



FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF ST. JOHNS, ARIZONA

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Independent Auditors' Report

The Honorable Mayor and
City Council
St. Johns, Arizona

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these basic 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 of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Johns, Arizona, as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-12, the public safety retirement system information on page 46 and the budgetary comparison information on pages 48-50, 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 standard generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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. Johns, Arizona's basic financial statements. The combining and individual nonmajor fund budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund budgetary comparison schedules are the responsibility of management and were derived from and relate 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014, on our consideration of the City of St. Johns, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of St. Johns, Arizona's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC
Flagstaff, Arizona
November 10, 2014

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**CITY OF ST. JOHNS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014**

As management of the City of St. Johns (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, 2014. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total net position increased by \$424,135 which resulted in total assets in excess of total liabilities (net position) of \$17.4 million at the close of the fiscal year.
- Total governmental revenues exceeded total governmental expenditures and transfers by \$336,082.
- Total business-type revenues and transfers exceeded total business-type expenses by \$88,053.
- Total revenues from all sources were \$4.8 million and the total cost of all City programs was \$4.4 million.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$460,814 or 25% of total General Fund expenditures, including transfers.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the City as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. (3) Notes to the financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. Net position, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the condition of the City's roads to accurately assess the overall health of the City.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the City's basic services are considered to be governmental activities, including general government, public safety, public works/streets, culture and recreation, economic development, health and welfare and interest on long-term debt. Sales taxes, State Revenue Sharing, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The City charges a fee to customers to cover most of the cost of the services provided.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by over \$17.4 million as of June 30, 2014 as shown in the following condensed statement of net position. The City has chosen to account for its water, sewer, buildings and EMS operations in enterprise funds which are shown as Business Activities.

CITY OF ST. JOHNS, ARIZONA Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Current and other assets	\$ 1,948,737	\$ 1,395,408	\$ 2,008,164	\$ 2,116,817	\$ 3,956,901	\$ 3,512,225
Capital assets	8,299,335	8,476,593	8,160,770	7,930,766	16,460,105	16,407,359
Total assets	<u>10,248,072</u>	<u>9,872,001</u>	<u>10,168,934</u>	<u>10,047,583</u>	<u>20,417,006</u>	<u>19,919,584</u>
Long-term liabilities outstanding	94,428	73,445	2,452,831	2,630,698	2,547,259	2,704,143
Other liabilities	170,144	121,239	376,455	165,290	546,599	286,529
Total liabilities	<u>264,572</u>	<u>194,684</u>	<u>2,829,286</u>	<u>2,795,988</u>	<u>3,093,858</u>	<u>2,990,672</u>
Net position:						
Net investment in capital assets	8,299,335	8,476,593	5,750,229	5,327,467	14,049,564	13,804,060
Restricted	1,201,295	1,033,124	503,244	387,722	1,704,539	1,420,846
Unrestricted	512,769	167,600	1,086,175	1,536,406	1,598,944	1,704,006
Total net position	<u>\$ 10,013,399</u>	<u>\$ 9,677,317</u>	<u>\$ 7,339,648</u>	<u>\$ 7,251,595</u>	<u>\$ 17,353,047</u>	<u>\$ 16,928,912</u>

Governmental Activities

The cost of all Governmental activities this year was \$2.7 million. As shown on the statement of Changes in Net Position on the following page, \$412,675 of this cost was paid for by those who directly benefited from the programs, \$910,500 was subsidized by grants and contributions received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$1.3 million. General Taxes, State Revenue Sharing and investment earnings totaled \$1.8 million.

The City's programs include: General Government, Public Safety, Public Works/Streets, Culture & Recreation, and Health & Welfare. Each program's revenues and expenses are presented below.

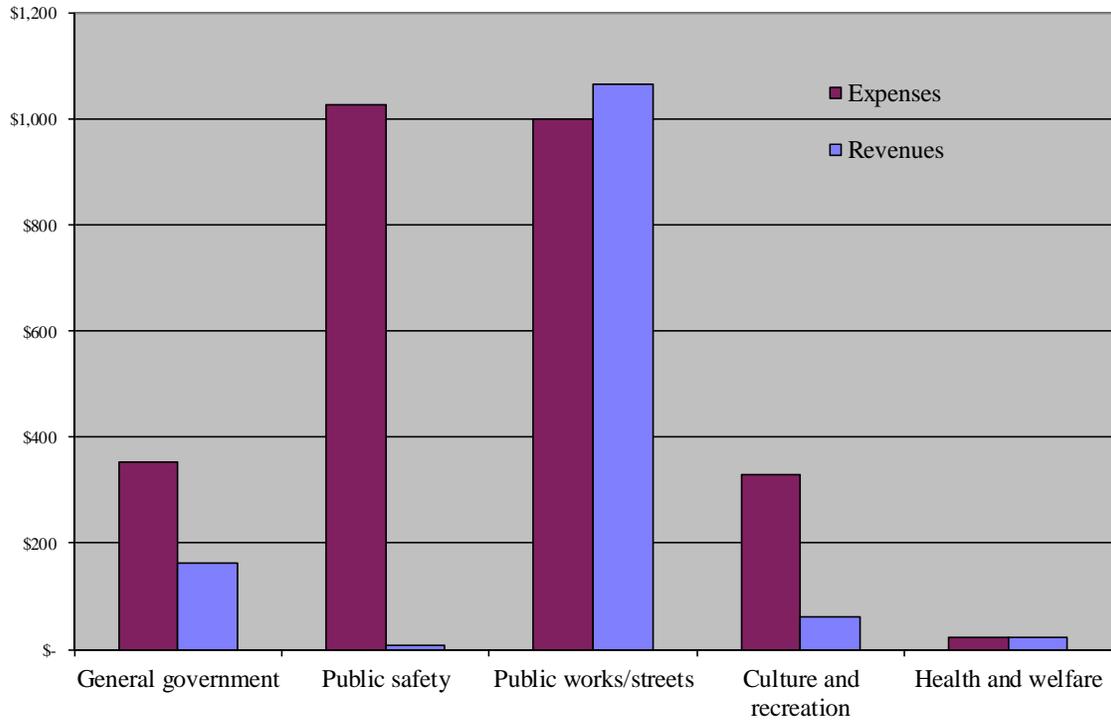
CITY OF ST. JOHNS, ARIZONA
Changes in Net Position

	Governmental activities		Business-type activities		Combined Total	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Revenues:						
Program revenues:						
Charges for services	\$ 412,675	\$ 863,748	\$ 1,613,568	\$ 1,647,123	\$ 2,026,243	\$ 2,510,871
Operating grants and contributions	886,799	644,310	100,000	100,000	986,799	744,310
Capital grants and contributions	23,701	383,930	-	163,351	23,701	547,281
General revenues:						
Taxes	1,362,173	1,190,165	-	-	1,362,173	1,190,165
State revenue sharing	387,890	355,475	-	-	387,890	355,475
Other revenue/(expense)	1,468	8,277	2,924	5,734	4,392	14,011
Total revenues	<u>3,074,706</u>	<u>3,445,905</u>	<u>1,716,492</u>	<u>1,916,208</u>	<u>4,791,198</u>	<u>5,362,113</u>
Expenses:						
General government	353,358	379,070	-	-	353,358	379,070
Public safety	1,027,238	866,160	-	-	1,027,238	866,160
Public works/Streets	999,005	1,680,470	-	-	999,005	1,680,470
Culture and recreation	330,381	334,549	-	-	330,381	334,549
Health and welfare	23,642	906	-	-	23,642	906
Water	-	-	680,474	818,056	680,474	818,056
Sewer	-	-	288,190	311,703	288,190	311,703
City Buildings	-	-	39,549	49,742	39,549	49,742
EMS	-	-	625,226	510,826	625,226	510,826
Total expenses	<u>2,733,624</u>	<u>3,261,155</u>	<u>1,633,439</u>	<u>1,690,327</u>	<u>4,367,063</u>	<u>4,951,482</u>
Increase (Decrease) in net position						
before transfers	341,082	184,750	83,053	225,881	424,135	410,631
Transfers	(5,000)	-	5,000	-	-	-
Increase in net position	336,082	184,750	88,053	225,881	424,135	410,631
Net position, beginning	9,677,317	9,492,567	7,251,595	7,070,827	16,928,912	16,563,394
Restatement adjustment	-	-	-	(45,113)	-	(45,113)
Prior period adjustment	-	-	-	-	-	-
Net position, ending	<u>\$ 10,013,399</u>	<u>\$ 9,677,317</u>	<u>\$ 7,339,648</u>	<u>\$ 7,251,595</u>	<u>\$ 17,353,047</u>	<u>\$ 16,928,912</u>

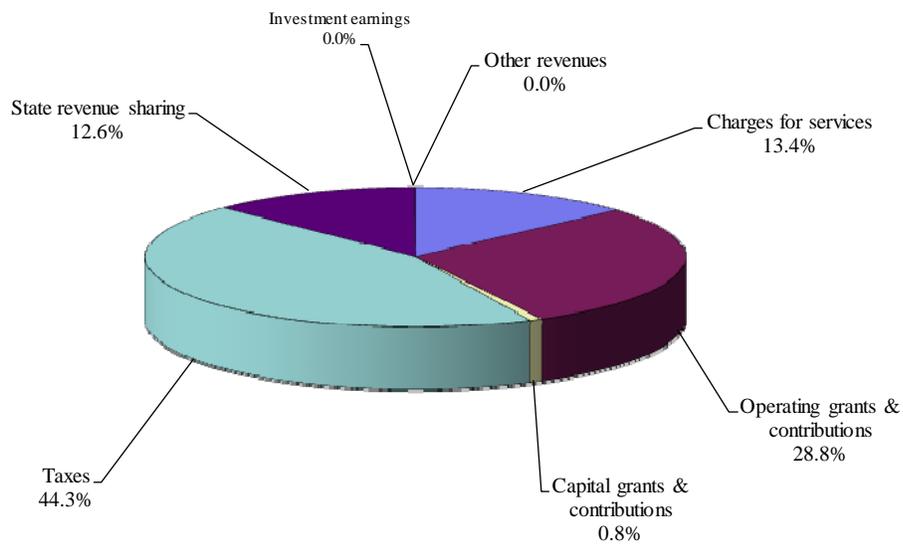
Total resources available during the year to finance governmental operations were \$12.8 million consisting of Net Position at July 1, 2013 of \$9.7 million, program revenues of \$1.3 million and General Revenues of \$1.8 million. Total Governmental Activities expenses during the year were \$2.7 million; thus Governmental Net Position was increased by \$336,082 from operations resulting in net position of \$10 million. As reflected above, there were decreases in all activities other than an \$161,078 increase in public safety, an \$22,736 increase in health and welfare, and an \$114,400 increase in EMS. Overall, governmental activities remained relatively consistent as compared to the prior year.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:

Expenses and Program Revenues - Governmental Activities (in Thousands)



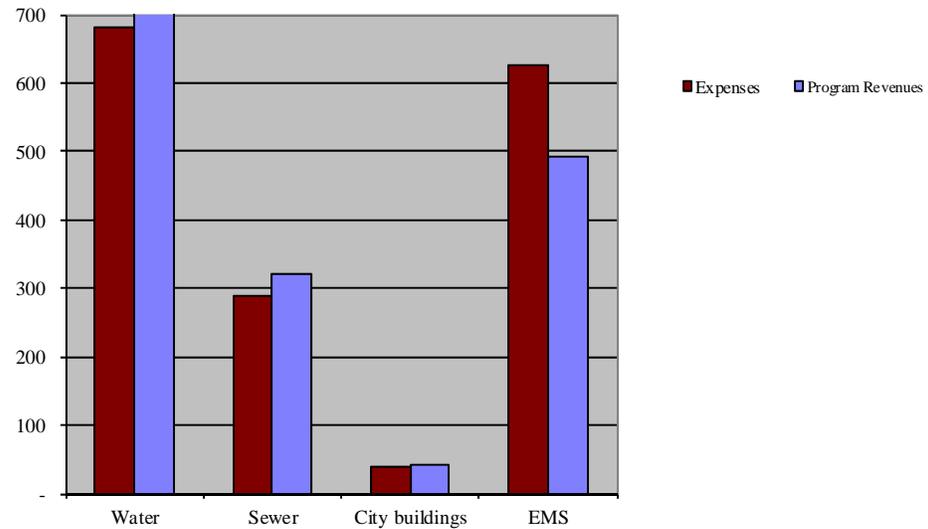
Revenue By Source - Governmental Activities



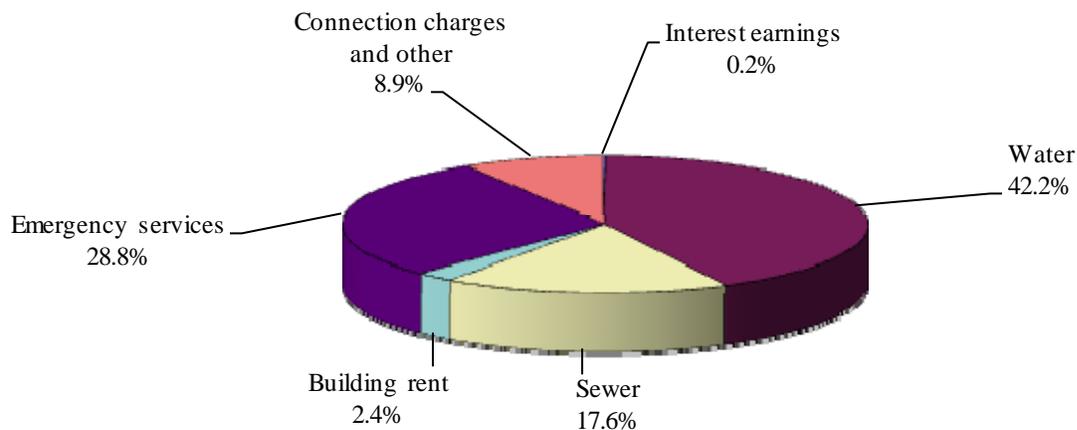
Business Type Activities

Net Position of the Business Type activities at June 30, 2014, as reflected in the Statement of Net Position were \$7.3 million. The cost of providing all Proprietary (Business Type) activities this year was \$1.6 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$1.6 million and there was \$100,000 subsidized by capital and operating grants and contributions. Investment earnings and other interest revenues were \$2,924. The Net Position increased by \$88,053.

**Expenses and Program Revenues - Business-type Activities
(in Thousands)**



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental funds: The focus of the City of St. Johns' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of St. Johns' financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of St. Johns' governmental funds reported combined ending fund balances of \$1,808,492, an increase of \$534,323 in comparison with the prior year. The city has \$460,814 constituting unassigned fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned because it has already been allocated 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The General Fund is the chief operating fund of the City of St. Johns. At the end of the current fiscal year, unassigned fund balance in the General fund was \$460,814, and total fund balance is \$577,811. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total fund balance represents 30 % of total General fund expenditures excluding transfers. During the year, the City of St. Johns' General fund balance increased by \$386,179. Key factors in this increase are as follows:

- Revenues increased by \$226,467 or 11% from the prior year.
- Departmental expenditures decreased by \$219,858 or 10% from the prior year.

The Highway User Revenue Fund has a total fund balance of \$1,103,084, all of which is restricted for road construction and maintenance. The net increase in the fund balance during the current year was \$126,183. Revenues were significantly less than estimated for budgeting purposes.

The nonmajor governmental funds have a total fund balance of \$127,597, the majority of which is restricted and assigned for Abatement funds, LTAF, Grants, and the Cemetery.

Proprietary funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net position of the Water, Sewer, Building and EMS fund were \$7,339,648 consisting of \$5,750,229 in net investment in capital assets, \$503,244 in restricted and \$1,086,175 in unrestricted net position.

Budgetary Highlights

The General Fund's revenues of \$2,283,056 were more than budgeted revenues of \$2,114,109 by \$168,947. The most significant variance in revenues is \$170,436 for city sales taxes that were collected in excess of budget. The General Fund's expenditures of \$1,877,854 were less than budgeted expenditures of \$2,080,109 by \$202,255. The actual expenditures of all functions of government were less than budgeted expenditures.

The Special Revenue fund budget variances for revenues and expenditures were the result of budgeted projects and grants that did not occur or were not funded during the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, buildings, land, system improvements, park facilities and roads. At the end of fiscal year 2014, net capital assets of the government activities totaled \$8.3 million and the net capital assets of the business-type activities totaled \$8.2 million. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

Debt

At year-end, the City had \$94,428 in governmental type debt, and \$2,452,831 in proprietary debt. The debt is a liability of the government and amounts to \$731.97 per capita. During the current fiscal year, the City's total debt decreased by \$156,881. Compensated absences increased by \$20,983 and other retirements were \$210,840. (See note 6 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City Budget for fiscal year 2014/2015, the City Council and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as fiscal year 2013/2014.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact, City of St. Johns, Post Office Box 455, St. Johns, Arizona 85936.

BASIC FINANCIAL STATEMENTS

CITY OF ST. JOHNS, ARIZONA
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,528,958	\$ 1,082,731	\$ 2,611,689
Investments	149,494	-	149,494
Receivables (net of allowance)	177,921	161,081	339,002
Prepaid expenses	-	175,082	175,082
Inventory	85,645	37,638	123,283
Restricted cash	6,719	432,036	438,755
Restricted investments	29,899	119,596	149,495
Capital assets (net of accumulated depreciation):			
Land	241,725	37,984	279,709
Construction in progress	188,911	774,670	963,581
Land improvements	5,594,216	-	5,594,216
Buildings	517,638	556,896	1,074,534
Distribution systems	-	6,573,212	6,573,212
Infrastructure/roads	1,185,212	-	1,185,212
Furniture, equipment and vehicles	571,633	218,008	789,641
Total assets	<u>10,277,971</u>	<u>10,168,934</u>	<u>20,446,905</u>
LIABILITIES			
Accounts payable and other current liabilities	170,144	354,258	524,402
Interest payable	-	22,197	22,197
Noncurrent liabilities:			
Due within one year	56,657	203,518	260,175
Due in more than one year	37,771	2,249,313	2,287,084
Total liabilities	<u>264,572</u>	<u>2,829,286</u>	<u>3,093,858</u>
NET POSITION			
Net investment in capital assets	8,299,335	5,750,229	14,049,564
Restricted for:			
Debt service	-	107,522	107,522
Public works/streets	1,161,173	-	1,161,173
Other purposes	40,122	395,722	435,844
Unrestricted	512,769	1,086,175	1,598,944
Total net position	<u>\$ 10,013,399</u>	<u>\$ 7,339,648</u>	<u>\$ 17,353,047</u>

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

CITY OF ST. JOHNS, ARIZONA
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 353,358	\$ 36,760	\$ 126,488	\$ -	\$ (190,110)	\$ -	\$ (190,110)
Public safety	1,027,238	1,339	7,315	-	(1,018,584)	-	(1,018,584)
Public works/streets	999,005	314,193	751,480	-	66,668	-	66,668
Culture and recreation	330,381	60,383	1,516	-	(268,482)	-	(268,482)
Health and welfare	23,642	-	-	23,701	59	-	59
Total governmental activities	<u>2,733,624</u>	<u>412,675</u>	<u>886,799</u>	<u>23,701</u>	<u>(1,410,449)</u>	<u>-</u>	<u>(1,410,449)</u>
Business-type activities:							
Water	680,474	758,060	-	-	-	77,586	77,586
Sewer	288,190	321,128	-	-	-	32,938	32,938
City buildings	39,549	40,868	-	-	-	1,319	1,319
EMS	625,226	493,512	100,000	-	-	(31,714)	(31,714)
Total business-type activities	<u>1,633,439</u>	<u>1,613,568</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>80,129</u>	<u>80,129</u>
Total primary government	<u>\$ 4,367,063</u>	<u>\$ 2,026,243</u>	<u>\$ 986,799</u>	<u>\$ 23,701</u>			
General revenues:							
Taxes:							
City sales tax					874,436	-	874,436
State sales tax					302,909	-	302,909
Auto lieu tax					184,828	-	184,828
Urban revenue sharing					387,890	-	387,890
Unrestricted investment earnings					1,468	2,924	4,392
Total general revenues					<u>1,746,531</u>	<u>7,924</u>	<u>1,754,455</u>
Change in net position					336,082	88,053	424,135
Net position - beginning					9,677,317	7,251,595	16,928,912
Net position - ending					<u>\$ 10,013,399</u>	<u>\$ 7,339,648</u>	<u>\$ 17,353,047</u>

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

CITY OF ST. JOHNS, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2014

	General	Highway Users Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 422,432	\$ 1,028,967	\$ 77,559	\$ 1,528,958
Investments	149,494	-	-	149,494
Receivables:				
Other	3,823	-	-	3,823
Intergovernmental	101,384	58,806	13,908	174,098
Inventory	56,259	29,386	-	85,645
Restricted cash-permanent fund	-	-	6,719	6,719
Restricted investments - permanent fund	-	-	29,899	29,899
Total assets	<u>\$ 733,392</u>	<u>\$ 1,117,159</u>	<u>\$ 128,085</u>	<u>\$ 1,978,636</u>
LIABILITIES				
Accounts payable	\$ 106,642	\$ 7,625	\$ -	\$ 114,267
Accrued wages and benefits	35,483	6,450	488	42,421
Customer deposits	3,711	-	-	3,711
Other current liabilities	9,745	-	-	9,745
Total liabilities	<u>155,581</u>	<u>14,075</u>	<u>488</u>	<u>170,144</u>
FUND BALANCES				
Nonspendable:				
Inventory	56,259	29,386	-	85,645
Fund principal	-	-	36,618	36,618
Restricted for:				
Public works/streets	-	1,073,698	78,741	1,152,439
Health and welfare	-	-	8,734	8,734
Committed to:				
Culture and recreation	-	-	3,504	3,504
Public safety	60,738	-	-	60,738
Unassigned	460,814	-	-	460,814
Total fund balances	<u>577,811</u>	<u>1,103,084</u>	<u>127,597</u>	<u>1,808,492</u>
Total liabilities and fund balances	<u>\$ 733,392</u>	<u>\$ 1,117,159</u>	<u>\$ 128,085</u>	<u>\$ 1,978,636</u>

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

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

Total fund balances governmental funds	\$	1,808,492
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	13,941,245		
Accumulated depreciation	(5,641,910)		
			8,299,335

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Compensated absences	(94,428)		
			(94,428)

Net position of governmental activities	\$	10,013,399
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The accompanying notes are an integral part of the financial statements.

CITY OF ST. JOHNS, ARIZONA
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2014

	General	Highway Users Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 874,436	\$ -	\$ -	\$ 874,436
Licenses, permits and fees	657	-	-	657
Intergovernmental revenue	1,002,115	751,389	29,536	1,783,040
Charges for services	354,961	-	-	354,961
Fines and forfeitures	7,800	-	-	7,800
Interest	711	607	150	1,468
Other revenues	42,376	91	9,877	52,344
Total revenues	2,283,056	752,087	39,563	3,074,706
Expenditures				
Current:				
General government	325,448	-	-	325,448
Public safety	878,680	-	2,310	880,990
Public works/streets	402,215	485,079	1,413	888,707
Culture and recreation	271,511	-	4,466	275,977
Health and welfare	-	-	23,436	23,436
Capital outlay	-	140,825	-	140,825
Total expenditures	1,877,854	625,904	31,625	2,535,383
Excess (deficiency) of revenues over (under) expenditures	405,202	126,183	7,938	539,323
Other financing sources (uses)				
Transfers in	-	-	14,023	14,023
Transfers out	(19,023)	-	-	(19,023)
Total other financing sources (uses)	(19,023)	-	14,023	(5,000)
Net change in fund balances	386,179	126,183	21,961	534,323
Fund balances, beginning of year	191,632	976,901	105,636	1,274,169
Fund balances, end of year	\$ 577,811	\$ 1,103,084	\$ 127,597	\$ 1,808,492

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

CITY OF ST. JOHNS, ARIZONA
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$	534,323
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period.

Capital outlay	263,570	
Depreciation expense	(440,828)	
		(177,258)

Compensated absences 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.

(20,983)

Change in net position of governmental activities

\$ 336,082

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

CITY OF ST. JOHNS, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2014

	Water	Sewer	City Buildings	EMS	Totals
Assets					
Current assets:					
Cash and cash equivalents	\$ 166,523	\$ 100,585	\$ 447,043	\$ 368,580	\$ 1,082,731
Investments	-	-	-	-	-
Receivables (net of allowance)	86,295	24,786	-	-	111,081
Prepaid expenses	-	-	-	175,082	175,082
Due from other governments	-	-	-	50,000	50,000
Inventory	28,363	9,275	-	-	37,638
Total current assets	<u>281,181</u>	<u>134,646</u>	<u>447,043</u>	<u>593,662</u>	<u>1,456,532</u>
Noncurrent assets:					
Restricted cash	351,393	80,643	-	-	432,036
Restricted investments	-	119,596	-	-	119,596
Land	7,674	30,310	-	-	37,984
Buildings and improvements	139,939	48,237	542,874	127,302	858,352
Collection and distribution systems	8,151,772	1,373,660	-	-	9,525,432
Furniture, equipment and vehicles	147,879	100,725	-	651,704	900,308
Construction in progress	147,906	-	626,764	-	774,670
Accumulated depreciation	<u>(2,458,383)</u>	<u>(733,668)</u>	<u>(209,193)</u>	<u>(534,732)</u>	<u>(3,935,976)</u>
Total noncurrent assets	<u>6,488,180</u>	<u>1,019,503</u>	<u>960,445</u>	<u>244,274</u>	<u>8,712,402</u>
Total assets	<u>6,769,361</u>	<u>1,154,149</u>	<u>1,407,488</u>	<u>837,936</u>	<u>10,168,934</u>
Liabilities					
Current liabilities:					
Accounts payable	22,606	3,685	189,121	44,402	259,814
Accrued liabilities	14,453	5,846	120	25,637	46,056
Customer deposits	48,388	-	-	-	48,388
Accrued interest payable	22,197	-	-	-	22,197
Current portion of long-term debt	188,368	-	291	14,859	203,518
Total current liabilities	<u>296,012</u>	<u>9,531</u>	<u>189,532</u>	<u>84,898</u>	<u>579,973</u>
Noncurrent liabilities (net of current portion):					
Compensated absences	5,996	-	289	14,859	21,144
Loans and contract payable	2,094,588	-	-	-	2,094,588
Revenue bonds payable	133,581	-	-	-	133,581
Total noncurrent liabilities	<u>2,234,165</u>	<u>-</u>	<u>289</u>	<u>14,859</u>	<u>2,249,313</u>
Total liabilities	<u>2,530,177</u>	<u>9,531</u>	<u>189,821</u>	<u>99,757</u>	<u>2,829,286</u>
Net position					
Net investment in capital assets	3,726,246	819,264	960,445	244,274	5,750,229
Restricted	303,005	200,239	-	-	503,244
Unrestricted	209,933	125,115	257,222	493,905	1,086,175
Total net position	<u>\$ 4,239,184</u>	<u>\$ 1,144,618</u>	<u>\$ 1,217,667</u>	<u>\$ 738,179</u>	<u>\$ 7,339,648</u>

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

CITY OF ST. JOHNS, ARIZONA
Statement Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Water	Sewer	City Buildings	EMS	Totals
Operating revenues					
Charges for services	\$ 725,015	\$ 302,198	\$ -	\$ 493,512	\$ 1,520,725
Rent and other revenues	26,517	17,511	40,868	-	84,896
Total operating revenues	<u>751,532</u>	<u>319,709</u>	<u>40,868</u>	<u>493,512</u>	<u>1,605,621</u>
Operating expenses					
Salaries	154,532	109,639	2,297	242,944	509,412
Employee benefits	75,262	64,816	884	101,348	242,310
Service, supplies and other	173,119	69,088	16,796	228,562	487,565
Depreciation	192,265	44,647	19,572	52,372	308,856
Total operating expenses	<u>595,178</u>	<u>288,190</u>	<u>39,549</u>	<u>625,226</u>	<u>1,548,143</u>
Operating income (loss)	<u>156,354</u>	<u>31,519</u>	<u>1,319</u>	<u>(131,714)</u>	<u>57,478</u>
Non-operating revenues (expenses)					
Interest income	546	125	1,687	566	2,924
Interest expense and fiscal charges	(85,296)	-	-	-	(85,296)
Grant revenue	-	-	-	100,000	100,000
Connection fees	6,528	1,419	-	-	7,947
Total non-operating revenue (expense)	<u>(78,222)</u>	<u>1,544</u>	<u>1,687</u>	<u>100,566</u>	<u>25,575</u>
Income (loss) before contributions and transfers					
	78,132	33,063	3,006	(31,148)	83,053
Contributions and transfers:					
Transfers In	-	-	290,000	-	290,000
Transfers Out	(140,000)	(145,000)	-	-	(285,000)
Change in net position	(61,868)	(111,937)	293,006	(31,148)	88,053
Net position, beginning of year	<u>4,301,052</u>	<u>1,256,555</u>	<u>924,661</u>	<u>769,327</u>	<u>7,251,595</u>
Net position, end of year	<u>\$ 4,239,184</u>	<u>\$ 1,144,618</u>	<u>\$ 1,217,667</u>	<u>\$ 738,179</u>	<u>\$ 7,339,648</u>

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

CITY OF ST. JOHNS, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Water	Sewer	City Buildings	EMS	Totals
Cash flows from operating activities:					
Cash received from customers, service fees	\$ 728,279	\$ 310,655	\$ -	\$ 493,512	\$ 1,532,446
Cash received from customers, other	26,517	17,511	40,868	-	84,896
Cash paid to suppliers	(192,644)	(66,561)	(29,772)	(365,434)	(654,411)
Cash paid to employees	(224,746)	(188,580)	(3,254)	(328,098)	(744,678)
Net cash flows from operating activities	<u>337,406</u>	<u>73,025</u>	<u>7,842</u>	<u>(200,020)</u>	<u>218,253</u>
Cash flows from noncapital financing activities:					
Transfers (to)/from other funds	(140,000)	(145,000)	290,000	-	5,000
Operating grants	-	-	-	100,000	100,000
Net cash flows from noncapital financing activities:	<u>(140,000)</u>	<u>(145,000)</u>	<u>290,000</u>	<u>100,000</u>	<u>105,000</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(24,801)	-	(324,145)	-	(348,946)
Principal paid on notes, leases and bonds	(174,893)	-	-	-	(174,893)
Interest paid	(80,960)	-	-	-	(80,960)
Connection and impact fees	6,528	1,419	-	-	7,947
Net cash flows from capital and related financing activities	<u>(274,126)</u>	<u>1,419</u>	<u>(324,145)</u>	<u>-</u>	<u>(596,852)</u>
Cash flows from investing activities:					
Purchase of investment securities	-	(119,596)	-	-	(119,596)
Interest on investments	546	125	1,687	566	2,924
Net cash flows from investing activities	<u>546</u>	<u>(119,471)</u>	<u>1,687</u>	<u>566</u>	<u>(116,672)</u>
Net change in cash and cash equivalents	(76,174)	(190,027)	(24,616)	(99,454)	(390,271)
Cash and cash equivalents, including restricted cash, beginning of year	<u>594,090</u>	<u>371,255</u>	<u>471,659</u>	<u>468,034</u>	<u>1,905,038</u>
Cash and cash equivalents, including restricted cash, end of year	<u><u>\$ 517,916</u></u>	<u><u>\$ 181,228</u></u>	<u><u>\$ 447,043</u></u>	<u><u>\$ 368,580</u></u>	<u><u>\$ 1,514,767</u></u>
Reconciliation of operating income to net cash flows from operating activities:					
Net operating income (loss)	\$ 156,354	\$ 31,519	\$ 1,319	\$ (131,714)	\$ 57,478
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:					
Depreciation/amortization	192,265	44,647	19,572	52,372	308,856
Changes in operating assets and liabilities:					
(Increase)/decrease in receivables	3,264	8,457	-	-	11,721
(Increase)/decrease in prepaids	-	-	-	(175,082)	(175,082)
(Increase)/decrease in inventory	937	402	-	-	1,339
Increase/(decrease) in payables	(20,462)	2,125	(12,976)	38,210	6,897
Increase/(decrease) in accrued liabilities	5,048	(14,125)	(73)	16,194	7,044
Net cash flows from operating activities	<u><u>\$ 337,406</u></u>	<u><u>\$ 73,025</u></u>	<u><u>\$ 7,842</u></u>	<u><u>\$ (200,020)</u></u>	<u><u>\$ 218,253</u></u>

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

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

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. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting entity

The City of St. Johns, Arizona (City) is a municipal corporation governed by an elected mayor, vice-mayor, and an elected five-member council (council). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The City has no discretely presented component units.

Blended component unit. The City of St. Johns Municipal Property Corporation's (SJMP) board of directors consists of not less than three members which are appointed by the St. Johns City Council. The SJMP, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the purpose of assisting the City in obtaining financing for various projects of the City. All related receivables and payables between the City and the SJMP have been eliminated. The SJMP has a June 30 year end and is reported within the water fund financial statements.

Basis of presentation - government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The **Highway User Special Revenue Fund** accounts for the City's share of motor fuel tax revenues and lottery proceeds which are restricted for the maintaining, repairing, and upgrading of streets.

The City reports the following major enterprise funds:

The **Water Fund** accounts for the activities related to the City's water storage and distribution system.

The **Sewer Fund** accounts for the activities related to the City's sewer collection and treatment operations.

The **Building Fund** accounts for costs to construct and maintain the City's buildings and the rent income associated with the buildings.

The **EMS Fund** accounts for the activities related to the City's emergency medical services.

During the course of operations the government 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 (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

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. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

State Statute authorizes the City to invest in the State's Local Government Investment Pool, in obligations of the U.S. Treasury, commercial paper and repurchase agreements.

Investments for the government are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Investment Pool (Pool). In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

Inventories

The cost of governmental fund-type inventories are normally recorded as expenditures when purchased rather than when consumed. However, the Highway User Revenue Fund and the Airport Fund maintain and record inventories for street supplies and fuel respectively and are recorded at the lower of cost or market using the first in/first-out method. Inventories for business-type activities consist of materials and supplies for the water and sewer system and are recorded at the lower of cost or market using the first in/first-out method.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life of two years or more. 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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Land and construction in progress are not depreciated. Other property, plant and equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	5 - 50 years
Improvements other than buildings	5 - 50 years
Machinery and equipment	2 - 20 years
Vehicles	5 years
Streets and sidewalks	10 - 50 years

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(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has no items that qualify for reporting in this category.

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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has no items that qualify for reporting in this category.

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 assumptions

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.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

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 governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) 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 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.

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

The City does not currently have any primary or secondary real property tax levies.

The County levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days thereafter.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

A lien against real and personal property assessed attaches on the first day of January preceding the assessment and levy thereof.

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Proprietary funds operating and nonoperating revenues and expenses

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 water fund, sewer fund, building fund and EMS fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

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

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 17.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 19.

Note 3. Stewardship, Compliance, and Accountability

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the City. The use of budgets and monitoring of equity status facilitate the City's compliance with legal requirements.

Budgets and budgetary accounting

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain public comment.
3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 3. Stewardship, Compliance, and Accountability, Continued

4. The City follows a voter-approved alternative expenditure limitation that was adopted on February 26, 2013.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds. The City Manager, subject to City Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without City Council approval.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The City is subject to the State of Arizona's Spending Limitation Law for Cities and Towns. This law does not permit the City to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year.

No Supplementary budgetary appropriations were made during the year.

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2014, if any.

Highway User Revenue Funds

Highway user revenue fund monies received by the City pursuant to title 28, chapter 18, article 2 and other dedicated state transportation revenues received during the current fiscal year have been used solely for authorized purposes.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 4. Deposits and Investments

A reconciliation of cash and investments as shown on the statement of net position follows:

Cash and cash equivalents	\$ 2,611,689
Restricted cash and cash equivalents	438,755
Investments	149,494
Restricted investments	<u>149,495</u>
Total	<u><u>\$ 3,349,433</u></u>

Restricted cash consists of the following at June 30, 2014:

Cemetery perpetual care	\$ 6,719
WIFA and RDA debt service and repair reserves	303,257
Customer deposits	48,135
Repairs and replacement extension	<u>80,644</u>
Total restricted cash and investments	<u><u>\$ 438,755</u></u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. At June 30, 2014 cash on hand was \$770 and the carrying amount of the City's deposits was \$1,366,576. As of June 30, 2014, none of the City's bank balance was exposed to custodial credit risk because it was insured or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Investments

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments. The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated "P1" by Moody's investors or "A1" by Standard and Poor's rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 4. Deposits and Investments, Continued

As of June 30, 2014 the government had the following cash, investments and maturities:

	<u>Fair Value</u>	<u>Quality Rating</u>	<u>Weighted Average Maturity (2)</u>
Deposits:			
Cash on hand	\$ 770	N/A	N/A
Cash in bank	1,355,601	N/A	N/A
Investments:			
Local Government			
Investment Pool 5	1,694,073	(1)	59 days
US Government Agency Bonds	<u>298,989</u>	(1)	1400 days
Total cash and investments	<u>\$ 3,349,433</u>		

- (1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable. The City's investment in the State Treasurer's Investment Pool #5 was rated AAAF/S1+ from Standard and Poor's. The City's investment in US Agency Bonds was rated AA+ from Standard and Poor's.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35-323) which requires that the City's investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323) which limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 5. Capital Assets

The following table summarizes the changes to capital assets for governmental activities during the year.

Governmental activities:	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014
Capital assets, not being depreciated:				
Land	\$ 241,725	\$ -	\$ -	\$ 241,725
Construction in progress	15,440	173,471	-	188,911
Total capital assets, not being depreciated	<u>257,165</u>	<u>173,471</u>	<u>-</u>	<u>430,636</u>
Capital assets, being depreciated:				
Improvements other than buildings	8,306,015	14,898	-	8,320,913
Buildings and improvements	993,175	-	-	993,175
Furniture, equipment & vehicles	2,444,130	75,201	(23,232)	2,496,099
Infrastructure - roads	1,700,422	-	-	1,700,422
Total capital assets, being depreciated	<u>13,443,742</u>	<u>90,099</u>	<u>(23,232)</u>	<u>13,510,609</u>
Less accumulated depreciation for:				
Improvements other than buildings	(2,521,261)	(205,436)	-	(2,726,697)
Buildings and improvements	(429,326)	(46,211)	-	(475,537)
Furniture, equipment & vehicles	(1,828,383)	(119,315)	23,232	(1,924,466)
Infrastructure - roads	(445,344)	(69,866)	-	(515,210)
Total accumulated depreciation	<u>(5,224,314)</u>	<u>(440,828)</u>	<u>23,232</u>	<u>(5,641,910)</u>
Total capital assets, being depreciated, net	<u>8,219,428</u>	<u>(350,729)</u>	<u>-</u>	<u>7,868,699</u>
Governmental activities capital assets, net	<u>\$ 8,476,593</u>	<u>\$ (177,258)</u>	<u>\$ -</u>	<u>\$ 8,299,335</u>

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental activities:	
General government	\$ 25,059
Public safety	87,802
Public works/streets	275,982
Culture & recreation	51,985
Total depreciation expense - governmental activities	<u>\$ 440,828</u>

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 5. Capital Assets, Continued

The following table summarizes the changes to capital assets for business-type activities during the year.

Business-type activities:	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014
Capital assets not being depreciated:				
Land and water rights	\$ 37,984	\$ -	\$ -	\$ 37,984
Construction in progress	260,612	514,058	-	774,670
Total capital assets, not being depreciated	<u>298,596</u>	<u>514,058</u>	<u>-</u>	<u>812,654</u>
Capital assets being depreciated:				
Water system	8,135,220	16,552	-	8,151,772
Sewer system	1,373,660	-	-	1,373,660
Buildings and improvements	858,352	-	-	858,352
Furniture, equipment & vehicles	892,058	8,250	-	900,308
Total capital assets, being depreciated	<u>11,259,290</u>	<u>24,802</u>	<u>-</u>	<u>11,284,092</u>
Less accumulated depreciation for:				
Water system	(2,110,958)	(180,137)	-	(2,291,095)
Sewer system	(625,015)	(36,110)	-	(661,125)
Buildings and improvements	(259,009)	(42,447)	-	(301,456)
Furniture, equipment & vehicles	(632,138)	(50,162)	-	(682,300)
Total accumulated depreciation	<u>(3,627,120)</u>	<u>(308,856)</u>	<u>-</u>	<u>(3,935,976)</u>
Total capital assets, being depreciated, net	<u>7,632,170</u>	<u>(284,054)</u>	<u>-</u>	<u>7,348,116</u>
Business-type activities capital assets, net	<u>\$ 7,930,766</u>	<u>\$ 230,004</u>	<u>\$ -</u>	<u>\$ 8,160,770</u>

Depreciation expense was charged to the functions/programs of the City as follows:

Business-type activities:	
Water	\$ 192,265
Sewer	44,647
Buildings	19,572
EMS	52,372
Total depreciation expense - business-type activities	<u>\$ 308,856</u>

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 6. Long-Term Debt

The following is a summary of changes in long-term obligations during the year:

Governmental activities:	Balance 6/30/2013	Additions	Retirements	Balance 6/30/2014	Current Portion
General obligation:					
Total general obligation	\$ -	\$ -	\$ -	\$ -	\$ -
Other:					
Compensated absences	73,445	65,050	(44,067)	94,428	56,657
Governmental activity					
Long-term liabilities	<u>\$ 73,445</u>	<u>\$ 65,050</u>	<u>\$ (44,067)</u>	<u>\$ 94,428</u>	<u>\$ 56,657</u>
Business-type activities:					
Revenue bonds:					
Water development revenue bonds	\$ 139,826	\$ -	\$ (2,244)	\$ 137,582	\$ 4,001
Other:					
WIFA loans payable	1,242,584	-	(98,732)	1,143,852	101,861
Rural development loan	1,203,027	-	(73,917)	1,129,107	76,510
Compensated absences	45,261	32,976	(35,947)	42,290	21,146
Business-type activity					
Long-term liabilities	<u>\$ 2,630,698</u>	<u>\$ 32,976</u>	<u>\$ (210,840)</u>	<u>\$ 2,452,831</u>	<u>\$ 203,518</u>

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 6. Long-Term Debt, Continued

The following is a listing of long-term debt outstanding as of June 30, 2014:

Loan Payable:

Water Infrastructure Finance Authority loan, issued 2001 converted to term loan, July 1, 2003, bearing interest at 3.3% due in semi-annual principal and interest installments, maturing July, 2021. \$ 745,307

Water Infrastructure Finance Authority loan, issued 5/21/11 bearing interest at 2.604%, due in semiannual principal and interest installments, maturing July, 2030. 398,545

Rural Development loan, issued 9/14/11 bearing interest at 3.25%, due in monthly principal and interest installments, maturing August, 2026. 1,129,107

Revenue Bonds:

Water Development Revenue Bonds, issued 2003 due in semiannual principal and interest installments, bearing interest at 4.625%, maturing July 1, 2042. 137,582

Total loans and bonds payable 2,410,541

Less current portion (182,372)

Total loans and bonds net of current portion \$ 2,228,169

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 6. Long-Term Debt, Continued

Revenue Bonds and Loan debt service maturities are as follows for the business-type activities as of June 30, 2014:

Year Ended June 30,	Business-Type Activities		
	Principal	Interest	Total
2015	\$ 182,372	\$ 68,493	\$ 250,865
2016	188,127	62,785	250,912
2017	194,066	56,897	250,963
2018	200,199	50,823	251,022
2019	206,530	44,557	251,087
2020-2024	912,660	129,235	1,041,895
2025-2029	392,605	32,020	424,625
2030-2034	76,418	12,502	88,920
2035-2039	20,005	7,128	27,133
2040-2044	37,559	2,280	39,839
Total	<u>\$ 2,410,541</u>	<u>\$ 466,720</u>	<u>\$ 2,877,261</u>

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 7. Interfund Receivables, Payables, and Transfers

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Residual balances outstanding between the governmental activities and the business-type activities are netted and reported in the government-wide financial statements as internal balances.

As of June 30, 2014, the City had no interfund receivables and payables.

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 to expend them and (2) use unrestricted revenues collected in certain funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2014, the City had the following transfers:

Transfers In	Transfers Out			Total
	General Fund	Water Fund	Sewer Fund	
Non Major Governmental	14,023	-	-	14,023
Building Fund	5,000	140,000	145,000	290,000
	\$ 19,023	\$ 140,000	\$ 145,000	\$ 304,023

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CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 8. Retirement and Pension Plans

Defined Contribution Pension Plan

The City provides retirement benefits to its full-time employees through a defined contribution pension plan known as the St. Johns Employees Plan which was administered by California Pensions, Inc. into fiscal year 2009.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contribution to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. As established by the plan, all full-time employees of the City could participate in the pension plan.

During fiscal year 2009 the city terminated its defined contribution plan and moved to the Arizona State Retirement System for retirement benefits for its employees.

Arizona State Retirement System (ASRS)

Plan Description – The City contributes to a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System (ASRS). The plan covers employees of the State of Arizona and participating political subdivisions and school districts. The ASRS (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the ASRS, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 percent for retirement, and 0.24 percent for long-term disability) of the members' annual covered payroll and the City was required to contribute 11.54 percent (11.30 percent for retirement, 0.60 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 8. Retirement and Pension Plans, Continued

The City's contributions for the current and two previous fiscal years were equal to the required contributions and were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2012	\$ 82,584	\$ 5,243	\$ 1,936
2013	89,356	5,666	2,092
2014	94,644	5,307	2,123

Public Safety Personnel Retirement System (PSPRS)

Plan Description - The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

Funding Policy - For the current fiscal year, active PSPRS member employees were required by statute to contribute 7.65 percent of their annual covered salary to the PSPRS and the City was required to contribute 13.54 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 1.24 percent of covered payroll

Actuarial Methods and Assumptions – The significant actuarial methods and assumptions used for the PSPRS plan and related benefits (health insurance subsidies and long-term disability), and the actuarial assumptions used to establish the contribution requirements are as follows:

The PSPRS contribution requirements for the year ended June 30, 2014 were established by the June 30, 2013 actuarial valuations using the projected unit credit method. The actuarial assumptions included (a) 8.25 percent investment rate of return and (b) projected salary increases ranging from 5.0 to 8.0 percent per year. The assumptions did not include cost-of-living adjustments and healthcare cost trend rates are not applicable. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments and spreads differences between actual and assumed investment return over a seven year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2014, was 23 years for unfunded actuarial accrued liability and 20 years for excess.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 8. Retirement and Pension Plans, Continued

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made.

Annual Pension/OPEB Cost – During the year ended June 30, 2014, the City’s annual pension cost of \$39,680 and the annual OPEB cost of \$3,489 was equal to the City’s required and actual contributions.

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Pension	2012	\$ 45,330	100%	\$ -
	2013	44,830	100%	-
	2014	39,680	100%	-
Health Insuranc	2012	5,673	100%	-
	2013	4,650	100%	-
	2014	3,489	100%	-

Funded Status and Funding Progress – The funded status of the plan as of June 30, 2013 is as follows (The June 30, 2014 information was not yet available at the time the financial statements were issued):

Actuarial accrued liability (AAL)	\$ 1,036,511
Actuarial value of plan assets	1,045,116
Unfunded actuarial accrued liability (UAAL)	<u>\$ (8,605)</u>
Funded ratio (actuarial value of plan assets/AAL)	100.8%
Covered payroll (active plan members)	\$ 255,846
UAAL as a percentage of covered payroll	-3.4%

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plans’ assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 9. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the City is a participating member. The limit for basic coverage is for \$3,000,000 per occurrence on a claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its member's additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The City is insured by Municipal Workers Compensation for potential worker related accidents.

Note 10. Commitments and Contingencies

The City is involved in various matters of litigation. Any pending or threatened litigation is not measurable and cannot be estimated as of the date of the financial statements. It is the opinion of City officials that none of these cases would have a material effect on the City's financial condition.

The City has outstanding contracts for the city hall project and water line project at the end of the fiscal year. Details of these projects are available in next year's budget.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ST. JOHNS, ARIZONA
Public Safety Personnel Retirement System
Schedule of Funding Progress
June 30, 2014

Public Safety Personnel Retirement System - Police

An analysis of the progress of the Public Plan (PSRS) from June 30, 2009 through June 30, 2014, based on actuarial valuations follows (2014 not available):

Valuation Date June 30,	(a) Actuarial Value of Assets	(b) Actuarial Liability (AAL)	(a)/(b) Funded Ratio	(b)-(a) Unfunded AAL (UAAL)	[c] Annual Covered Payroll	[(b)-(a)/(c)] Unfunded AAL As a Percentage of Covered Payroll
2009	\$ 777,251	\$ 705,214	110.2%	\$ (72,037)	\$ 485,022	0.0%
2010	980,684	898,337	109.2%	(82,347)	455,048	0.0%
2011	977,058	921,718	106.0%	(55,340)	369,987	0.0%
2012	1,001,728	997,199	100.5%	(4,529)	301,428	0.0%
2013	1,045,116	1,036,511	100.8%	(8,605)	255,846	0.0%
2014	*	*	*	*	*	*

Post-retirement health insurance subsidy measurement under GASB No. 45
(2014 not available)

Valuation Date June 30,	(a) Actuarial Value of Assets	(b) Actuarial Liability (AAL)	(b)-(a) Unfunded AAL (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	[(b)-(a)/(c)] Unfunded AAL As a Percentage of Covered Payroll
2009	\$ -	\$ 12,765	\$ 12,765	0.00%	\$ 485,022	2.63%
2010	-	21,521	21,521	0.00%	455,048	4.73%
2011	-	24,400	24,400	0.00%	369,987	6.59%
2012	-	23,442	23,442	0.00%	301,428	7.78%
2013	-	26,332	26,332	0.00%	255,846	10.29%
2014	*	*	*	*	*	*

There were no health insurance subsidy payments reported for fiscal year 2014.

* The Jun 30, 2014 information was not yet available at the time the financial statements were issued.

CITY OF ST. JOHNS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
MAJOR GOVERNMENTAL FUNDS:

General Fund – Detail Budget-and-Actual

The **General Fund** is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- **Highway User Revenue Fund** (Streets) – This fund is used to account for the City’s share of motor fuel tax revenues and lottery proceeds which are restricted for the maintaining, repairing, and upgrading of streets.

CITY OF ST. JOHNS, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes:				
City sales tax	\$ 704,000	\$ 704,000	\$ 874,436	\$ 170,436
Total taxes	<u>704,000</u>	<u>704,000</u>	<u>874,436</u>	<u>170,436</u>
Licenses, permits and fees:				
Building permits	400	400	550	150
Business and other licenses	60	60	107	47
Total licenses, permits and fees	<u>460</u>	<u>460</u>	<u>657</u>	<u>197</u>
Intergovernmental:				
State sales taxes	290,698	290,698	302,909	12,211
State revenue sharing	388,000	388,000	387,890	(110)
Auto lieu tax	185,171	185,171	184,828	(343)
State land reimbursement	91,000	91,000	126,488	35,488
Other grants	10,000	10,000	-	(10,000)
Total intergovernmental	<u>964,869</u>	<u>964,869</u>	<u>1,002,115</u>	<u>37,246</u>
Charges for services:				
Administrative fees	-	-	356	356
Cemetery fees	5,700	5,700	13,863	8,163
Park, swimming pool and recreation fees	29,100	29,100	42,177	13,077
Animal control	3,000	3,000	8,699	5,699
Airport fuel sales	363,000	363,000	289,866	(73,134)
Total charges for services	<u>400,800</u>	<u>400,800</u>	<u>354,961</u>	<u>(45,839)</u>
Fines and forfeitures:				
Fines and forfeitures	12,400	12,400	7,800	(4,600)
Total fines and forfeitures	<u>12,400</u>	<u>12,400</u>	<u>7,800</u>	<u>(4,600)</u>
Interest:				
Interest income	300	300	711	411
Total interest	<u>300</u>	<u>300</u>	<u>711</u>	<u>411</u>
Other revenues:				
Rents	16,700	16,700	24,209	7,509
Miscellaneous	14,580	14,580	18,167	3,587
Total other revenues	<u>31,280</u>	<u>31,280</u>	<u>42,376</u>	<u>11,096</u>
Total revenues	<u>2,114,109</u>	<u>2,114,109</u>	<u>2,283,056</u>	<u>168,947</u>

(continued)

CITY OF ST. JOHNS, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Continued)
For the Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
General government:				
Council	11,800	11,800	13,157	(1,357)
Administration	251,367	251,367	229,136	22,231
Magistrate	79,800	79,800	82,686	(2,886)
Contingency	49,000	49,000	469	48,531
Total general government	<u>391,967</u>	<u>391,967</u>	<u>325,448</u>	<u>66,519</u>
Public safety:				
Law enforcement	583,136	583,136	568,340	14,796
Fire	293,806	293,806	275,615	18,191
Animal control	33,150	33,150	34,725	(1,575)
Total public safety	<u>910,092</u>	<u>910,092</u>	<u>878,680</u>	<u>31,412</u>
Public works/streets:				
Planning and zoning	11,400	11,400	7,002	4,398
Mosquito control	8,000	8,000	3,916	4,084
Airport	461,150	461,150	386,864	74,286
Cemetery	5,350	5,350	4,433	917
Total public works/streets	<u>485,900</u>	<u>485,900</u>	<u>402,215</u>	<u>83,685</u>
Culture and recreation:				
Contributions	23,000	23,000	23,500	(500)
Parks and recreation, activity center and fairgrounds	152,100	152,100	141,337	10,763
Swimming pool	107,150	107,150	93,314	13,836
Little league	-	-	8,790	(8,790)
Equestrian	9,900	9,900	4,570	5,330
Total culture and recreation	<u>292,150</u>	<u>292,150</u>	<u>271,511</u>	<u>20,639</u>
Total expenditures	<u>2,080,109</u>	<u>2,080,109</u>	<u>1,877,854</u>	<u>202,255</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,000</u>	<u>34,000</u>	<u>405,202</u>	<u>371,202</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(5,000)	(5,000)	(19,023)	(14,023)
Total other financing sources (uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(19,023)</u>	<u>(14,023)</u>
Net change in fund balance	29,000	29,000	386,179	357,179
Fund balance, beginning of year	191,632	191,632	191,632	-
Fund balance, end of year	<u>\$ 220,632</u>	<u>\$ 220,632</u>	<u>\$ 577,811</u>	<u>\$ 357,179</u>

CITY OF ST. JOHNS, ARIZONA
HIGHWAY USER REVENUE SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenue:				
Highway user revenues	\$ 560,000	\$ 560,000	\$ 610,564	\$ 50,564
Grants and contributions	1,290,445	1,290,445	140,825	(1,149,620)
Total intergovernmental	1,850,445	1,850,445	751,389	(1,099,056)
Other revenue:				
Interest income	100	100	607	507
Miscellaneous	2,000	2,000	91	(1,909)
Total revenue	1,852,545	1,852,545	752,087	(1,100,458)
EXPENDITURES:				
Public works:				
Salaries	155,000	155,000	141,824	13,176
Employee benefits	86,600	86,600	78,618	7,982
Services, supplies, and other	375,490	375,990	264,637	111,353
Capital outlay	1,635,455	1,634,955	140,825	1,494,130
Total expenditures	2,252,545	2,252,545	625,904	1,626,641
Excess (deficiency) of revenues over (under) expenditures	(400,000)	(400,000)	126,183	526,183
Fund balance, beginning of year	976,901	976,901	976,901	-
Fund balance, end of year	\$ 576,901	\$ 576,901	\$ 1,103,084	\$ 526,183

**CITY OF ST. JOHNS, ARIZONA
Combining and Individual Fund
Budgetary Comparison Schedules**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- **Abatement Fund** – This fund is used to account for the collection of abatement fees which are restricted for costs incurred under Section 802 for necessary work or repair or demolition of dangerous buildings.
- **Local Transportation Assistance Fund (LTAF)** – This fund is used to account for the City’s share of lottery proceeds which are restricted for transportation costs and the maintaining, repairing, and upgrading of streets.
- **Grants Fund** – This fund is used to account for various federal and state grants and other contributions that are restricted for a specific use.

Permanent Fund

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government’s programs.

- **Perpetual Care Permanent Fund** – This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

CITY OF ST. JOHNS, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Funds			Permanent Fund	Total
	Abatement	LTAF	Grants Fund	Cemetery	
ASSETS					
Cash and cash equivalents	\$ -	\$ 65,941	\$ 11,618	\$ -	\$ 77,559
Due from other governments	-	-	13,908	-	13,908
Restricted cash-permanent fund				6,719	6,719
Restricted investments - permanent fund	-	-	-	29,899	29,899
Total assets	\$ -	\$ 65,941	\$ 25,526	\$ 36,618	\$ 128,085
LIABILITIES					
Accrued wages and benefits	-	-	488	-	488
Total liabilities	-	-	488	-	488
FUND BALANCES					
Nonspendable:					
Fund principal	-	-	-	36,618	36,618
Restricted:					
Public works/streets	-	65,941	12,800	-	78,741
Health and welfare	-	-	8,734	-	8,734
Committed to:					
Culture and recreation	-	-	3,504	-	3,504
Total fund balances	-	65,941	25,038	36,618	127,597
Total liabilities and fund balances	\$ -	\$ 65,941	\$ 25,526	\$ 36,618	\$ 128,085

CITY OF ST. JOHNS, ARIZONA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue Funds			Permanent Fund	Total
	Abatement	LTAF	Grants Fund	Cemetery	
REVENUES:					
Intergovernmental revenue	\$ -	\$ -	\$ 29,536	\$ -	\$ 29,536
Interest	-	-	-	150	150
Donations and other	-	-	2,996	6,881	9,877
Total revenues	-	-	32,532	7,031	39,563
EXPENDITURES:					
Current:					
Public safety	-	-	2,310	-	2,310
Public works	-	-	1,000	413	1,413
Culture and recreation	-	-	4,466	-	4,466
Health and welfare	-	-	23,436	-	23,436
Total expenditures	-	-	31,212	413	31,625
Excess (deficiency) of revenues over (under) expenditures	-	-	1,320	6,618	7,938
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	5,518	8,505	14,023
Total other financing sources (uses):	-	-	5,518	8,505	14,023
Net change in fund balances	-	-	6,838	15,123	21,961
Fund balances, beginning of year	-	65,941	18,200	21,495	105,636
Fund balances, end of year	\$ -	\$ 65,941	\$ 25,038	\$ 36,618	\$ 127,597

CITY OF ST. JOHNS, ARIZONA
ABATEMENT SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Abatement fees	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Total revenue	5,000	5,000	-	(5,000)
EXPENDITURES:				
Public works	5,000	5,000	-	5,000
Total expenditures	5,000	5,000	-	5,000
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF ST. JOHNS, ARIZONA
LTAIF SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenue	-	-	-	-
EXPENDITURES:				
Public works	70,000	70,000	-	70,000
Total expenditures	70,000	70,000	-	70,000
Excess (deficiency) of revenues over (under) expenditures	(70,000)	(70,000)	-	70,000
Fund balance, beginning of year	65,941	65,941	65,941	-
Fund balance, end of year	\$ (4,059)	\$ (4,059)	\$ 65,941	\$ 70,000

CITY OF ST. JOHNS, ARIZONA
GRANTS SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenue:				
Federal, state and other grants	\$ 3,284,879	\$ 3,284,879	\$ 29,536	\$ (3,255,343)
Other revenue:				
Donations and other	20,000	20,000	2,996	(17,004)
Total revenue	<u>3,304,879</u>	<u>3,304,879</u>	<u>32,532</u>	<u>(3,272,347)</u>
EXPENDITURES:				
Current:				
Public safety	100,879	100,879	2,310	98,569
Public works	14,000	14,000	1,000	13,000
Culture and recreation	3,000,000	3,000,000	4,466	2,995,534
Health and welfare	22,000	22,000	23,436	(1,436)
Projects	168,000	168,000	-	168,000
Total expenditures	<u>3,304,879</u>	<u>3,304,879</u>	<u>31,212</u>	<u>3,273,667</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,320</u>	<u>1,320</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	5,518	5,518
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,518</u>	<u>5,518</u>
Net change in fund balance	-	-	6,838	6,838
Fund balance, beginning of year	<u>18,200</u>	<u>18,200</u>	<u>18,200</u>	<u>-</u>
Fund balance, end of year	<u>\$ 18,200</u>	<u>\$ 18,200</u>	<u>\$ 25,038</u>	<u>\$ 6,838</u>

CITY OF ST. JOHNS, ARIZONA
CEMETERY FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Cemetery perpetual care fees	\$ -	\$ -	\$ 6,881	\$ 6,881
Interest	-	-	150	150
Total revenue	-	-	7,031	7,031
EXPENDITURES:				
Public works	7,000	7,000	413	6,587
Total expenditures	7,000	7,000	413	6,587
Excess (deficiency) of revenues over (under) expenditures	(7,000)	(7,000)	6,618	13,618
Other Financing Sources (Uses):				
Transfers in	-	-	8,505	8,505
Total Other Financing Sources	-	-	8,505	8,505
Net change in fund balance	(7,000)	(7,000)	15,123	22,123
Fund balance, beginning of year	21,495	21,495	21,495	-
Fund balance, end of year	\$ 14,495	\$ 14,495	\$ 36,618	\$ 22,123

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

**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***

The Honorable Mayor and
City Council
City of St. Johns, Arizona

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, each major fund, and the aggregate remaining fund information of the City of St. Johns, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of St. Johns, Arizona's basic financial statements and have issued our report thereon dated November 10, 2014.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify the following deficiencies in internal control as described in our separate findings and recommendations letter dated November 10, 2014 to be significant deficiencies.

10-3 Accounts Receivable Procedures

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of St. Johns, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



HintonBurdick, PLLC
Flagstaff, Arizona
November 10, 2014

**Independent Auditors' Report on
State Legal Compliance**

The Honorable Mayor and
City Council
City of St. Johns, Arizona

We have audited the basic financial statements of the City of St. Johns, Arizona for the year ended June 30, 2014, and have issued our report thereon dated November 10, 2014. Our audit also included test work on the City of St. Johns' compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the City of St. Johns is responsible for the City's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The City of St. Johns has established separate funds to account for Highway User Revenue funds and Local Transportation Assistance funds. Highway user revenue fund monies received by the City of St. Johns pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the City's compliance with annual expenditure limitations has been issued separately with the City's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the City of St. Johns complied, in all material respects, with the requirements identified above for the year ended June 30, 2014.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.



HintonBurdick, PLLC
Flagstaff, Arizona
November 10, 2014

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