ 1,479,309 | \$ 1,763,338 | \$ 3,242,647 |
| Depreciation expense | (370,848) | (355,068) | (725,916) |
| Other operating expenses | <u>(1,107,415)</u> | <u>(1,383,469)</u> | <u>(2,490,884)</u> |
| Operating income (loss) | 1,046 | 24,801 | 25,847 |
| Non-operating revenues (expenses): | | | |
| Investment income | 30,108 | 43,508 | 73,616 |
| Rental income | - | 51,546 | 51,546 |
| Interest expense | <u>(84,175)</u> | <u>(2,903)</u> | <u>(87,078)</u> |
| Net non-operating revenues (expenses) | (54,067) | 92,151 | 38,084 |
| Capital contributions and transfers | | | |
| Capital contributions | - | 176,428 | 176,428 |
| Interfund transfers out | <u>(38,647)</u> | <u>(35,877)</u> | <u>(74,524)</u> |
| Net capital contributions and transfers | (38,647) | 140,551 | 101,904 |
| Change in net position | (91,668) | 257,503 | 165,835 |
| Beginning net position | <u>7,801,490</u> | <u>17,032,965</u> | <u>24,834,455</u> |
| Ending net position | <u>\$ 7,709,822</u> | <u>\$ 17,290,468</u> | <u>\$ 25,000,290</u> |

CITY OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 13: SEGMENT REPORTING, CONTINUED

| | <i>Sewer Department</i> | <i>Water Department</i> | <i>Total Water and Sewer Fund</i> |
|--|-----------------------------|-----------------------------|---|
| CONDENSED STATEMENT OF CASH FLOWS | | | |
| Net cash provided by operating activities | \$ 649,913 | \$ 155,844 | \$ 805,757 |
| Net cash used by noncapital financing activities | (38,647) | (35,877) | (74,524) |
| Net cash provided (used) by capital and related financing activities | (768,671) | 282,790 | (485,881) |
| Net cash provided by investing activities | <u>29,928</u> | <u>94,966</u> | <u>124,894</u> |
| Net cash provided (used) | (127,477) | 497,723 | 370,246 |
| Cash, cash equivalents and investments, beginning of year | <u>2,426,897</u> | <u>2,619,820</u> | <u>5,046,717</u> |
| Cash, cash equivalents and investments, end of year | <u>\$ 2,299,420</u> | <u>\$ 3,117,543</u> | <u>\$ 5,416,963</u> |

NOTE 14: TAX ABATEMENTS

Industrial Facilities Exemption:

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

The City Council evaluates all PA 198 applications to determine that a good public purpose for the City would be served, that is, an economic growth, expanded tax base, and job creation. The City has the right to revoke the exemption and the recipient would be responsible to pay to the affecting taxing units an amount equal to those taxes it would have paid had the abatement not been in effect if the recipient is determined to be in violation of the provisions of the written agreement, such as insufficient job creation and/or investment. For the fiscal year ended June 30, 2020, there was \$11,943 of property tax revenue abated under this program.

Gratiot County Brownfield Redevelopment Authority Abatements:

The City receives reduced property tax revenues as a result of Brownfield Redevelopment Agreements under PA 381 of 1996, as amended, granted by Gratiot County. These agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. For the fiscal year ended June 30, 2020 there was \$1,269 of property tax revenue abated under this program.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ST. LOUIS

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

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|---------------------|
| Service cost | \$ 27,449 | \$ 26,371 | \$ 25,952 |
| Interest on total pension liability | 575,965 | 593,370 | 592,021 |
| Changes in benefit terms | - | - | - |
| Difference between expected and actual experience | (2,393) | (219,932) | 20,122 |
| Changes in assumptions | 230,181 | - | - |
| Benefit payments, including employee refunds | (614,601) | (621,215) | (621,667) |
| Other changes | - | - | - |
| Net change in total pension liability | <u>216,601</u> | <u>(221,406)</u> | <u>16,428</u> |
| Total pension liability - beginning | <u>7,493,147</u> | <u>7,714,553</u> | <u>7,698,125</u> |
| Total pension liability - ending | <u>\$ 7,709,748</u> | <u>\$ 7,493,147</u> | <u>\$ 7,714,553</u> |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 456,066 | \$ 432,552 | \$ 370,728 |
| Contributions - employee | 10,633 | 10,234 | 12,245 |
| Net investment income (loss) | 776,959 | (238,958) | 742,075 |
| Benefit payments, including employee refunds | (614,601) | (621,215) | (621,667) |
| Administrative expenses | (13,383) | (11,914) | (11,764) |
| Net change in plan fiduciary net position | <u>615,674</u> | <u>(429,301)</u> | <u>491,617</u> |
| Total plan fiduciary net position - beginning | <u>5,752,838</u> | <u>6,182,139</u> | <u>5,690,522</u> |
| Total plan fiduciary net position - ending | <u>\$ 6,368,512</u> | <u>\$ 5,752,838</u> | <u>\$ 6,182,139</u> |
| City's net pension liability | \$ 1,341,236 | \$ 1,740,309 | \$ 1,532,414 |
| Plan fiduciary net position as a percentage of the total pension liability | 82.60% | 76.77% | 80.14% |
| Covered employee payroll | \$ 278,289 | \$ 267,858 | \$ 264,600 |
| City's net pension liability as a percentage of covered employee payroll | 481.96% | 649.71% | 579.14% |

Note: GASB Statement No. 68 was implemented for the year ended June 30, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of data is displayed. Information presented in this schedule is as of the measurement date of December 31 of each year.

continued

CITY OF ST. LOUIS

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

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

CITY OF ST. LOUIS

SCHEDULE OF CITY DEFINED BENEFIT PLAN PENSION CONTRIBUTIONS

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|--------------------|---------------------|---------------------|--------------------|---------------------|
| Actuarially determined contribution | \$ 417,948 | \$ 364,800 | \$ 349,356 | \$ 320,220 | \$ 278,892 |
| Contributions in relation to the actuarially determined contribution | <u>461,076</u> | <u>429,492</u> | <u>428,424</u> | <u>320,220</u> | <u>378,892</u> |
| Contribution (excess) deficiency | <u>\$ (43,128)</u> | <u>\$ (64,692)</u> | <u>\$ (79,068)</u> | <u>\$ -</u> | <u>\$ (100,000)</u> |
| Covered-employee payroll | \$ 278,289 | \$ 267,858 | \$ 264,600 | \$ 325,067 | \$ 311,442 |
| Actuarially determined contribution as a percentage of covered-employee payroll | 150% | 136% | 132% | 99% | 90% |
| | <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% |

Notes to Schedule

Valuation date:

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

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry-age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 20 years |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.5% |
| Salary increases | 3.00% in the long-term |
| Investment rate of return | 7.35% net of investment and administrative expense including inflation |
| Retirement age | 50-60 years of age depending on years of credited services |
| Mortality | 50% Male - 50% Female blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables |

Note: Information presented in this schedule is as of fiscal year end of each year.

CITY OF ST. LOUIS

GENERAL FUND BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <i>Variances with Final Budget Favorable (Unfavorable)</i> |
|--|-------------------------|------------------|------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Property taxes | \$ 730,056 | \$ 741,952 | \$ 731,613 | \$ (10,339) |
| Special assessments | 104,615 | 101,839 | 101,840 | 1 |
| Licenses and permits | 43,450 | 39,341 | 42,031 | 2,690 |
| Federal grants | 20,250 | 87,250 | 70,250 | (17,000) |
| State grants | 582,419 | 601,978 | 593,083 | (8,895) |
| Contributions from other units | 22,820 | 22,820 | 22,280 | (540) |
| Charges for services | 682,519 | 610,210 | 520,995 | (89,215) |
| Fines and forfeits | 1,900 | 2,330 | 2,396 | 66 |
| Interest and rents | 14,200 | 16,346 | 18,063 | 1,717 |
| Other revenue | 10,700 | 87,986 | 90,845 | 2,859 |
| | <u>2,212,929</u> | <u>2,312,052</u> | <u>2,193,396</u> | <u>(118,656)</u> |
| Expenditures: | | | | |
| Current | | | | |
| General government | | | | |
| Legislative | 22,585 | 15,907 | 13,631 | 2,276 |
| Executive | 34,063 | 30,118 | 29,385 | 733 |
| Clerk | 35,517 | 31,719 | 30,221 | 1,498 |
| Board of review | 2,500 | 1,400 | 1,400 | - |
| Assessor | 76,477 | 70,856 | 70,627 | 229 |
| Finance Director/Treasurer | 68,797 | 64,741 | 55,336 | 9,405 |
| Elections | 21,077 | 15,873 | 14,750 | 1,123 |
| City hall | 148,473 | 131,410 | 127,918 | 3,492 |
| Corporate council | 10,000 | 10,000 | 6,921 | 3,079 |
| Total general government | <u>419,489</u> | <u>372,024</u> | <u>350,189</u> | <u>21,835</u> |
| Public safety | | | | |
| Police | 854,986 | 827,554 | 802,687 | 24,867 |
| Fire | 97,954 | 97,953 | 97,953 | - |
| Building inspection/Code enforcement | 105,813 | 100,317 | 95,452 | 4,865 |
| Total public safety | <u>1,058,753</u> | <u>1,025,824</u> | <u>996,092</u> | <u>29,732</u> |
| Public works | | | | |
| Department of public works | 167,490 | 202,587 | 193,913 | 8,674 |
| Cemetery | 110,182 | 86,782 | 79,638 | 7,144 |
| Total public works | <u>277,672</u> | <u>289,369</u> | <u>273,551</u> | <u>15,818</u> |
| Community and economic development | | | | |
| Planning | 32,450 | 6,135 | 5,368 | 767 |
| Economic and community development | 98,050 | 98,140 | 97,029 | 1,111 |
| Industrial Park | 7,637 | 7,637 | 7,511 | 126 |
| Community promotion | 23,236 | 58,201 | 31,477 | 26,724 |
| Total community and economic development | <u>161,373</u> | <u>170,113</u> | <u>141,385</u> | <u>28,728</u> |

continued

CITY OF ST. LOUIS

GENERAL FUND BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended June 30, 2020

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variances with</i> |
|---|-------------------------|--------------|---------------|-----------------------|
| | <i>Original</i> | <i>Final</i> | | <i>Final Budget</i> |
| | | | | <i>Favorable</i> |
| | | | | <i>(Unfavorable)</i> |
| Recreation and culture | | | | |
| Parks and recreation - pool | 41,258 | 59,378 | 57,695 | 1,683 |
| Parks maintenance | 85,803 | 68,971 | 60,427 | 8,544 |
| Total recreation and culture | 127,061 | 128,349 | 118,122 | 10,227 |
| Other | | | | |
| Pension | 42,522 | 43,522 | 42,771 | 751 |
| Capital outlay | | | | |
| General government | | | | |
| Executive | - | 250 | 140 | 110 |
| Finance Director/Treasurer | - | 1,500 | 1,456 | 44 |
| Elections | - | 1,008 | 1,008 | - |
| City hall | - | 4,750 | 2,647 | 2,103 |
| Public safety | | | | |
| Police | 52,000 | 100,588 | 100,534 | 54 |
| Building inspection/Code enforcement | - | 670 | 616 | 54 |
| Public works | | | | |
| Department of public works | 29,750 | 19,550 | 19,438 | 112 |
| Cemetery | 2,200 | 2,200 | 1,300 | 900 |
| Community and economic development | | | | |
| Economic and community development | - | 150 | 140 | 10 |
| Recreation and culture | | | | |
| Parks and recreation - pool | - | 21,500 | 21,442 | 58 |
| Parks maintenance | 27,225 | 34,025 | 25,526 | 8,499 |
| Total capital outlay | 111,175 | 186,191 | 174,247 | 11,944 |
| Debt service | | | | |
| Principal | 22,000 | 22,000 | 22,000 | - |
| Interest and fees | 52,815 | 52,666 | 52,666 | - |
| Total debt service | 74,815 | 74,666 | 74,666 | - |
| Total expenditures | 2,272,860 | 2,290,058 | 2,171,023 | 119,035 |
| Excess (deficiency) of revenues over expenditures | (59,931) | 21,994 | 22,373 | 379 |
| Other financing sources (uses): | | | | |
| Sale of capital assets | - | 306 | 306 | - |
| Change in fund balance | (59,931) | 22,300 | 22,679 | 379 |
| Fund balance, beginning of year | 1,169,188 | 1,169,188 | 1,169,188 | - |
| Fund balance, end of year | \$ 1,109,257 | \$ 1,191,488 | \$ 1,191,867 | \$ 379 |

OTHER SUPPLEMENTARY INFORMATION

CITY OF ST. LOUIS

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

June 30, 2020

| | <u>Special Revenue Funds</u> | | | <u>Capital Projects Fund</u> |
|---------------------------------------|----------------------------------|----------------------------------|---|--|
| | <u>Major Street Fund</u> | <u>Local Street Fund</u> | <u>T.A.Cutler Memorial Library Fund</u> | <u>Public Improvement Fund</u> |
| Assets: | | | | |
| Cash and cash equivalents | \$ 719,147 | \$ 1,035,336 | \$ 691,262 | \$ 658,118 |
| Taxes receivable | - | - | 12 | - |
| Accounts receivable | 752 | - | - | - |
| Accrued interest receivable | - | - | - | - |
| Due from other governments | 70,846 | 27,137 | - | - |
| Total assets | <u>\$ 790,745</u> | <u>\$ 1,062,473</u> | <u>\$ 691,274</u> | <u>\$ 658,118</u> |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 2,101 | \$ 141,996 | \$ 1,319 | \$ - |
| Deposits payable | 5,000 | 10,000 | - | - |
| Accrued wages payable | 2,433 | 7,347 | 5,990 | - |
| Unearned revenue | - | 2,230 | - | - |
| Total liabilities | <u>9,534</u> | <u>161,573</u> | <u>7,309</u> | <u>-</u> |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Nonexpendable cemetery principal | - | - | - | - |
| Restricted for: | | | | |
| Library operations | - | - | 683,965 | - |
| Streets | 781,211 | 900,900 | - | - |
| Committed to: | | | | |
| Capital improvements | - | - | - | 658,118 |
| Cemetery operations | - | - | - | - |
| Total fund balances | <u>781,211</u> | <u>900,900</u> | <u>683,965</u> | <u>658,118</u> |
| Total liabilities and fund balances | <u>\$ 790,745</u> | <u>\$ 1,062,473</u> | <u>\$ 691,274</u> | <u>\$ 658,118</u> |

continued

CITY OF ST. LOUIS

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET, CONTINUED

June 30, 2020

| | <u>Permanent Fund</u> | |
|---------------------------------------|---|---------------------|
| | <u>Cemetery Perpetual Care Fund</u> | <u>Total</u> |
| Assets: | | |
| Cash and cash equivalents | \$ 235,491 | \$ 3,339,354 |
| Taxes receivable | - | 12 |
| Accounts receivable | - | 752 |
| Accrued interest receivable | 1,014 | 1,014 |
| Due from other governments | - | 97,983 |
| | <u>-</u> | <u>97,983</u> |
| Total assets | <u>\$ 236,505</u> | <u>\$ 3,439,115</u> |
| Liabilities and Fund Balances: | | |
| Liabilities: | | |
| Accounts payable | \$ - | \$ 145,416 |
| Deposits payable | - | 15,000 |
| Accrued wages payable | - | 15,770 |
| Unearned revenue | - | 2,230 |
| | <u>-</u> | <u>2,230</u> |
| Total liabilities | <u>-</u> | <u>178,416</u> |
| Fund balances: | | |
| Nonspendable: | | |
| Nonexpendable cemetery principal | 186,495 | 186,495 |
| Restricted for: | | |
| Library operations | - | 683,965 |
| Streets | - | 1,682,111 |
| Committed to: | | |
| Capital improvements | - | 658,118 |
| Cemetery operations | 50,010 | 50,010 |
| | <u>50,010</u> | <u>50,010</u> |
| Total fund balances | <u>236,505</u> | <u>3,260,699</u> |
| Total liabilities and fund balances | <u>\$ 236,505</u> | <u>\$ 3,439,115</u> |

CITY OF ST. LOUIS

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2020

| | <u>Special Revenue Funds</u> | | | <i>Capital Projects Fund</i> |
|--|----------------------------------|----------------------------------|---|--|
| | <i>Major Street Fund</i> | <i>Local Street Fund</i> | <i>T.A.Cutler Memorial Library Fund</i> | <i>Public Improvement Fund</i> |
| Revenues: | | | | |
| State grants | \$ 504,508 | \$ 442,205 | \$ 8,546 | \$ - |
| Contributions from other units | - | - | 201,989 | - |
| Charges for services | 3,832 | - | 400 | - |
| Fines and forfeits | - | - | 83,198 | - |
| Interest and rents | 3,385 | 3,198 | 3,122 | 4,127 |
| Other revenue | 626 | 500 | 17,160 | - |
| Total revenues | <u>512,351</u> | <u>445,903</u> | <u>314,415</u> | <u>4,127</u> |
| Expenditures: | | | | |
| Current | | | | |
| Public works | 129,918 | 131,568 | - | - |
| Recreation and culture | - | - | 182,526 | - |
| Capital outlay | <u>46,600</u> | <u>344,773</u> | <u>4,975</u> | <u>-</u> |
| Total expenditures | <u>176,518</u> | <u>476,341</u> | <u>187,501</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>335,833</u> | <u>(30,438)</u> | <u>126,914</u> | <u>4,127</u> |
| Other financing sources (uses): | | | | |
| Interfund transfers in | - | 387,564 | - | 208,021 |
| Interfund transfers out | <u>(123,564)</u> | <u>-</u> | <u>-</u> | <u>(264,000)</u> |
| Net other financing sources (uses) | <u>(123,564)</u> | <u>387,564</u> | <u>-</u> | <u>(55,979)</u> |
| Changes in fund balances | 212,269 | 357,126 | 126,914 | (51,852) |
| Fund balances, beginning of year | <u>568,942</u> | <u>543,774</u> | <u>557,051</u> | <u>709,970</u> |
| Fund balances, end of year | <u>\$ 781,211</u> | <u>\$ 900,900</u> | <u>\$ 683,965</u> | <u>\$ 658,118</u> |

continued

CITY OF ST. LOUIS

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

Year Ended June 30, 2020

| | <i>Permanent Fund</i> | | <i>Cemetery Perpetual Care Fund</i> | <i>Total</i> |
|--|---------------------------|--|---|--------------|
| Revenues: | | | | |
| State grants | \$ - | | | \$ 955,259 |
| Contributions from other units | - | | | 201,989 |
| Charges for services | 1,963 | | | 6,195 |
| Fines and forfeits | - | | | 83,198 |
| Interest and rents | 6,117 | | | 19,949 |
| Other revenue | - | | | 18,286 |
| Total revenues | 8,080 | | | 1,284,876 |
| Expenditures: | | | | |
| Current | | | | |
| Public works | - | | | 261,486 |
| Recreation and culture | - | | | 182,526 |
| Capital outlay | - | | | 396,348 |
| Total expenditures | - | | | 840,360 |
| Excess (deficiency) of revenues over expenditures | 8,080 | | | 444,516 |
| Other financing sources (uses): | | | | |
| Interfund transfers in | - | | | 595,585 |
| Interfund transfers out | - | | | (387,564) |
| Net other financing sources (uses) | - | | | 208,021 |
| Changes in fund balances | 8,080 | | | 652,537 |
| Fund balances, beginning of year | 228,425 | | | 2,608,162 |
| Fund balances, end of year | \$ 236,505 | | | \$ 3,260,699 |

CITY OF ST. LOUIS

WATER AND SEWER FUND COMBINING STATEMENT OF NET POSITION

June 30, 2020

| | <i>Water and Sewer Operations Fund</i> | <i>Water Supply Construction Fund</i> | <i>Water Supply Replacement Fund</i> | <i>Total Water and Sewer Fund</i> |
|--|--|---|--|---|
| Assets: | | | | |
| <i>Current assets:</i> | | | | |
| Cash and cash equivalents | \$ 1,207,129 | \$ (266,754) | \$ (314,184) | \$ 626,191 |
| Accounts receivable | 383,760 | - | - | 383,760 |
| Accrued interest receivable | 462 | - | - | 462 |
| Due from other governments | - | - | 381,907 | 381,907 |
| Inventory | 57,546 | - | - | 57,546 |
| Total current assets | 1,648,897 | (266,754) | 67,723 | 1,449,866 |
| <i>Noncurrent assets:</i> | | | | |
| Restricted cash and cash equivalents | 121,732 | - | - | 121,732 |
| Restricted investments | 2,171,749 | 953,361 | 1,543,930 | 4,669,040 |
| Capital assets not being depreciated | 859,788 | 362,209 | 4,982,356 | 6,204,353 |
| Capital assets being depreciated, net | 10,741,376 | - | 7,952,221 | 18,693,597 |
| Total noncurrent assets | 13,894,645 | 1,315,570 | 14,478,507 | 29,688,722 |
| Total assets | 15,543,542 | 1,048,816 | 14,546,230 | 31,138,588 |
| Deferred outflows of resources: | | | | |
| Related to pension | 137,687 | - | - | 137,687 |
| Liabilities: | | | | |
| <i>Current liabilities:</i> | | | | |
| Accounts payable | 392,354 | 95,455 | 6,737 | 494,546 |
| Accrued interest payable | 23,028 | - | - | 23,028 |
| Deposits payable | 9,752 | - | - | 9,752 |
| Accrued wages payable | 29,274 | - | - | 29,274 |
| Compensated absences payable - current | 38,138 | - | - | 38,138 |
| Long-term debt - current | 300,000 | - | - | 300,000 |
| Total current liabilities | 792,546 | 95,455 | 6,737 | 894,738 |
| <i>Noncurrent liabilities:</i> | | | | |
| Compensated absences payable | 6,546 | - | - | 6,546 |
| Long-term debt, net of current | 4,675,000 | - | - | 4,675,000 |
| Net pension liability | 699,701 | - | - | 699,701 |
| Total noncurrent liabilities | 5,381,247 | - | - | 5,381,247 |
| Total liabilities | 6,173,793 | 95,455 | 6,737 | 6,275,985 |

continued

CITY OF ST. LOUIS

WATER AND SEWER FUND COMBINING STATEMENT OF NET POSITION, CONTINUED

June 30, 2020

| | <i>Water and Sewer Operations Fund</i> | <i>Water Supply Construction Fund</i> | <i>Water Supply Replacement Fund</i> | <i>Total Water and Sewer Fund</i> |
|----------------------------------|--|---|--|---|
| Net position: | | | | |
| Net investment in capital assets | 7,213,955 | 362,209 | 12,934,577 | 20,510,741 |
| Restricted for: | | | | |
| Debt service | 500,187 | - | - | 500,187 |
| Replacement/improvements | 1,793,294 | - | - | 1,793,294 |
| Water supply replacement | - | 591,152 | 1,604,916 | 2,196,068 |
| Total net position | <u>\$ 9,507,436</u> | <u>\$ 953,361</u> | <u>\$ 14,539,493</u> | <u>\$ 25,000,290</u> |

CITY OF ST. LOUIS

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

Year Ended June 30, 2020

| | <i>Water Sewer Operations Fund</i> | <i>Water Supply Construction Fund</i> | <i>Water Supply Replacement Fund</i> | <i>Total Water and Sewer Fund</i> |
|---|--|---|--|---|
| Operating revenues: | | | | |
| Charges for services | | | | |
| Sales | \$ 3,105,141 | - | - | 3,105,141 |
| Other | 116,955 | - | - | 116,955 |
| Penalties | 20,551 | - | - | 20,551 |
| Total operating revenues | <u>3,242,647</u> | <u>-</u> | <u>-</u> | <u>3,242,647</u> |
| Operating expenses: | | | | |
| Personnel | 759,000 | - | - | 759,000 |
| Contracted services | 218,759 | - | - | 218,759 |
| Purchase of water | 701,833 | - | - | 701,833 |
| Administrative expense | 219,567 | - | - | 219,567 |
| Other services and supplies | 591,725 | - | - | 591,725 |
| Depreciation | 725,916 | - | - | 725,916 |
| Total operating expenses | <u>3,216,800</u> | <u>-</u> | <u>-</u> | <u>3,216,800</u> |
| Operating income (loss) | <u>25,847</u> | <u>-</u> | <u>-</u> | <u>25,847</u> |
| Non-operating revenues (expenses): | | | | |
| Interest income | 44,936 | 3,361 | 25,319 | 73,616 |
| Rental income | 51,546 | - | - | 51,546 |
| Interest expense | (87,078) | - | - | (87,078) |
| Net non-operating revenues (expenses) | <u>9,404</u> | <u>3,361</u> | <u>25,319</u> | <u>38,084</u> |
| Change in net position before capital contributions and transfers | <u>35,251</u> | <u>3,361</u> | <u>25,319</u> | <u>63,931</u> |
| Capital contributions and transfers: | | | | |
| Capital contributions - Federal grant | - | - | 175,986 | 175,986 |
| Capital contributions - City of Alma | - | - | 442 | 442 |
| Interfund transfers in (out) | (1,024,524) | 950,000 | - | (74,524) |
| Total capital contributions and transfers | <u>(1,024,524)</u> | <u>950,000</u> | <u>176,428</u> | <u>101,904</u> |
| Change in net position | <u>(989,273)</u> | <u>953,361</u> | <u>201,747</u> | <u>165,835</u> |
| Net position, beginning of year | <u>10,496,709</u> | <u>-</u> | <u>14,337,746</u> | <u>24,834,455</u> |
| Net position, end of year | <u>\$ 9,507,436</u> | <u>\$ 953,361</u> | <u>\$ 14,539,493</u> | <u>\$ 25,000,290</u> |

CITY OF ST. LOUIS

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

BALANCE SHEET

June 30, 2020

Assets:

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ 34,589 |
| Asset held for resale | <u>85,000</u> |
| Total assets | <u>\$ 119,589</u> |

Liabilities and Fund Balance:

Liabilities:

| | |
|------------------|--------------|
| Accounts payable | \$ <u>49</u> |
|------------------|--------------|

Fund balance:

| | |
|------------------------------------|-------------------|
| Unassigned | <u>119,540</u> |
| Total liabilities and fund balance | <u>\$ 119,589</u> |

CITY OF ST. LOUIS

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION

Year Ended June 30, 2020

| | |
|------------------------------------|-------------------|
| Revenues: | |
| Property taxes | \$ 23,499 |
| Interest and rents | <u>6,522</u> |
| Total revenues | <u>30,021</u> |
| Expenditures: | |
| Current | |
| Community and economic development | 1,730 |
| Debt service | |
| Interest on advance | <u>691</u> |
| Total expenditures | <u>2,421</u> |
| Change in fund balance | 27,600 |
| Fund balance, beginning of year | <u>91,940</u> |
| Fund balance, end of year | <u>\$ 119,540</u> |

CITY OF ST. LOUIS

GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2020

2015 EQUIPMENT LOAN

| | | |
|-------------------------------------|----|-----------------|
| Issue in the amount of | \$ | 216,294 |
| Less: Principal paid in prior years | | (160,231) |
| Principal paid in current year | | <u>(44,701)</u> |
| Balance payable at June 30, 2020 | \$ | <u>11,362</u> |

Balance payable as follows:

| <u>Fiscal</u> <u>Year Ended</u> | <u>Interest</u> <u>Rate</u> | <u>Principal due</u> | <u>Interest due</u> | <u>Total</u> <u>Annual</u> <u>Requirement</u> |
|------------------------------------|--------------------------------|----------------------|---------------------|---|
| 2021 | 1.980% | \$ <u>11,362</u> | \$ <u>18</u> | \$ <u>11,380</u> |

CITY OF ST. LOUIS

GOVERNMENTAL-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2020

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

| | |
|-------------------------------------|---------------------|
| Issue in the amount of | \$ 1,600,000 |
| Less: Principal paid in prior years | (80,000) |
| Principal paid in current year | <u>(22,000)</u> |
| Balance payable at June 30, 2020 | <u>\$ 1,498,000</u> |

Balance payable as follows:

| <u>Fiscal</u> <u>Year Ended</u> | <u>Interest</u> <u>Rate</u> | <u>Principal due</u> <u>September 1</u> | <u>Interest due</u> <u>September 1</u> | <u>Interest due</u> <u>March 1</u> | <u>Total</u> <u>Annual</u> <u>Requirement</u> |
|------------------------------------|--------------------------------|--|---|---------------------------------------|---|
| 2021 | 3.500% | \$ 22,000 | \$ 26,215 | \$ 25,830 | \$ 74,045 |
| 2022 | 3.500% | 23,000 | 25,830 | 25,428 | 74,258 |
| 2023 | 3.500% | 24,000 | 25,428 | 25,008 | 74,436 |
| 2024 | 3.500% | 25,000 | 25,008 | 24,570 | 74,578 |
| 2025 | 3.500% | 26,000 | 24,570 | 24,115 | 74,685 |
| 2026 | 3.500% | 27,000 | 24,115 | 23,643 | 74,758 |
| 2027 | 3.500% | 28,000 | 23,643 | 23,153 | 74,796 |
| 2028 | 3.500% | 29,000 | 23,153 | 22,645 | 74,798 |
| 2029 | 3.500% | 30,000 | 22,645 | 22,120 | 74,765 |
| 2030 | 3.500% | 31,000 | 22,120 | 21,578 | 74,698 |
| 2031 | 3.500% | 32,000 | 21,578 | 21,018 | 74,596 |
| 2032 | 3.500% | 33,000 | 21,018 | 20,440 | 74,458 |
| 2033 | 3.500% | 34,000 | 20,440 | 19,845 | 74,285 |
| 2034 | 3.500% | 35,000 | 19,845 | 19,233 | 74,078 |
| 2035 | 3.500% | 36,000 | 19,233 | 18,603 | 73,836 |
| 2036 | 3.500% | 38,000 | 18,603 | 17,938 | 74,541 |
| 2037 | 3.500% | 39,000 | 17,938 | 17,255 | 74,193 |
| 2038 | 3.500% | 40,000 | 17,255 | 16,555 | 73,810 |
| 2039 | 3.500% | 42,000 | 16,555 | 15,820 | 74,375 |
| 2040 | 3.500% | 43,000 | 15,820 | 15,068 | 73,888 |
| 2041 | 3.500% | 45,000 | 15,068 | 14,280 | 74,348 |
| 2042 | 3.500% | 46,000 | 14,280 | 13,475 | 73,755 |
| 2043 | 3.500% | 48,000 | 13,475 | 12,635 | 74,110 |
| 2044 | 3.500% | 49,000 | 12,635 | 11,778 | 73,413 |
| 2045 | 3.500% | 51,000 | 11,778 | 10,885 | 73,663 |
| 2046 | 3.500% | 53,000 | 10,885 | 9,958 | 73,843 |
| 2047 | 3.500% | 55,000 | 9,958 | 8,995 | 73,953 |
| 2048 | 3.500% | 57,000 | 8,995 | 7,998 | 73,993 |
| 2049 | 3.500% | 59,000 | 7,998 | 6,965 | 73,963 |

continued

CITY OF ST. LOUIS

GOVERNMENTAL-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS, CONTINUED

June 30, 2020

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

| <i><u>Fiscal</u></i> <i><u>Year Ended</u></i> | <i><u>Interest</u></i> <i><u>Rate</u></i> | <i><u>Principal due</u></i> <i><u>September 1</u></i> | <i><u>Interest due</u></i> <i><u>September 1</u></i> | <i><u>Interest due</u></i> <i><u>March 1</u></i> | <i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i> |
|--|--|--|---|---|--|
| 2050 | 3.500% | 61,000 | 6,965 | 5,898 | 73,863 |
| 2051 | 3.500% | 63,000 | 5,898 | 4,795 | 73,693 |
| 2052 | 3.500% | 65,000 | 4,795 | 3,658 | 73,453 |
| 2053 | 3.500% | 67,000 | 3,658 | 2,485 | 73,143 |
| 2054 | 3.500% | 70,000 | 2,485 | 1,260 | 73,745 |
| 2055 | 3.500% | 72,000 | 1,260 | - | 73,260 |
| | | <u>\$ 1,498,000</u> | <u>\$ 561,145</u> | <u>\$ 534,930</u> | <u>\$ 2,594,075</u> |

CITY OF ST. LOUIS

BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2020

2015 ELECTRIC REVENUE BONDS

| | |
|-------------------------------------|-------------------|
| Issue in the amount of | \$ 950,000 |
| Less: Principal paid in prior years | (150,000) |
| Principal paid in current year | <u>(55,000)</u> |
| Balance payable at June 30, 2020 | <u>\$ 745,000</u> |

Balance payable as follows:

| <u>Fiscal</u> <u>Year Ended</u> | <u>Interest</u> <u>Rate</u> | <u>Principal due</u> <u>November 1</u> | <u>Interest due</u> <u>November 1</u> | <u>Interest due</u> <u>May 1</u> | <u>Total</u> <u>Annual</u> <u>Requirement</u> |
|------------------------------------|--------------------------------|---|--|-------------------------------------|---|
| 2021 | 1.800% | \$ 55,000 | \$ 10,875 | \$ 10,380 | \$ 76,255 |
| 2022 | 2.000% | 60,000 | 10,380 | 9,780 | 80,160 |
| 2023 | 2.250% | 60,000 | 9,780 | 9,105 | 78,885 |
| 2024 | 2.500% | 65,000 | 9,105 | 8,293 | 82,398 |
| 2025 | 2.750% | 65,000 | 8,293 | 7,399 | 80,692 |
| 2026 | 3.000% | 65,000 | 7,399 | 6,424 | 78,823 |
| 2027 | 3.250% | 70,000 | 6,424 | 5,286 | 81,710 |
| 2028 | 3.350% | 70,000 | 5,286 | 4,114 | 79,400 |
| 2029 | 3.450% | 75,000 | 4,114 | 2,820 | 81,934 |
| 2030 | 3.500% | 80,000 | 2,820 | 1,420 | 84,240 |
| 2031 | 3.550% | 80,000 | 1,420 | - | 81,420 |
| | | <u>\$ 745,000</u> | <u>\$ 75,896</u> | <u>\$ 65,021</u> | <u>\$ 885,917</u> |

CITY OF ST. LOUIS

BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2020

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BOND, SERIES 2013

| | |
|-------------------------------------|---------------------|
| Issue in the amount of | \$ 5,445,000 |
| Less: Principal paid in prior years | (1,175,000) |
| Principal paid in current year | <u>(245,000)</u> |
| Balance payable at June 30, 2020 | <u>\$ 4,025,000</u> |

Balance payable as follows:

| <i>Fiscal Year Ended</i> | <i>Interest Rate</i> | <i>Interest due October 1</i> | <i>Principal due April 1</i> | <i>Interest due April 1</i> | <i>Total Annual Requirement</i> |
|------------------------------|--------------------------|-----------------------------------|----------------------------------|---------------------------------|---|
| 2021 | 2.000% | \$ 40,136 | \$ 250,000 | \$ 40,136 | \$ 330,272 |
| 2022 | 2.000% | 37,636 | 255,000 | 37,636 | 330,272 |
| 2023 | 2.000% | 35,086 | 260,000 | 35,086 | 330,172 |
| 2024 | 2.000% | 32,486 | 270,000 | 32,486 | 334,972 |
| 2025 | 2.000% | 29,786 | 275,000 | 29,786 | 334,572 |
| 2026 | 2.000% | 27,036 | 280,000 | 27,036 | 334,072 |
| 2027 | 2.000% | 24,236 | 285,000 | 24,236 | 333,472 |
| 2028 | 2.000% | 21,386 | 290,000 | 21,386 | 332,772 |
| 2029 | 2.000% | 18,486 | 295,000 | 18,486 | 331,972 |
| 2030 | 2.000% | 15,536 | 300,000 | 15,536 | 331,072 |
| 2031 | 2.000% | 12,536 | 305,000 | 12,536 | 330,072 |
| 2032 | 2.000% | 9,486 | 315,000 | 9,486 | 333,972 |
| 2033 | 2.000% | 6,336 | 320,000 | 6,336 | 332,672 |
| 2034 | 2.000% | 3,136 | 325,000 | 3,136 | 331,272 |
| | | <u>\$ 313,304</u> | <u>\$ 4,025,000</u> | <u>\$ 313,304</u> | <u>\$ 4,651,608</u> |

CITY OF ST. LOUIS

BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2020

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BOND, SERIES 2020

| | |
|-------------------------------------|-------------------|
| Issue in the amount of | \$ 950,000 |
| Less: Principal paid in prior years | - |
| Principal paid in current year | - |
| Balance payable at June 30, 2020 | <u>\$ 950,000</u> |

Balance payable as follows:

| <i>Fiscal Year Ended</i> | <i>Interest Rate</i> | <i>Interest due September 1</i> | <i>Principal due March 1</i> | <i>Interest due March 1</i> | <i>Total Annual Requirement</i> |
|------------------------------|--------------------------|-------------------------------------|----------------------------------|---------------------------------|---|
| 2021 | 1.550% | \$ 8,710 | \$ 50,000 | \$ 8,165 | \$ 66,875 |
| 2022 | 1.550% | 7,778 | 53,000 | 7,778 | 68,556 |
| 2023 | 1.590% | 7,367 | 54,000 | 7,367 | 68,734 |
| 2024 | 1.590% | 6,938 | 56,000 | 6,938 | 69,876 |
| 2025 | 1.630% | 6,493 | 57,000 | 6,493 | 69,986 |
| 2026 | 1.630% | 6,028 | 59,000 | 6,028 | 71,056 |
| 2027 | 1.670% | 5,547 | 61,000 | 5,547 | 72,094 |
| 2028 | 1.670% | 5,038 | 63,000 | 5,038 | 73,076 |
| 2029 | 1.710% | 4,512 | 65,000 | 4,512 | 74,024 |
| 2030 | 1.790% | 3,956 | 67,000 | 3,956 | 74,912 |
| 2031 | 1.790% | 3,356 | 69,000 | 3,356 | 75,712 |
| 2032 | 1.830% | 2,738 | 71,000 | 2,738 | 76,476 |
| 2033 | 1.830% | 2,089 | 73,000 | 2,089 | 77,178 |
| 2034 | 1.870% | 1,421 | 75,000 | 1,421 | 77,842 |
| 2035 | 1.870% | 720 | 77,000 | 720 | 78,440 |
| | | <u>\$ 72,691</u> | <u>\$ 950,000</u> | <u>\$ 72,146</u> | <u>\$ 1,094,837</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, 2020, and the related notes to the financial statements, which collectively comprise the City of St. Louis' basic financial statements, and have issued our report thereon dated December 20, 2020.

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 any 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
December 20, 2020