



**FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2016**

**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 fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express 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 auditors' 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 auditors consider 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, 2016, 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, schedule of proportionate share of the net pension liability, schedule of changes in the net pension liability and related ratios, schedule of pension contributions, schedule of agent OPEB plans' funding progress, and budgetary comparison information as listed in the table of contents 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 December 14, 2016, 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  
December 14, 2016

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**BASIC FINANCIAL STATEMENTS**

**CITY OF ST. JOHNS, ARIZONA**  
**Statement of Net Position**  
**June 30, 2016**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,288,103	\$ 805,800	\$ 2,093,903
Investments	154,966	-	154,966
Receivables (net of allowance)	276,092	197,406	473,498
Prepaid expenses	26,952	17,231	44,183
Inventory	53,419	37,638	91,057
Internal balances	115,896	(115,896)	-
Restricted cash	22,441	518,664	541,105
Restricted investments	30,994	123,972	154,966
Capital assets (net of accumulated depreciation):			
Land	241,725	37,984	279,709
Construction in progress	124,949	-	124,949
Land improvements	5,204,867	-	5,204,867
Buildings	532,619	1,932,348	2,464,967
Distribution systems	-	6,584,631	6,584,631
Infrastructure/roads	1,357,614	-	1,357,614
Furniture, equipment and vehicles	748,397	356,517	1,104,914
Total assets	<u>10,179,034</u>	<u>10,496,295</u>	<u>20,675,329</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>607,755</u>	<u>126,657</u>	<u>734,412</u>
Total deferred outflows of resources	<u>607,755</u>	<u>126,657</u>	<u>734,412</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	115,243	113,845	229,088
Interest payable	-	18,595	18,595
Noncurrent liabilities:			
Due within one year	121,730	251,212	372,942
Due in more than one year	1,681,497	3,102,710	4,784,207
Total liabilities	<u>1,918,470</u>	<u>3,486,362</u>	<u>5,404,832</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>190,984</u>	<u>67,391</u>	<u>258,375</u>
Total deferred inflows of resources	<u>190,984</u>	<u>67,391</u>	<u>258,375</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,050,138	6,391,308	14,441,446
Restricted for:			
Debt service	-	107,522	107,522
Public works/streets	1,126,172	-	1,126,172
Other purposes	55,532	479,561	535,093
Unrestricted	(554,507)	90,808	(463,699)
Total net position	<u>\$ 8,677,335</u>	<u>\$ 7,069,199</u>	<u>\$ 15,746,534</u>

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

**CITY OF ST. JOHNS, ARIZONA**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2016**

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
<b>Governmental activities:</b>							
General government	\$ 374,389	\$ 115,369	\$ 188,511	\$ -	\$ (70,509)	\$ -	\$ (70,509)
Public safety	1,590,176	10,380	246,769	-	(1,333,027)	-	(1,333,027)
Public works/streets	1,118,585	279,451	716,475	-	(122,659)	-	(122,659)
Culture and recreation	347,203	75,502	10,441	-	(261,260)	-	(261,260)
Health and welfare	-	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-	-
Total governmental activities	<u>3,430,353</u>	<u>480,702</u>	<u>1,162,196</u>	<u>-</u>	<u>(1,787,455)</u>	<u>-</u>	<u>(1,787,455)</u>
<b>Business-type activities:</b>							
Water	712,358	899,142	-	90,000	-	276,784	276,784
Sewer	367,580	310,923	-	-	-	(56,657)	(56,657)
City buildings	116,414	40,800	-	-	-	(75,614)	(75,614)
EMS	622,682	628,524	142,000	-	-	147,842	147,842
Total business-type activities	<u>1,819,034</u>	<u>1,879,389</u>	<u>142,000</u>	<u>90,000</u>	<u>-</u>	<u>292,355</u>	<u>292,355</u>
Total primary government	<u>\$ 5,249,387</u>	<u>\$ 2,360,091</u>	<u>\$ 1,304,196</u>	<u>\$ 90,000</u>			
<b>General revenues:</b>							
<b>Taxes:</b>							
City sales tax					757,387	-	757,387
State sales tax					328,222	-	328,222
Auto lieu tax					205,897	-	205,897
Urban revenue sharing					418,992	-	418,992
Unrestricted investment earnings					8,532	4,258	12,790
Gain (loss) on sale of assets					43,720	-	43,720
Transfers					(30,000)	30,000	-
Total general revenues					<u>1,732,750</u>	<u>34,258</u>	<u>1,767,008</u>
Change in net position					(54,705)	326,613	271,908
Net position - beginning					<u>8,732,040</u>	<u>6,742,586</u>	<u>15,474,626</u>
Net position - ending					<u>\$ 8,677,335</u>	<u>\$ 7,069,199</u>	<u>\$ 15,746,534</u>

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

**CITY OF ST. JOHNS, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	General	Highway Users Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 240,250	\$ 998,565	\$ 49,288	\$ 1,288,103
Investments	154,966	-	-	154,966
Receivables:				
Intergovernmental	121,204	65,048	23,675	209,927
Prepaid expenses	20,766	6,186	-	26,952
Due from other funds	115,896	-	-	115,896
Inventory	32,994	20,425	-	53,419
Restricted cash-permanent fund	-	-	22,441	22,441
Restricted investments - permanent fund	-	-	30,994	30,994
Total assets	<u>\$ 752,241</u>	<u>\$ 1,090,224</u>	<u>\$ 126,398</u>	<u>\$ 1,968,863</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 80,565	\$ 6,984	\$ 1,323	\$ 88,872
Customer deposits	14,126	-	-	14,126
Other current liabilities	12,245	-	-	12,245
Total liabilities	<u>106,936</u>	<u>6,984</u>	<u>1,323</u>	<u>115,243</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepays	20,766	6,186	-	26,952
Inventory	32,994	20,425	-	53,419
Fund principal	-	-	53,435	53,435
Restricted for:				
Public works/streets	-	1,056,629	63,311	1,119,940
Health and welfare	-	-	6,232	6,232
Committed to:				
Culture and recreation	-	-	2,097	2,097
Public safety	149,465	-	-	149,465
Unassigned	442,080	-	-	442,080
Total fund balances	<u>645,305</u>	<u>1,083,240</u>	<u>125,075</u>	<u>1,853,620</u>
Total liabilities and fund balances	<u>\$ 752,241</u>	<u>\$ 1,090,224</u>	<u>\$ 126,398</u>	<u>\$ 1,968,863</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, 2016**

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Total fund balances governmental funds		\$ 1,853,620
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	14,608,711	
Accumulated depreciation	<u>(6,398,540)</u>	8,210,171
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated absences	(116,457)	
Capital leases	(160,033)	
Net pension liability	<u>(1,526,737)</u>	(1,803,227)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds:		
Deferred outflows	607,755	
Deferred inflows	<u>(190,984)</u>	416,771
Net position of governmental activities		<u><u>\$ 8,677,335</u></u>

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 Fiscal Year Ended June 30, 2016**

	General	Highway Users Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 757,387	\$ -	\$ -	\$ 757,387
Licenses, permits and fees	2,559	-	-	2,559
Intergovernmental revenue	1,152,151	713,624	221,097	2,086,872
Charges for services	323,429	-	-	323,429
Fines and forfeitures	41,171	-	-	41,171
Interest	2,581	5,493	284	8,358
Other revenues	149,538	851	35,481	185,870
Total revenues	<u>2,428,816</u>	<u>719,968</u>	<u>256,862</u>	<u>3,405,646</u>
<b>Expenditures</b>				
Current:				
General government	354,827	-	-	354,827
Public safety	1,246,869	-	234,496	1,481,365
Public works/streets	395,304	709,044	25,827	1,130,175
Culture and recreation	338,209	-	-	338,209
Capital outlay	-	63,483	-	63,483
Total expenditures	<u>2,335,209</u>	<u>772,527</u>	<u>260,323</u>	<u>3,368,059</u>
Excess (deficiency) of revenues over (under) expenditures	<u>93,607</u>	<u>(52,559)</u>	<u>(3,461)</u>	<u>37,587</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>
Total other financing sources (uses)	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>
Net change in fund balances	63,607	(52,559)	(3,461)	7,587
Fund balances, beginning of year	<u>581,698</u>	<u>1,135,799</u>	<u>128,536</u>	<u>1,846,033</u>
Fund balances, end of year	<u>\$ 645,305</u>	<u>\$ 1,083,240</u>	<u>\$ 125,075</u>	<u>\$ 1,853,620</u>

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 Fiscal Year Ended June 30, 2016**

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

Net change in fund balances - total governmental funds	\$	7,587
<p>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.</p>		
Capital outlay		383,329
Depreciation expense		(471,134)
		(87,805)
<p>Payment of long-term debt uses current financial resources in the governmental funds but decreases long-term liabilities in the statement of net position.</p>		
		50,319
<p>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.</p>		
		(14,421)
<p>Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
Pension contributions		134,741
Pension expense		(145,126)
		(10,385)
Change in net position of governmental activities	\$	(54,705)

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

**CITY OF ST. JOHNS, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	Water	Sewer	City Buildings	EMS	Totals
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ -	\$ 68,933	\$ -	\$ 736,867	\$ 805,800
Receivables (net of allowance)	160,399	37,007	-	-	197,406
Prepaid expenses	4,418	4,418	3,093	5,302	17,231
Inventory	28,363	9,275	-	-	37,638
Total current assets	<u>193,180</u>	<u>119,633</u>	<u>3,093</u>	<u>742,169</u>	<u>1,058,075</u>
Noncurrent assets:					
Restricted cash	437,436	81,228	-	-	518,664
Restricted investments	-	123,972	-	-	123,972
Land	7,674	30,310	-	-	37,984
Buildings and improvements	139,938	48,237	2,077,451	127,302	2,392,928
Collection and distribution systems	8,548,029	1,415,153	-	-	9,963,182
Furniture, equipment and vehicles	245,855	100,725	-	826,786	1,173,366
Accumulated depreciation	(2,854,854)	(821,575)	(322,566)	(656,985)	(4,655,980)
Total noncurrent assets	<u>6,524,078</u>	<u>978,050</u>	<u>1,754,885</u>	<u>297,103</u>	<u>9,554,116</u>
Total assets	<u>6,717,258</u>	<u>1,097,683</u>	<u>1,757,978</u>	<u>1,039,272</u>	<u>10,612,191</u>
<b>Deferred Outflows of Resources</b>					
Deferred outflows related to pensions	<u>41,602</u>	<u>30,104</u>	<u>-</u>	<u>54,951</u>	<u>126,657</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	26,252	1,200	307	13,693	41,452
Accrued liabilities	-	-	-	16,839	16,839
Customer deposits	55,554	-	-	-	55,554
Due to other funds	45,488	-	70,408	-	115,896
Accrued interest payable	18,595	-	-	-	18,595
Current portion of long-term debt	206,443	502	31,740	12,527	251,212
Total current liabilities	<u>352,332</u>	<u>1,702</u>	<u>102,455</u>	<u>43,059</u>	<u>499,548</u>
Noncurrent liabilities (net of current portion):					
Compensated absences	4,910	501	-	12,385	17,796
Loans and contract payable	1,720,704	-	-	-	1,720,704
Revenue bonds payable	129,875	-	-	-	129,875
Lease payable	15,658	-	420,663	-	436,321
Net pension liability	262,113	189,677	-	346,224	798,014
Total noncurrent liabilities	<u>2,133,260</u>	<u>190,178</u>	<u>420,663</u>	<u>358,609</u>	<u>3,102,710</u>
Total liabilities	<u>2,485,592</u>	<u>191,880</u>	<u>523,118</u>	<u>401,668</u>	<u>3,602,258</u>
<b>Deferred Inflows of Resources</b>					
Deferred inflows related to pensions	<u>22,135</u>	<u>16,018</u>	<u>-</u>	<u>29,238</u>	<u>67,391</u>
<b>Net position</b>					
Net investment in capital assets	4,018,873	772,850	1,302,482	297,103	6,391,308
Restricted	381,882	205,201	-	-	587,083
Unrestricted	(149,622)	(58,162)	(67,622)	366,214	90,808
Total net position	<u>\$ 4,251,133</u>	<u>\$ 919,889</u>	<u>\$ 1,234,860</u>	<u>\$ 663,317</u>	<u>\$ 7,069,199</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 Fiscal Year Ended June 30, 2016**

	Water	Sewer	City Buildings	EMS	Totals
<b>Operating revenues</b>					
Charges for services	\$ 710,454	\$ 296,464	\$ -	\$ 628,524	\$ 1,635,442
Rent and other revenues	178,619	13,259	40,800	-	232,678
Total operating revenues	<u>889,073</u>	<u>309,723</u>	<u>40,800</u>	<u>628,524</u>	<u>1,868,120</u>
<b>Operating expenses</b>					
Salaries	157,557	141,656	5,821	244,291	549,325
Employee benefits	88,538	113,092	2,208	107,857	311,695
Service, supplies and other	191,753	69,367	21,984	206,490	489,594
Depreciation	202,440	43,465	69,436	64,044	379,385
Total operating expenses	<u>640,288</u>	<u>367,580</u>	<u>99,449</u>	<u>622,682</u>	<u>1,729,999</u>
Operating income (loss)	<u>248,785</u>	<u>(57,857)</u>	<u>(58,649)</u>	<u>5,842</u>	<u>138,121</u>
<b>Non-operating revenues (expenses)</b>					
Interest income	962	2,127	298	871	4,258
Interest expense and fiscal charges	(72,070)	-	(16,965)	-	(89,035)
Grant revenue	90,000	-	-	142,000	232,000
Connection fees	10,069	1,200	-	-	11,269
Total non-operating revenue (expense)	<u>28,961</u>	<u>3,327</u>	<u>(16,667)</u>	<u>142,871</u>	<u>158,492</u>
<b>Income (loss) before contributions and transfers</b>	<u>277,746</u>	<u>(54,530)</u>	<u>(75,316)</u>	<u>148,713</u>	<u>296,613</u>
Contributions and transfers:					
Transfers In	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
<b>Change in net position</b>	<u>277,746</u>	<u>(54,530)</u>	<u>(45,316)</u>	<u>148,713</u>	<u>326,613</u>
Net position, beginning of year	<u>3,973,387</u>	<u>974,419</u>	<u>1,280,176</u>	<u>514,604</u>	<u>6,742,586</u>
<b>Net position, end of year</b>	<u><u>\$ 4,251,133</u></u>	<u><u>\$ 919,889</u></u>	<u><u>\$ 1,234,860</u></u>	<u><u>\$ 663,317</u></u>	<u><u>\$ 7,069,199</u></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 Fiscal Year Ended June 30, 2016**

	Water	Sewer	City Buildings	EMS	Totals
<b>Cash flows from operating activities:</b>					
Cash received from customers, service fees	\$ 629,279	\$ 288,952	\$ -	\$ 703,524	\$ 1,621,755
Cash received from customers, other	178,619	13,259	40,800	-	232,678
Cash paid to suppliers	(194,240)	(71,571)	(26,724)	(229,932)	(522,467)
Cash paid to employees	(237,585)	(219,963)	(8,029)	(350,807)	(816,384)
Net cash flows from operating activities	<u>376,073</u>	<u>10,677</u>	<u>6,047</u>	<u>122,785</u>	<u>515,582</u>
<b>Cash flows from noncapital financing activities:</b>					
Transfers (to)/from other funds	45,488	-	30,000	-	75,488
Operating grants	-	-	-	142,000	142,000
Net cash flows from noncapital financing activities	<u>45,488</u>	<u>-</u>	<u>48,460</u>	<u>142,000</u>	<u>235,948</u>
<b>Cash flows from capital and related financing activities:</b>					
Purchase of capital assets	(234,329)	(41,493)	(6,101)	-	(281,923)
Principal paid on notes, leases and bonds	(194,023)	-	(31,739)	-	(225,762)
Interest paid	(73,900)	-	(16,965)	-	(90,865)
Capital grants	90,000	-	-	-	90,000
Connection and impact fees	10,069	1,200	-	-	11,269
Net cash flows from capital and related financing activities	<u>(402,183)</u>	<u>(40,293)</u>	<u>(54,805)</u>	<u>-</u>	<u>(497,281)</u>
<b>Cash flows from investing activities:</b>					
Interest on investments	962	296	298	871	2,427
Net cash flows from investing activities	<u>962</u>	<u>296</u>	<u>298</u>	<u>871</u>	<u>2,427</u>
Net change in cash and cash equivalents	20,340	(29,320)	-	265,656	256,676
Cash and cash equivalents, including restricted cash, beginning of year	<u>417,096</u>	<u>179,481</u>	<u>-</u>	<u>471,211</u>	<u>1,067,788</u>
<b>Cash and cash equivalents, including restricted cash, end of year</b>	<u>\$ 437,436</u>	<u>\$ 150,161</u>	<u>\$ -</u>	<u>\$ 736,867</u>	<u>\$ 1,324,464</u>
Reconciliation of operating income to net cash flows from operating activities:					
Net operating income (loss)	\$ 248,785	\$ (57,857)	\$ (58,649)	\$ 5,842	\$ 138,121
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:					
Depreciation/amortization	202,440	43,465	69,436	64,044	379,385
Pension expense	43,124	47,296	-	30,244	120,664
Employer pension contributions	(36,021)	(13,033)	-	(23,790)	(72,844)
Changes in operating assets and liabilities:					
(Increase)/decrease in receivables	(81,175)	(7,512)	-	75,000	(13,687)
(Increase)/decrease in prepaids	(437)	(437)	(307)	(525)	(1,706)
Increase/(decrease) in payables	(2,050)	(1,767)	(4,433)	(22,917)	(31,167)
Increase/(decrease) in accrued liabilities	1,407	522	-	(5,113)	(3,184)
Net cash flows from operating activities	<u>\$ 376,073</u>	<u>\$ 10,677</u>	<u>\$ 6,047</u>	<u>\$ 122,785</u>	<u>\$ 515,582</u>

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

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 1. Summary of Significant Accounting Policies**

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**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, 2016**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**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, 2016**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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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, 2016**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**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***

The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, obligations of the U.S. Government, and other investments as allowed by the Arizona State Statutes. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices. The reported value of the state treasurer's pool is the same as the fair value of the pool share.

***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 Department within the General 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, 2016**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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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 one type of item that qualifies for reporting in this category, which is pension related items reported on the government-wide financial statements. See footnote 9 for more information.

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 one type of item that qualifies for reporting in this category, which is pension related items reported on the government-wide financial statements. See footnote 9 for more information.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***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.

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 1.           Summary of Significant Accounting Policies, Continued**

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*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.

*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.

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 1.           Summary of Significant Accounting Policies, Continued**

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*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.

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, 2016**

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

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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.

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**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 3. Stewardship, Compliance, and Accountability**

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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).
4. The City follows a voter-approved alternative expenditure limitation that was adopted on February 26, 2014.
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 Citys. 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.

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 3. Stewardship, Compliance, and Accountability, Continued**

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**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 fiscal year ended June 30, 2016, 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.

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**Note 4. Deposits and Investments**

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

Cash and cash equivalents	\$ 2,093,903
Restricted cash and cash equivalents	541,105
Investments	154,966
Restricted investments	<u>154,966</u>
Total	<u><u>\$ 2,944,941</u></u>

Restricted cash consists of the following at June 30, 2016:

Cemetery perpetual care	\$ 22,441
WIFA and RDA debt service and repair reserves	381,882
Customer deposits	55,554
Repairs and replacement extension	<u>81,228</u>
Total restricted cash and investments	<u><u>\$ 541,105</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, 2016 cash on hand was \$777 and the carrying amount of the City's deposits was \$1,211,851. As of June 30, 2016, \$207,386 of the City's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 4. Deposits and Investments, Continued**

**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.

As of June 30, 2016 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	\$ 777	N/A	N/A
Cash in bank	1,211,851	N/A	N/A
Investments:			
Local Government			
Investment Pool 5	1,120,788	(1)	26.5 days
US Government Agency Bonds	<u>611,524</u>	(1)	958 days
Total cash and investments	<u>\$ 2,944,941</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.

(2) Interest Rate Risk is estimated using the weighted average days to maturity.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 4. Deposits and Investments, Continued**

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The Town has the following recurring fair value measurements as of June 30, 2016:

- Local Government Investments are valued using quoted market prices (Level 1 inputs)
- US Government Agency Bonds are valued using significant other observable inputs (Level 2 inputs)

**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.

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**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 5. Capital Assets**

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

<b>Governmental activities:</b>	<b>Balance 6/30/2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2016</b>
Capital assets, not being depreciated:				
Land	\$ 241,725	\$ -	\$ -	\$ 241,725
Construction in progress	223,503	41,744	(140,298)	124,949
Total capital assets, not being depreciated	<u>465,228</u>	<u>41,744</u>	<u>(140,298)</u>	<u>366,674</u>
Capital assets, being depreciated:				
Improvements other than buildings	8,327,466	9,630	(43,169)	8,293,927
Buildings and improvements	1,099,388	-	-	1,099,388
Furniture, equipment & vehicles	2,753,592	160,973	(77,545)	2,837,020
Infrastructure - roads	1,700,422	311,280	-	2,011,702
Total capital assets, being depreciated	<u>13,880,868</u>	<u>481,883</u>	<u>(120,714)</u>	<u>14,242,037</u>
Less accumulated depreciation for:				
Improvements other than buildings	(2,927,726)	(204,503)	43,169	(3,089,060)
Buildings and improvements	(522,837)	(43,932)	-	(566,769)
Furniture, equipment & vehicles	(2,012,521)	(153,647)	77,545	(2,088,623)
Infrastructure - roads	(585,036)	(69,052)	-	(654,088)
Total accumulated depreciation	<u>(6,048,120)</u>	<u>(471,134)</u>	<u>120,714</u>	<u>(6,398,540)</u>
Total capital assets, being depreciated, net	<u>7,832,748</u>	<u>10,749</u>	<u>-</u>	<u>7,843,497</u>
Governmental activities capital assets, net	<u>\$ 8,297,976</u>	<u>\$ 52,493</u>	<u>\$ (140,298)</u>	<u>\$ 8,210,171</u>

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

<b>Governmental activities:</b>	
General government	\$ 22,005
Public safety	138,641
Public works/streets	265,038
Culture & recreation	45,450
Total depreciation expense - governmental activities	<u>\$ 471,134</u>

ADOT Intergovernmental Agreement

The City has entered into an intergovernmental agreement (IGA) with the Arizona Department of Transportation (ADOT) to complete a road and infrastructure project located near 7<sup>th</sup> South and 13<sup>th</sup> West. The IGA requires the City to pay 5.7% of project costs plus a \$10,000 ADOT design fee. The City incurred \$58,028 in project related costs for the year ended June 30, 2016 and \$131,496 total combined project related costs from project inception through June 30, 2016.

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 5. Capital Assets, Continued**

Although the project was substantially completed during the fiscal year, ADOT has not yet formally closed out the project and reported the State share of the project, therefore the City is unable to determine the total value of the project to capitalize. The \$131,496 in project costs is included in construction in progress in governmental activities. Once ADOT has formally closed out the project, the full amount will be capitalized as infrastructures under governmental activities capital assets.

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

<b>Business-type activities:</b>	<b>Balance 6/30/2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2016</b>
Capital assets not being depreciated:				
Land and water rights	\$ 37,984	\$ -	\$ -	\$ 37,984
Construction in progress	161,928	142,333	(304,261)	-
Total capital assets, not being depreciated	<u>199,912</u>	<u>142,333</u>	<u>(304,261)</u>	<u>37,984</u>
Capital assets being depreciated:				
Water system	8,151,772	396,257	-	8,548,029
Sewer system	1,373,660	41,493	-	1,415,153
Buildings and improvements	2,386,827	6,101	-	2,392,928
Furniture, equipment & vehicles	1,173,366	-	-	1,173,366
Total capital assets, being depreciated	<u>13,085,625</u>	<u>443,851</u>	<u>-</u>	<u>13,529,476</u>
Less accumulated depreciation for:				
Water system	(2,466,661)	(178,067)	-	(2,644,728)
Sewer system	(697,235)	(36,588)	-	(733,823)
Buildings and improvements	(368,269)	(92,311)	-	(460,580)
Furniture, equipment & vehicles	(744,430)	(72,419)	-	(816,849)
Total accumulated depreciation	<u>(4,276,595)</u>	<u>(379,385)</u>	<u>-</u>	<u>(4,655,980)</u>
Total capital assets, being depreciated, net	<u>8,809,030</u>	<u>64,466</u>	<u>-</u>	<u>8,873,496</u>
Business-type activities capital assets, net	<u>\$ 9,008,942</u>	<u>\$ 206,799</u>	<u>\$ (304,261)</u>	<u>\$ 8,911,480</u>

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

<b>Business-type activities:</b>	
Water	\$ 202,440
Sewer	43,465
Buildings	69,436
EMS	64,044
Total depreciation expense - business-type activities	<u>\$ 379,385</u>

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 6. Long-Term Liabilities**

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

<b>Governmental activities:</b>	<b>Balance 6/30/2015</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 6/30/2016</b>	<b>Current Portion</b>
Capital Leases	\$ 210,352	\$ -	\$ (50,319)	\$ 160,033	\$ 51,856
Compensated absences	102,036	75,643	(61,222)	116,457	69,874
Net pension liability	1,169,451	357,286	-	1,526,737	-
Governmental activity Long-term liabilities	<u>\$ 1,481,839</u>	<u>\$ 432,929</u>	<u>\$ (111,541)</u>	<u>\$ 1,803,227</u>	<u>\$ 121,730</u>
 <b>Business-type activities:</b>					
<b>Revenue bonds:</b>					
Water development revenue bonds	\$ 134,901	\$ -	\$ (2,456)	\$ 132,445	\$ 2,570
<b>Other:</b>					
WIFA loans payable	1,041,990	-	(105,091)	936,899	108,424
Rural development loan	1,052,748	-	(78,878)	973,870	81,641
Capital leases	516,296	-	(39,339)	476,957	40,637
Compensated absences	41,982	14,593	(20,840)	35,735	17,940
Net pension liability	671,669	126,345	-	798,014	-
Business-type activity Long-term liabilities	<u>\$ 3,459,586</u>	<u>\$ 140,938</u>	<u>\$ (246,604)</u>	<u>\$ 3,353,920</u>	<u>\$ 251,212</u>

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 6. Long-Term Liabilities, Continued**

The following is a listing of long-term debt and liabilities outstanding as of June 30, 2016:

<b>Loan Payable:</b>	
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.	\$ 576,718
Water Infrastructure Finance Authority loan, issued May 21, 2011 bearing interest at 2.604%, due in semiannual principal and interest installments, maturing July, 2030.	360,181
Rural Development loan, issued September 14, 2011 bearing interest at 3.25%, due in monthly principal and interest installments, maturing August, 2026.	973,870
<b>Revenue Bonds:</b>	
Water Development Revenue Bonds, issued 2003 due in semiannual principal and interest installments, bearing interest at 4.625%, maturing July 1, 2042.	<u>132,445</u>
Total loans and bonds payable	<u>2,043,214</u>
<b>Leases Payable:</b>	
Capital leases payable in annual installments through October 1, 2027, bearing interest at 2.83% and 4.16%.	<u>636,990</u>
<b>Accrued Compensated Absences</b>	
	<u>152,192</u>
<b>Net Pension Liability</b>	
	<u>2,324,751</u>
Total long term liabilities	5,157,147
Less current portion	
Business-type Activities	(251,212)
Governmental-type Activities	<u>(121,730)</u>
Total net of current portion	<u>\$ 4,784,205</u>

Revenue Bonds and Loan debt service maturities are as follows for the business-type activities as of June 30, 2016:

<b>Year Ended June 30,</b>	Business-Type Activities		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 192,635	\$ 57,754	\$ 250,389
2018	198,887	51,747	250,634
2019	205,342	45,542	250,884
2020	212,009	39,134	251,143
2021	215,106	33,010	248,116
2022-2026	754,025	84,560	838,585
2027-2031	186,676	24,789	211,465
2032-2036	27,769	15,142	42,911
2037-2041	34,812	7,936	42,748
2042-2044	15,953	762	16,715
Total	<u>\$ 2,043,214</u>	<u>\$ 360,376</u>	<u>\$ 2,403,590</u>

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 7. Capital Leases**

In fiscal year 2015, the City entered into lease agreements as lessee for financing the acquisition of vehicles and the remodel of the New City Hall. The lease agreements qualify as a capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the lease inception date. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2017	\$ 56,118	\$ 57,217	\$ 113,335
2018	56,118	57,217	113,335
2019	56,118	57,217	113,335
2020	-	48,742	48,742
2021	-	48,742	48,742
2022-2026	-	243,711	243,711
2027-2028	-	73,113	73,113
Total remaining minimum lease payments:	168,354	585,959	754,313
Less: amount representing interest:	(8,321)	(109,002)	(117,323)
Present value of remaining minimum lease payments:	<u>\$ 160,033</u>	<u>\$ 476,957</u>	<u>\$ 636,990</u>

The assets acquired through capital leases and the related accumulated depreciation are as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Buildings	\$ 1,534,577	\$ 50,973
Vehicles	321,247	56,482

**Note 8. 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, 2016, the City had the following interfund receivables and payables:

<u>Due To</u>	<u>Due From</u>		<u>Total</u>
	<u>Building Fund</u>	<u>Water Fund</u>	
General Fund	\$ 70,408	\$ 45,488	\$ 115,896
	<u>\$ 70,408</u>	<u>\$ 45,488</u>	<u>\$ 115,896</u>

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 8. Interfund Receivables, Payables, and Transfers, Continued**

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 fiscal year ended June 30, 2016, the City had the following transfers:

	<b>Transfers Out</b>	
<b>Transfers In</b>	General Fund	Total
Building Fund	\$ 30,000	\$ 30,000
	\$ 30,000	\$ 30,000

**Note 9. 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.

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 9. Retirement and Pension Plans, Continued**

The City contributes to the Arizona State Retirement System and the Public Safety Personnel Retirement System plans described below. The plans are component units of the State of Arizona. At June 30, 2016, the City reported the following aggregate amounts related to pensions for plans to which it contributes:

Statement of Net Position and Statement of Activities	ASRS	PSPRS	Combined Total	Governmental Activities Total	Business-Type Activities Total
Net pension liability	\$ 1,731,944	\$ 592,807	\$ 2,324,751	\$ 1,526,737	\$ 798,014
Deferred outflows of resources	274,886	459,526	734,412	607,755	126,657
Deferred inflows of resources	146,261	112,114	258,375	190,984	67,391
Pension expense	148,065	104,101	252,166	183,943	68,223

The City reported \$142,810 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

**Arizona State Retirement System (ASRS)**

**Plan description** – The City participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

**Benefits provided** – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date Before July 1, 2011	Initial Membership Date On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\* With actuarially reduced benefits.

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 9. Retirement and Pension Plans, Continued**

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the fiscal year ended June 30, 2016, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.5 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll.

In addition, the City was required by statute to contribute at the actuarially determined rate of 9.36 percent (9.17 percent for retirement and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the ASRS.

The City's contributions for the current and 2 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2014	\$ 99,508	\$ 5,307	\$ 2,123
2015	115,498	6,257	1,273
2016	119,008	5,484	1,316

**Pension liability** – At June 30, 2016, the City reported a liability of \$1,731,944 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the fiscal year ended June 30, 2015. The City's proportion measured as of June 30, 2015, was 0.011120 percent, which was an increase of 0.000803 percent from its proportion measured as of June 30, 2014.

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 9. Retirement and Pension Plans, Continued**

**Pension expense and deferred outflows/inflows of resources** – For the fiscal year ended June 30, 2016, the City recognized pension expense for ASRS of \$148,065. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 47,261	\$ 90,756
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	55,505
Changes in proportion and differences between contributions and proportional share of contributions	108,617	-
Contributions subsequent to the measurement date	119,008	-
Total	\$ 274,886	\$ 146,261

The \$119,008 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<b>Year Ended June 30</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2017	\$ 17,968
2018	(16,639)
2019	(31,780)
2020	40,068
Thereafter	-

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 9. Retirement and Pension Plans, Continued**

**Actuarial Assumptions** – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

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

	<b>Expected Return Arithmetic Basis</b>		
<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Real Return Arithmetic Basis</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
Equity	58%	6.79%	3.94%
Fixed income	25%	3.70%	0.93%
Multi-asset	5%	3.41%	0.17%
Commodities	2%	3.93%	0.08%
Real Estate	10%	4.25%	0.42%
Totals	100%		5.54%
	Inflation		3.25%
	Expected arithmetic nominal return		8.79%

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 9. Retirement and Pension Plans, Continued**

**Discount Rate** – The discount rate used to measure the ASRS total pension liability was 8.00 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of Net pension (asset) / liability	\$ 2,269,439	\$ 1,731,944	\$ 1,363,584

**Pension plan fiduciary net position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

**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. The reports are available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 9. Retirement and Pension Plans, Continued**

**Benefits provided** – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	<b>Initial Membership Date Before January 1, 2012</b>	<b>Initial Membership Date On or After January 1, 2012</b>
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<b>Survivor Benefit</b>		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effect on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 9. Retirement and Pension Plans, Continued**

**Employees covered by benefit terms** – At June 30, 2016, the following employees were covered by the agent pension plans’ benefit terms:

Retirees & Beneficiaries	3
Terminated	3
Active employees	6
Total	12

**Contributions and annual OPEB cost** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, active PSPSR members were required by statute to contribute 11.65 percent of their annual covered salary to the PSPRS and the City was required to contribute 33.75 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 0.28 percent.

In addition, the City was required by statute to contribute at the actuarially determined rate of 28.62 percent of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the PSPRS.

For the agent plans, the City’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the fiscal year ended June 30, 2016, were:

<b>Pension</b>	
Contributions made	\$ 79,847
 <b>Health Insurance Premium Benefit</b>	
Annual OPEB cost	\$ -
Contributions made	-

**Pension liability** – At June 30, 2016, the City reported a net pension liability of \$592,807. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2015, reflect the following changes of benefit terms and actuarial assumptions.

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 9. Retirement and Pension Plans, Continued**

- In May 2016, voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the City's net pension liability as a result of the statutory adjustments is not known.

**Pension actuarial assumptions** – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Individual Entry Age Normal
Discount rate	7.85%
Projected salary increases	4.0% to 8.0% including inflation
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometrical real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	16.00%	6.23%
Non-U.S. Equity	14.00%	8.25%
Private Equity	11.00%	9.50%
Fixed Income	7.00%	2.92%
Credit Opportunities	13.00%	7.08%
Absolute Return	5.00%	4.11%
GTAA	10.00%	4.38%
Real Assets	8.00%	4.77%
Real Estate	10.00%	4.48%
Risk Parity	4.00%	5.13%
Short Term Invest.	2.00%	0.75%
<b>Total</b>	100.00%	

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 9. Retirement and Pension Plans, Continued**

**Discount Rate** –A Single Discount Rate of 7.85% was used to measure the total pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.85%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2015	\$ 1,285,000	\$ 970,401	\$ 314,599
Changes for the year:			
Service cost	42,050	-	42,050
Interest on total pension liability	100,199	-	100,199
Changes of benefit terms	-	-	-
Difference between expected and actual experience in the measurement of the pension liability	242,304	-	242,304
Changes of assumptions	-	-	-
Contributions - employer	-	34,397	(34,397)
Contributions - employee	-	28,751	(28,751)
Net investment income	-	35,968	(35,968)
Benefit payments, including refunds of employee contributions	(59,204)	(59,204)	-
Pension Plan Administrative Expense	-	(1,256)	1,256
Other changes*	-	8,485	(8,485)
Net changes	325,349	47,141	278,208
Balances at June 30, 2016	<u>\$ 1,610,349</u>	<u>\$ 1,017,542</u>	<u>\$ 592,807</u>

\* Other Changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 9. Retirement and Pension Plans, Continued**

**Sensitivity of the proportionate share of the net pension liability to changes in the discount rate –**

The following table presents the City's net pension liability calculated using the discount rate noted above, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.85%)	Discount Rate (7.85%)	1% Increase (8.85%)
Proportionate share of			
Net pension (asset) / liability	\$ 828,629	\$ 592,807	\$ 401,974

**Pension plan fiduciary net position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

**Pension expense and deferred outflows/inflows of resources** – For the fiscal year ended June 30, 2016, the City recognized pension expense for PSPRS of \$104,101. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 195,184	\$ 82,628
Changes in assumptions	151,977	-
Net difference between projected and actual earnings on pension plan investments	32,518	29,486
Contributions subsequent to the measurement date	79,847	-
Total	\$ 459,526	\$ 112,114

The \$79,847 reported as deferred outflows of resources related to PSPRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2017	74,447
2018	74,447
2019	56,716
2020	55,251
2021	6,704
Thereafter	-

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 9. Retirement and Pension Plans, Continued**

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**Agent plan OPEB actuarial assumptions** – The health insurance premium benefit contribution requirements for the fiscal year ended June 30, 2016, were established by the June 30, 2014, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides 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.

Projections of benefits are based on (1) the plan as the City and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the City and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	22 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.0%
Wage growth	4.0%

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 9. Retirement and Pension Plans, Continued**

**Agent plan OPEB trend information** – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years follows for each of the agent plans:

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Health Insurance	2014	\$ 3,489	100%	\$ -
	2015	3,464	100%	-
	2016	-	100%	-

**Agent plan OPEB funded status** – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

	<u>Insurance Subsidy</u>
Actuarial accrued liability (AAL)	\$ 22,195
Actuarial value of plan assets	<u>60,457</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ (38,262)</u>
Funded ratio (actuarial value of plan assets/AAL)	272.39%
Covered payroll (active plan members)	\$ 291,807
UAAL as a percentage of covered payroll	-13.11%

The actuarial methods and assumptions used for the most recent valuation date are as follows:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	21 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

**CITY OF ST. JOHNS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 10. Risk Management**

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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.

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**Note 11. Commitments and Contingencies**

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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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ST. JOHNS, ARIZONA**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**June 30, 2016**

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**Arizona State Retirement System**

	<b>Reporting Fiscal Year (Measurement Date) 2016 (2015)</b>	<b>Reporting Fiscal Year (Measurement Date) 2015 (2014)</b>
Proportion of the net pension liability (asset)	0.011120%	0.010317%
Proportionate share of the net pension liability (asset)	\$ 1,731,944	\$ 1,526,522
Covered employee payroll	\$ 1,094,203	\$ 886,754
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	158.28%	172.15%
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%

Note: The Town implemented GASB 68 in fiscal year 2015.  
Prior year information is not available.

See accompanying notes to pension plan schedules.

**CITY OF ST. JOHNS, ARIZONA**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**June 30, 2016**

**Public Safety Personnel Retirement System**

	Reporting Fiscal Year (Measurement Date) <b>2016</b> (2015)	Reporting Fiscal Year (Measurement Date) <b>2015</b> (2014)
<b>Total pension liability</b>		
Service cost	\$ 42,050	\$ 51,283
Interest on total pension liability	100,199	80,927
Changes of benefit terms	-	51,339
Difference between expected and actual experience of the total net pension liability	242,304	(151,792)
Changes of assumptions	-	279,193
Benefit payments, including refunds of employee contributions	(59,204)	(62,461)
<b>Net change in total pension liability</b>	<b>325,349</b>	<b>248,489</b>
<b>Total pension liability - beginning</b>	<b>1,285,000</b>	<b>1,036,511</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 1,610,349</b>	<b>\$ 1,285,000</b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 34,397	\$ 22,419
Contributions - employee	28,751	17,863
Net investment income	35,968	120,191
Benefit payments, including refunds of employee contributions	(59,204)	(62,461)
Pension Plan Administrative Expense	(1,256)	-
Other (net transfer)	8,485	(15,984)
<b>Net change in plan fiduciary net position</b>	<b>47,141</b>	<b>82,028</b>
<b>Plan fiduciary net position - beginning</b>	<b>970,401</b>	<b>888,373</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 1,017,542</b>	<b>\$ 970,401</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 592,807</b>	<b>\$ 314,599</b>
Plan fiduciary net position as a percentage of the total pension liability	63.19%	75.52%
Covered employee payroll	\$ 291,807	\$ 221,222
Net pension liability as a percentage of covered- employee payroll	203.15%	142.21%

Note: The Town implemented GASB 68 in fiscal year 2015.  
Information prior to 2015 is not available.

See accompanying notes to pension plan schedules.



**CITY OF ST. JOHNS, ARIZONA**  
**Required Supplementary Information**  
**Notes to the Pension Plan Schedules**  
**June 30, 2016**

**Note 1. Actuarially Determined Contribution Rates**

Actuarially determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	In the 2014 actuarial valuation, the projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table projected to 2016 using projection scale AA (adjusted by 105% for both males and females)

**CITY OF ST. JOHNS, ARIZONA**  
**Schedule of Agent OPEB Plans' Funding Progress**  
**June 30, 2016**

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**Public Safety Personnel Retirement System**  
**Health Insurance Premium Benefit**

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
<b>Valuation Date June 30,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	
2012	\$ -	\$ 23,442	\$ 23,442	0.0%	\$ 301,428	7.78%
2013	-	26,332	26,332	0.0%	255,846	10.29%
2014	54,648	13,370	(41,278)	408.74%	221,222	-18.66%
2015	60,457	22,195	(38,262)	272.39%	291,807	-13.11%
2016	**	**	**	**	**	**

\*\*The June 30, 2016 information was not yet available at the time the financial statements were issued.

See accompanying notes to pension plan schedules.

**CITY OF ST. JOHNS, ARIZONA**  
**Required Supplementary Information**  
**Notes to Schedule of Agent OPEB Plans' Funding Progress**  
**June 30, 2016**

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**Note 1.           Factors that Affect the Identification of Trends**

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Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

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**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 Fiscal Year Ended June 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
<b>Taxes:</b>				
City sales tax	\$ 800,000	\$ 800,000	\$ 757,387	\$ (42,613)
Total taxes	<u>800,000</u>	<u>800,000</u>	<u>757,387</u>	<u>(42,613)</u>
<b>Licenses, permits and fees:</b>				
Building permits	1,950	1,950	1,710	(240)
Business and other licenses	1,950	1,950	849	(1,101)
Total licenses, permits and fees	<u>3,900</u>	<u>3,900</u>	<u>2,559</u>	<u>(1,341)</u>
<b>Intergovernmental:</b>				
State sales taxes	330,000	330,000	328,222	(1,778)
State revenue sharing	415,000	415,000	418,992	3,992
Auto lieu tax	200,000	200,000	205,897	5,897
State land reimbursement	105,200	105,200	188,511	83,311
Other grants	10,000	10,000	10,529	529
Total intergovernmental	<u>1,060,200</u>	<u>1,060,200</u>	<u>1,152,151</u>	<u>91,951</u>
<b>Charges for services:</b>				
Administrative fees	200	200	361	161
Cemetery fees	7,200	7,200	12,698	5,498
Park, swimming pool and recreation fees	38,150	38,150	53,104	14,954
Animal control	3,100	3,100	1,391	(1,709)
Airport fuel sales	360,000	360,000	255,875	(104,125)
Total charges for services	<u>408,650</u>	<u>408,650</u>	<u>323,429</u>	<u>(85,221)</u>
<b>Fines and forfeitures:</b>				
Fines and forfeitures	20,900	20,900	41,171	20,271
Total fines and forfeitures	<u>20,900</u>	<u>20,900</u>	<u>41,171</u>	<u>20,271</u>
<b>Interest:</b>				
Interest income	1,400	1,400	2,581	1,181
Total interest	<u>1,400</u>	<u>1,400</u>	<u>2,581</u>	<u>1,181</u>
<b>Other revenues:</b>				
Rents	15,600	15,600	28,066	12,466
Sale of Assets	-	-	43,720	43,720
Miscellaneous	-	-	77,752	77,752
Total other revenues	<u>15,600</u>	<u>15,600</u>	<u>149,538</u>	<u>133,938</u>
Total revenues	<u>2,310,650</u>	<u>2,310,650</u>	<u>2,428,816</u>	<u>118,166</u>

(continued)

**CITY OF ST. JOHNS, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Continued)**  
**For the Fiscal Year Ended June 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES:</b>				
<b>General government:</b>				
Council	11,500	11,500	13,527	(2,027)
Administration	278,485	278,485	283,873	(5,388)
Magistrate	86,500	86,500	54,777	31,723
Contingency	312,845	312,845	2,650	310,195
Total general government	<u>689,330</u>	<u>689,330</u>	<u>354,827</u>	<u>334,503</u>
<b>Public safety:</b>				
Law enforcement	814,210	814,210	826,675	(12,465)
Fire	457,800	457,800	372,938	84,862
Animal control	47,375	47,375	47,256	119
Total public safety	<u>1,319,385</u>	<u>1,319,385</u>	<u>1,246,869</u>	<u>72,516</u>
<b>Public works/streets:</b>				
Planning and zoning	36,135	36,135	25,866	10,269
Mosquito control	4,000	4,000	554	3,446
Airport	465,700	465,700	365,306	100,394
Cemetery	7,915	7,915	3,578	4,337
Total public works/streets	<u>513,750</u>	<u>513,750</u>	<u>395,304</u>	<u>118,446</u>
<b>Culture and recreation:</b>				
Contributions	23,500	23,500	24,250	(750)
Parks and recreation, activity center and fairgrounds	199,475	199,475	186,777	12,698
Swimming pool	116,250	116,250	119,135	(2,885)
Little league	6,650	6,650	3,472	3,178
Equestrian	9,110	9,110	4,575	4,535
Total culture and recreation	<u>354,985</u>	<u>354,985</u>	<u>338,209</u>	<u>16,776</u>
Total expenditures	<u>2,877,450</u>	<u>2,877,450</u>	<u>2,335,209</u>	<u>542,241</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(566,800)</u>	<u>(566,800)</u>	<u>93,607</u>	<u>660,407</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(30,000)	(30,000)	(30,000)	-
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net change in fund balance	(596,800)	(596,800)	63,607	660,407
Fund balance, beginning of year	581,698	581,698	581,698	-
Fund balance, end of year	<u>\$ (15,102)</u>	<u>\$ (15,102)</u>	<u>\$ 645,305</u>	<u>\$ 660,407</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 Fiscal Year Ended June 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental revenue:				
Highway user revenues	\$ 650,000	\$ 650,000	\$ 682,972	\$ 32,972
Grants and contributions	1,290,000	1,290,000	30,652	(1,259,348)
Total intergovernmental	1,940,000	1,940,000	713,624	(1,226,376)
Other revenue:				
Interest income	2,800	2,800	5,493	2,693
Miscellaneous	-	-	851	851
Total revenue	1,942,800	1,942,800	719,968	(1,222,832)
<b>EXPENDITURES:</b>				
Public works:				
Salaries	178,000	178,000	135,872	42,128
Employee benefits	97,600	97,600	80,261	17,339
Services, supplies, and other	981,700	982,200	492,911	489,289
Total public works	1,257,300	1,257,800	709,044	548,756
Capital outlay	1,765,500	1,765,000	63,483	1,701,517
Total expenditures	3,022,800	3,022,800	772,527	2,250,273
Excess (deficiency) of revenues over (under) expenditures	(1,080,000)	(1,080,000)	(52,559)	1,027,441
Fund balance, beginning of year	1,135,799	1,135,799	1,135,799	-
Fund balance, end of year	\$ 55,799	\$ 55,799	\$ 1,083,240	\$ 1,027,441

**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.

- **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, 2016**

	Special Revenue Funds		Permanent Fund	Total
	LTAF	Grants Fund	Cemetery	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 40,514	\$ 8,774	\$ -	\$ 49,288
Due from other governments	-	23,675	-	23,675
Restricted cash - permanent fund	-	-	22,441	22,441
Restricted investments - permanent fund	-	-	30,994	30,994
Total assets	<u>\$ 40,514</u>	<u>\$ 32,449</u>	<u>\$ 53,435</u>	<u>\$ 126,398</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 1,323	\$ -	\$ 1,323
Total liabilities	<u>-</u>	<u>1,323</u>	<u>-</u>	<u>1,323</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Fund principal	-	-	53,435	53,435
Restricted:				
Public works/streets	40,514	22,797	-	63,311
Health and welfare	-	6,232	-	6,232
Committed to:				
Culture and recreation	-	2,097	-	2,097
Total fund balances	<u>40,514</u>	<u>31,126</u>	<u>53,435</u>	<u>125,075</u>
Total liabilities and fund balances	<u>\$ 40,514</u>	<u>\$ 32,449</u>	<u>\$ 53,435</u>	<u>\$ 126,398</u>

**CITY OF ST. JOHNS, ARIZONA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2016**

	Special Revenue Funds		Permanent Fund	Total
	LTAF	Grants Fund	Cemetery	
<b>REVENUES:</b>				
Intergovernmental revenue	\$ -	\$ 221,097	\$ -	\$ 221,097
Interest	-	-	284	284
Donations and other	-	23,837	11,644	35,481
Total revenues	<u>-</u>	<u>244,934</u>	<u>11,928</u>	<u>256,862</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	-	234,496	-	234,496
Public works	25,427	-	400	25,827
Total expenditures	<u>25,427</u>	<u>234,496</u>	<u>400</u>	<u>260,323</u>
Excess (deficiency) of revenues over (under) expenditures	(25,427)	10,438	11,528	(3,461)
Fund balances, beginning of year	<u>65,941</u>	<u>20,688</u>	<u>41,907</u>	<u>128,536</u>
Fund balances, end of year	<u>\$ 40,514</u>	<u>\$ 31,126</u>	<u>\$ 53,435</u>	<u>\$ 125,075</u>

**CITY OF ST. JOHNS, ARIZONA**  
**LTAIF SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

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	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenue	-	-	-	-
<b>EXPENDITURES:</b>				
Public works	65,941	65,941	25,427	40,514
Total expenditures	65,941	65,941	25,427	40,514
Excess (deficiency) of revenues over (under) expenditures	(65,941)	(65,941)	(25,427)	40,514
Fund balance, beginning of year	65,941	65,941	65,941	-
Fund balance, end of year	\$ -	\$ -	\$ 40,514	\$ 40,514

**CITY OF ST. JOHNS, ARIZONA**  
**GRANTS SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental revenue:				
Federal, state and other grants	\$ 3,382,000	\$ 3,382,000	\$ 221,097	\$ (3,160,903)
Other revenue:				
Donations and other	27,350	27,350	23,837	(3,513)
Total revenue	<u>3,409,350</u>	<u>3,409,350</u>	<u>244,934</u>	<u>(3,164,416)</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	218,850	218,850	234,496	(15,646)
Culture and recreation	3,000,500	3,000,500	-	3,000,500
Health and welfare	190,000	190,000	-	190,000
Total expenditures	<u>3,409,350</u>	<u>3,409,350</u>	<u>234,496</u>	<u>3,174,854</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	10,438	10,438
Fund balance, beginning of year	<u>20,688</u>	<u>20,688</u>	<u>20,688</u>	-
Fund balance, end of year	<u>\$ 20,688</u>	<u>\$ 20,688</u>	<u>\$ 31,126</u>	<u>\$ 10,438</u>

**CITY OF ST. JOHNS, ARIZONA**  
**CEMETERY FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Cemetery perpetual care fees	\$ 2,000	\$ 2,000	\$ 9,470	\$ 7,470
Interest	200	200	284	84
Donations and Other	-	-	2,174	2,174
Total revenue	<u>2,200</u>	<u>2,200</u>	<u>11,928</u>	<u>9,728</u>
<b>EXPENDITURES:</b>				
Public works	-	-	400	(400)
Total expenditures	<u>-</u>	<u>-</u>	<u>400</u>	<u>(400)</u>
Excess (deficiency) of revenues over (under) expenditures	2,200	2,200	11,528	9,328
Fund balance, beginning of year	<u>41,907</u>	<u>41,907</u>	<u>41,907</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 44,107</u></u>	<u><u>\$ 44,107</u></u>	<u><u>\$ 53,435</u></u>	<u><u>\$ 9,328</u></u>

**OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS**

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**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 fiscal year ended June 30, 2016, 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 December 14, 2016.

**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.

## **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  
December 14, 2016

**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 fiscal year ended June 30, 2016, and have issued our report thereon dated December 14, 2016. 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 fiscal year ended June 30, 2016.

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  
December 14, 2016

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