



FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2018

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, 2018, 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, 2018, 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, schedules of proportionate share of the net pension liability and net OPEB liability, schedule of changes in the net pension liability, OPEB liability and related ratios, schedule of pension/OPEB contributions, 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 March 25, 2019, 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.

HintonBurdick, PLLC

HintonBurdick, PLLC
Gilbert, Arizona
March 25, 2019

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**CITY OF ST. JOHNS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018**

As management of the City of St. Johns (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total net position increased by \$110,312 which resulted in total assets in excess of total liabilities (net position) of \$16 million at the close of the fiscal year.
- Total governmental revenues exceeded total governmental expenses and transfers by \$94,891.
- Total business-type revenues and transfers exceeded total business-type expenses by \$15,421.
- Total revenues from all sources were \$5.2 million and the total cost of all City programs was \$5.1 million.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$189,049 or 7% of total General Fund expenditures, including transfers.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by over \$16.1 million as of June 30, 2018 as shown in the following condensed statement of net position. The City has chosen to account for its water, sewer, buildings and EMS operations in enterprise funds which are shown as Business Activities.

CITY OF ST. JOHNS, ARIZONA Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Current and other assets	\$ 2,030,115	\$ 2,249,146	\$ 1,919,869	\$ 1,722,506	\$ 3,949,984	\$ 3,971,652
Capital assets	8,312,304	8,067,206	8,354,720	8,744,094	16,667,024	16,811,300
Total assets	<u>10,342,419</u>	<u>10,316,352</u>	<u>10,274,589</u>	<u>10,466,600</u>	<u>20,617,008</u>	<u>20,782,952</u>
Deferred outflows of resources	718,664	698,762	129,976	209,129	848,640	907,891
Long-term liabilities outstanding	1,978,102	1,937,847	2,959,966	3,176,566	4,938,068	5,114,413
Other liabilities	96,115	119,525	129,568	150,304	225,683	269,829
Total liabilities	<u>2,074,217</u>	<u>2,057,372</u>	<u>3,089,534</u>	<u>3,326,870</u>	<u>5,163,751</u>	<u>5,384,242</u>
Deferred inflows of resources	117,977	215,875	54,978	104,382	172,955	320,257
Net position:						
Net investment in capital asset	8,174,824	7,861,989	6,308,258	6,456,984	14,483,082	14,318,973
Restricted	1,512,005	1,479,110	544,581	599,775	2,056,586	2,078,885
Unrestricted	<u>(817,940)</u>	<u>(599,232)</u>	<u>407,214</u>	<u>187,718</u>	<u>(410,726)</u>	<u>(411,514)</u>
Total net position	<u>\$ 8,868,889</u>	<u>\$ 8,741,867</u>	<u>\$ 7,260,053</u>	<u>\$ 7,244,477</u>	<u>\$ 16,128,942</u>	<u>\$ 15,986,344</u>

Governmental Activities

The cost of all Governmental activities this year was \$3.5 million. As shown on the statement of Changes in Net Position on the following page, \$438,799 of this cost was paid for by those who directly benefited from the programs, \$1,218,431 was subsidized by grants and contributions received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$1.6 million. General Taxes, State Revenue Sharing and investment earnings totaled \$1.7 million.

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

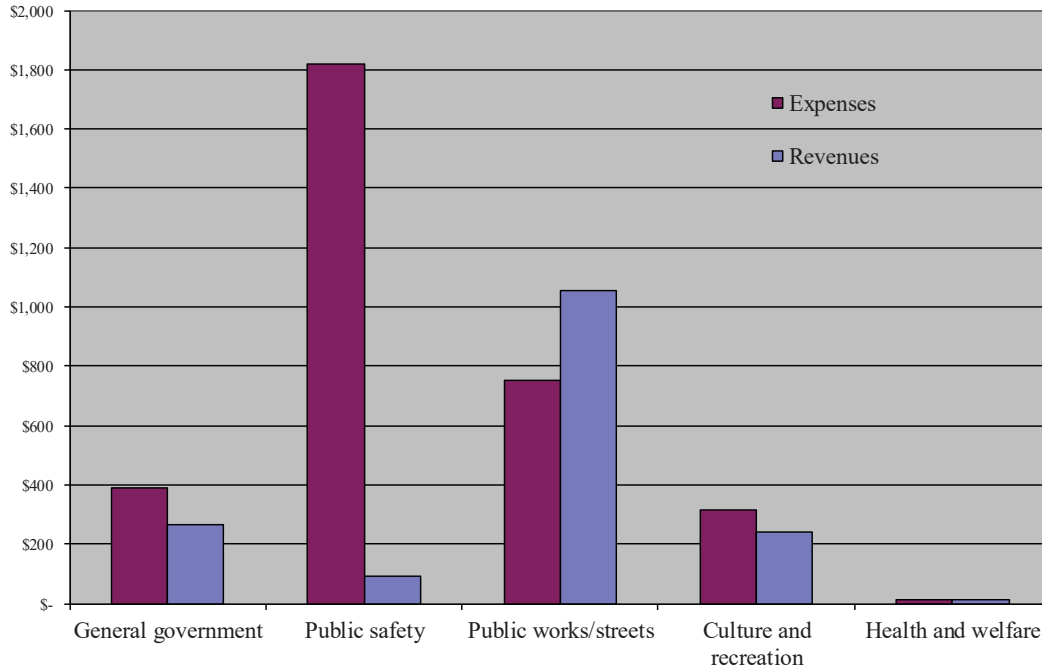
CITY OF ST. JOHNS, ARIZONA
Changes in Net Position

	Governmental activities		Business-type activities		Combined Total	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Revenues:						
Program revenues:						
Charges for services	\$ 438,799	\$ 396,795	\$ 1,646,310	\$ 1,786,215	\$ 2,085,109	\$ 2,183,010
Operating grants and contributions	1,096,981	1,250,384	165,000	235,000	1,261,981	1,485,384
Capital grants and contributions	121,450	119,950	-	-	121,450	119,950
General revenues:						
Taxes	1,315,193	1,306,695	-	-	1,315,193	1,306,695
State revenue sharing	441,931	426,120	-	-	441,931	426,120
Other revenue/(expense)	6,945	7,230	10,781	5,695	17,726	12,925
Total revenues	<u>3,421,299</u>	<u>3,507,174</u>	<u>1,822,091</u>	<u>2,026,910</u>	<u>5,243,390</u>	<u>5,534,084</u>
Expenses:						
General government	390,186	397,404	-	-	390,186	397,404
Public safety	1,821,041	1,553,358	-	-	1,821,041	1,553,358
Public works/Streets	749,659	1,103,133	-	-	749,659	1,103,133
Culture and recreation	315,565	353,747	-	-	315,565	353,747
Health and welfare	9,958	-	-	-	9,958	-
Water	-	-	812,676	786,398	812,676	786,398
Sewer	-	-	348,134	353,396	348,134	353,396
City Buildings	-	-	129,037	110,429	129,037	110,429
EMS	-	-	556,823	636,409	556,823	636,409
Total expenses	<u>3,286,409</u>	<u>3,407,642</u>	<u>1,846,670</u>	<u>1,886,632</u>	<u>5,133,079</u>	<u>5,294,274</u>
Increase (Decrease) in net position						
before transfers	134,890	99,532	(24,579)	140,278	110,311	239,810
Transfers	<u>(40,000)</u>	<u>(35,000)</u>	<u>40,000</u>	<u>35,000</u>	<u>-</u>	<u>-</u>
Increase in net position	94,890	64,532	15,421	175,278	110,311	239,810
Net position, beginning	8,741,867	8,677,335	7,244,477	7,069,199	15,986,344	15,746,534
Restatement adjustment	<u>32,132</u>	<u>-</u>	<u>155</u>	<u>-</u>	<u>32,287</u>	<u>-</u>
Net position, ending	<u>\$ 8,868,889</u>	<u>\$ 8,741,867</u>	<u>\$ 7,260,053</u>	<u>\$ 7,244,477</u>	<u>\$ 16,128,942</u>	<u>\$ 15,986,344</u>

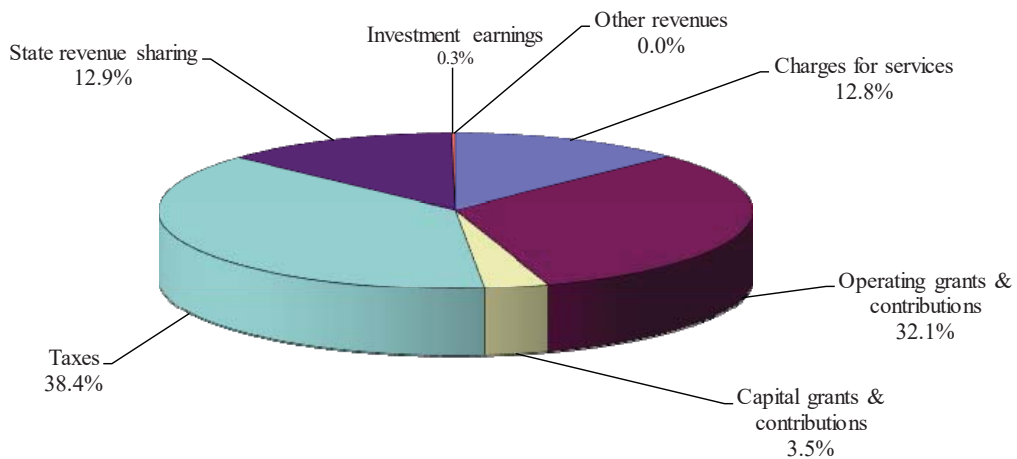
Total resources available during the fiscal year to finance governmental operations were \$12.1 million consisting of Net Position at July 1, 2017 of \$8.8 million, program revenues of \$1.6 million and General Revenues of \$1.7 million. Total Governmental Activities expenses during the year were \$3.2 million; thus, Governmental Net Position was increased by \$94,890 from operations resulting in net position of \$8.9 million. Overall, governmental activities remained relatively consistent as compared to the prior year.

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

Expenses and Program Revenues - Governmental Activities (in Thousands)



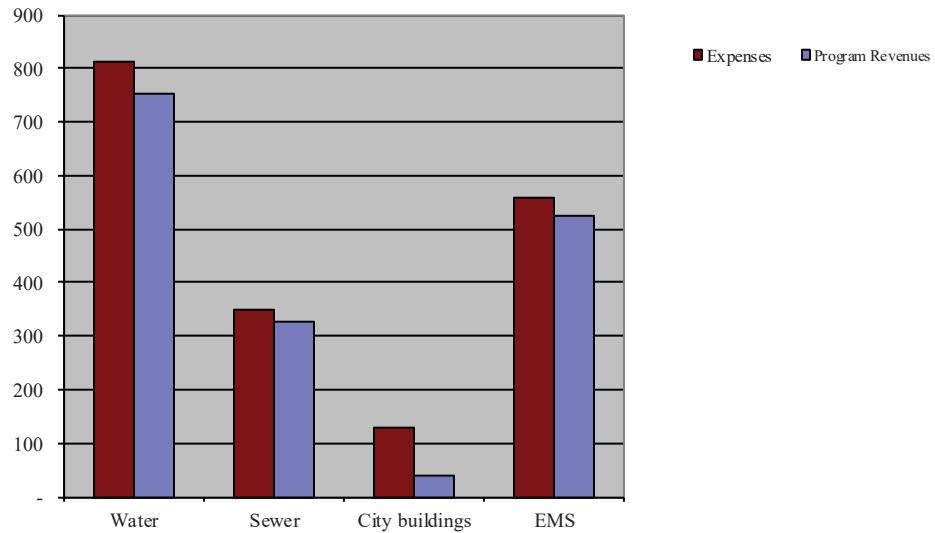
Revenue By Source - Governmental Activities



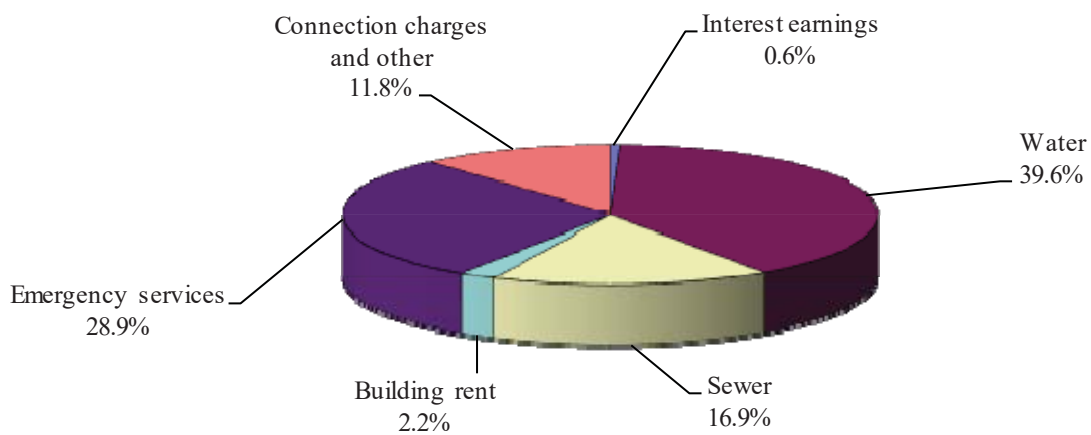
Business Type Activities

Net Position of the Business Type activities at June 30, 2018, as reflected in the Statement of Net Position were \$7.2 million. The cost of providing all Proprietary (Business Type) activities this year was \$1.9 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$1.7 million and there was \$165,000 subsidized by capital and operating grants and contributions. Investment earnings and other interest revenues were \$10,781. The Net Position increased by \$15,421.

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



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of St. Johns' governmental funds reported combined ending fund balances of \$1,889,898, a decrease of \$239,723 in comparison with the prior year. The city has \$189,049 constituting unassigned fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned because it has already been allocated 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The General Fund is the chief operating fund of the City of St. Johns. At the end of the current fiscal year, unassigned fund balance in the General fund was \$189,049, and total fund balance is \$278,296. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total fund balance represents 10.3% of total General fund expenditures excluding transfers. During the year, the City of St. Johns' General fund balance decreased by \$313,168. Key factors in this decrease are as follows:

- Revenues decreased by \$54,865 or 2% from the prior year.
- Departmental expenditures increased by \$207,114 or 8% from the prior year.

The Highway User Revenue Fund has a total fund balance of \$1,448,520, all of which is restricted for road construction and maintenance. The net increase in the fund balance during the current year was \$106,115. Revenues were slightly more and expenses significantly less than estimated for budgeting purposes.

The nonmajor governmental funds have a total fund balance of \$163,082, the majority of which is restricted and assigned for Abatement funds, LTAF, Grants, and the Cemetery.

Proprietary funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net position of the Water, Sewer, Building and EMS fund were \$7,260,053 consisting of \$6,308,258 in net investment in capital assets, \$544,581 in restricted and \$407,214 in unrestricted net position.

Budgetary Highlights

The General Fund's revenues of \$2,406,382 were more than budgeted revenues of \$2,352,160 by \$54,222. The most significant variance in revenues is \$64,310 for state land reimbursement that were collected in excess of budget. The General Fund's expenditures of \$2,687,202 were less than budgeted expenditures of \$2,832,160 by \$144,958. The actual expenditures of all functions of government were less than budgeted expenditures except for Public works/streets which expended more than it budgeted by \$1,752.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, buildings, land, system improvements, park facilities and roads. At the end of fiscal year 2018, net capital assets of the government activities totaled \$8.3 million and the net capital assets of the business-type activities totaled \$8.3 million. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

Debt

At year-end, the City had \$1.9 million in governmental type long-term obligations, and \$2.9 million in proprietary long-term obligations. These are liabilities of the government and amount to \$1,344 per capita. During the current fiscal year, the City's total long-term obligations decreased by \$302,482. Compensated absences increased by \$10,759, net pension liability increased by \$149,113, and other retirements were \$115,377. (See note 6 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City Budget for fiscal year 2018/2019, the City Council and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as fiscal year 2017/2018.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF ST. JOHNS, ARIZONA
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,421,739	\$ 1,040,327	\$ 2,462,066
Investments	156,486	-	156,486
Receivables (net of allowance)	220,385	205,144	425,529
Prepaid expenses	28,835	18,435	47,270
Inventory	110,623	35,086	145,709
Internal balances	(10,295)	10,295	-
Restricted cash	26,942	484,357	511,299
Restricted investments	31,298	125,188	156,486
Net OPEB asset	44,102	1,037	45,139
Capital assets (net of accumulated depreciation):			
Land	241,725	37,984	279,709
Construction in progress	9,737	-	9,737
Land improvements	5,039,829	-	5,039,829
Buildings	343,785	1,747,914	2,091,699
Distribution systems	-	6,176,287	6,176,287
Infrastructure/roads	1,819,950	-	1,819,950
Furniture, equipment and vehicles	857,278	392,535	1,249,813
Total assets	<u>10,342,419</u>	<u>10,274,589</u>	<u>20,617,008</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	714,905	126,680	841,585
Deferred outflows related to OPEB	3,759	3,296	7,055
Total deferred outflows of resources	<u>718,664</u>	<u>129,976</u>	<u>848,640</u>
LIABILITIES			
Accounts payable and other current liabilities	96,115	114,813	210,928
Interest payable	-	14,755	14,755
Noncurrent liabilities:			
Due within one year	127,684	277,579	405,263
Due in more than one year	117,073	1,826,491	1,943,564
Net pension liability	1,733,345	855,896	2,589,241
Total liabilities	<u>2,074,217</u>	<u>3,089,534</u>	<u>5,163,751</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	105,259	51,258	156,517
Deferred inflows related to OPEB	12,718	3,720	16,438
Total deferred inflows of resources	<u>117,977</u>	<u>54,978</u>	<u>172,955</u>
NET POSITION			
Net investment in capital assets	8,174,824	6,308,258	14,483,082
Restricted for:			
Debt service	-	107,522	107,522
Public works/streets	1,449,881	-	1,449,881
Other purposes	62,124	437,059	499,183
Unrestricted	(817,940)	407,214	(410,726)
Total net position	<u>\$ 8,868,889</u>	<u>\$ 7,260,053</u>	<u>\$ 16,128,942</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, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 390,186	\$ 59,810	\$ 204,310	\$ -	\$ (126,066)	\$ -	\$ (126,066)
Public safety	1,821,041	8,429	82,930	-	(1,729,682)	-	(1,729,682)
Public works/streets	749,659	295,928	757,180	-	303,449	-	303,449
Culture and recreation	315,565	74,632	42,561	121,450	(76,922)	-	(76,922)
Health and welfare	9,958	-	10,000	-	42	-	42
Total governmental activities	<u>3,286,409</u>	<u>438,799</u>	<u>1,096,981</u>	<u>121,450</u>	<u>(1,629,179)</u>	<u>-</u>	<u>(1,629,179)</u>
Business-type activities:							
Water	812,676	751,011	-	-	-	(61,665)	(61,665)
Sewer	348,134	328,595	-	-	-	(19,539)	(19,539)
City buildings	129,037	40,898	-	-	-	(88,139)	(88,139)
EMS	556,823	525,806	165,000	-	-	133,983	133,983
Total business-type activities	<u>1,846,670</u>	<u>1,646,310</u>	<u>165,000</u>	<u>-</u>	<u>-</u>	<u>(35,360)</u>	<u>(35,360)</u>
Total primary government	<u>\$ 5,133,079</u>	<u>\$ 2,085,109</u>	<u>\$ 1,261,981</u>	<u>\$ 121,450</u>			
General revenues:							
Taxes:							
City sales tax					745,173	-	745,173
State sales tax					342,237	-	342,237
Auto lieu tax					227,783	-	227,783
Urban revenue sharing					441,931	-	441,931
Unrestricted investment earnings					6,945	10,781	17,726
Transfers					(40,000)	40,000	-
Total general revenues					<u>1,724,069</u>	<u>50,781</u>	<u>1,774,850</u>
Change in net position					94,890	15,421	110,311
Net position - beginning					8,741,867	7,244,477	15,986,344
Restatement adjustment					32,132	155	32,287
Net position - ending					<u>\$ 8,868,889</u>	<u>\$ 7,260,053</u>	<u>\$ 16,128,942</u>

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

CITY OF ST. JOHNS, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2018

	General	Highway Users Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 1,332,973	\$ 88,766	\$ 1,421,739
Investments	156,486	-	-	156,486
Receivables:				
Intergovernmental	133,599	70,710	16,076	220,385
Due from other funds	77,590	-	-	77,590
Inventory	67,030	43,593	-	110,623
Restricted cash-permanent fund	-	-	26,942	26,942
Restricted investments - permanent fund	-	-	31,298	31,298
Total assets	<u>\$ 456,922</u>	<u>\$ 1,453,894</u>	<u>\$ 163,082</u>	<u>\$ 2,073,898</u>
LIABILITIES				
Accounts payable	\$ 37,693	\$ 1,256	\$ -	\$ 38,949
Accrued wages and benefits	22,689	4,118	-	26,807
Customer deposits	8,253	-	-	8,253
Other current liabilities	22,106	-	-	22,106
Due to other funds	87,885	-	-	87,885
Total liabilities	<u>178,626</u>	<u>5,374</u>	<u>-</u>	<u>184,000</u>
FUND BALANCES				
Nonspendable:				
Inventory	67,030	43,593	-	110,623
Fund principal	-	-	58,240	58,240
Restricted for:				
Public works/streets	-	1,398,309	40,514	1,438,823
Public safety	-	-	11,058	11,058
Culture and recreation	-	-	49,386	49,386
Committed to:				
Culture and recreation	-	-	3,884	3,884
Public safety	-	-	-	-
Unassigned	189,049	-	-	189,049
Total fund balances	<u>278,296</u>	<u>1,448,520</u>	<u>163,082</u>	<u>1,889,898</u>
Total liabilities and fund balances	<u>\$ 456,922</u>	<u>\$ 1,453,894</u>	<u>\$ 163,082</u>	<u>\$ 2,073,898</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, 2018

Total fund balances governmental funds \$ 1,889,898

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	15,713,063	
Accumulated depreciation	(7,400,759)	
	8,312,304	8,312,304

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

Compensated absences	(107,277)	
Capital leases	(137,480)	
Net pension liability	(1,733,345)	
	(1,978,102)	(1,978,102)

Net pension assets, deferred outflows and inflows of resources related to pensions and OPEB are applicable to future reporting periods and, therefore, are not reported in the funds:

Net OPEB asset	44,102	
Deferred outflows	718,664	
Deferred inflows	(117,977)	
	644,789	644,789

Net position of governmental activities	\$ 8,868,889
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The accompanying notes are an integral part of the financial statements.

CITY OF ST. JOHNS, ARIZONA
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Highway Users Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 745,173	\$ -	\$ -	\$ 745,173
Licenses, permits and fees	4,356	-	-	4,356
Intergovernmental revenue	1,216,261	756,180	227,267	2,199,708
Charges for services	351,908	-	-	351,908
Fines and forfeitures	35,960	-	-	35,960
Interest	704	6,175	422	7,301
Other revenues	52,020	-	24,873	76,893
Total revenues	<u>2,406,382</u>	<u>762,355</u>	<u>252,562</u>	<u>3,421,299</u>
Expenditures				
Current:				
General government	375,555	-	-	375,555
Public safety	1,473,353	-	265,973	1,739,326
Public works/streets	436,722	549,151	-	985,873
Culture and recreation	401,572	-	1,607	403,179
Health and welfare	-	-	10,000	10,000
Capital outlay	-	107,089	-	107,089
Total expenditures	<u>2,687,202</u>	<u>656,240</u>	<u>277,580</u>	<u>3,621,022</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(280,820)</u>	<u>106,115</u>	<u>(25,018)</u>	<u>(199,723)</u>
Other financing sources (uses)				
Transfers in	25,000	-	17,348	42,348
Transfers out	<u>(57,348)</u>	<u>-</u>	<u>(25,000)</u>	<u>(82,348)</u>
Total other financing sources (uses)	<u>(32,348)</u>	<u>-</u>	<u>(7,652)</u>	<u>(40,000)</u>
Net change in fund balances	(313,168)	106,115	(32,670)	(239,723)
Fund balances, beginning of year	<u>591,464</u>	<u>1,342,405</u>	<u>195,752</u>	<u>2,129,621</u>
Fund balances, end of year	<u>\$ 278,296</u>	<u>\$ 1,448,520</u>	<u>\$ 163,082</u>	<u>\$ 1,889,898</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, 2018

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

Net change in fund balances - total governmental funds	\$	(239,723)
<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		758,724
Depreciation expense		(513,626)
		245,098
<p>Repayment of long-term debt uses current financial resources in the governmental funds but decreases long-term liabilities in the statement of net position.</p>		
Capital lease principal retirement		61,833
<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>		
		15,084
<p>Pension and OPEB 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 or OPEB asset is measured a year before the Town's report date. Pension and OPEB expense, which is the change in the net pension liability and OPEB asset adjusted for changes in deferred outflows and inflows of resources related to pensions and OPEB, is reported in the Statement of Activities.</p>		
Pension and OPEB contributions		153,993
Pension and OPEB expense		(141,395)
		12,598
Change in net position of governmental activities	\$	94,890

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

CITY OF ST. JOHNS, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2018

	Water	Sewer	Buildings	EMS	Totals
Assets					
Current assets:					
Cash and cash equivalents	\$ 6,348	\$ 34,349	\$ -	\$ 999,630	\$ 1,040,327
Receivables (net of allowance)	89,859	29,317	3,468	-	122,644
Prepaid expenses	4,727	4,727	3,309	5,672	18,435
Due from other funds	-	108,307	-	-	108,307
Due from other governments	-	-	-	82,500	82,500
Inventory	28,363	6,723	-	-	35,086
Total current assets	<u>129,297</u>	<u>183,423</u>	<u>6,777</u>	<u>1,087,802</u>	<u>1,407,299</u>
Noncurrent assets:					
Restricted cash	401,425	82,932	-	-	484,357
Restricted investments	-	125,188	-	-	125,188
Net other post employment obligation asset	343	258	-	436	1,037
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	8,588,748	1,415,153	-	-	10,003,901
Furniture, equipment and vehicles	245,855	100,725	-	1,009,222	1,355,802
Accumulated depreciation	(3,278,095)	(907,623)	(461,249)	(788,928)	(5,435,895)
Total noncurrent assets	<u>6,105,888</u>	<u>895,180</u>	<u>1,616,202</u>	<u>348,032</u>	<u>8,965,302</u>
Total assets	<u>6,235,185</u>	<u>1,078,603</u>	<u>1,622,979</u>	<u>1,435,834</u>	<u>10,372,601</u>
Deferred Outflows of Resources					
Deferred outflows related to pensions	41,882	31,483	-	53,315	126,680
Deferred outflows related to OPEB	1,090	819	-	1,387	3,296
Total deferred outflows of resources	<u>42,972</u>	<u>32,302</u>	<u>-</u>	<u>54,702</u>	<u>129,976</u>
Liabilities					
Current liabilities:					
Accounts payable	14,089	875	58	7,225	22,247
Accrued liabilities	1,812	269	-	18,430	20,511
Unearned revenue	7,091	-	-	-	7,091
Customer deposits	64,964	-	-	-	64,964
Due to other funds	13,017	-	84,995	-	98,012
Accrued interest payable	14,755	-	-	-	14,755
Current portion of long-term debt	222,262	7,738	35,043	12,536	277,579
Total current liabilities	<u>337,990</u>	<u>8,882</u>	<u>120,096</u>	<u>38,191</u>	<u>505,159</u>
Noncurrent liabilities (net of current portion):					
Compensated absences	8,600	7,737	-	12,394	28,731
Loans and contract payable	1,322,327	-	-	-	1,322,327
Revenue bonds payable	124,373	-	-	-	124,373
Lease payable	337	-	350,723	-	351,060
Net pension liability	282,971	212,712	-	360,213	855,896
Total noncurrent liabilities	<u>1,738,608</u>	<u>220,449</u>	<u>350,723</u>	<u>372,607</u>	<u>2,682,387</u>
Total liabilities	<u>2,076,598</u>	<u>229,331</u>	<u>470,819</u>	<u>410,798</u>	<u>3,187,546</u>
Deferred Inflows of Resources					
Deferred inflows related to pensions	16,946	12,739	-	21,573	51,258
Deferred inflows related to OPEB	1,230	924	-	1,566	3,720
Total deferred inflows of resources	<u>18,176</u>	<u>13,663</u>	<u>-</u>	<u>23,139</u>	<u>54,978</u>
Net position					
Net investment in capital assets	4,043,424	686,802	1,230,436	347,596	6,308,258
Restricted	336,461	208,120	-	-	544,581
Unrestricted	(198,502)	(27,011)	(78,276)	709,003	407,214
Total net position	<u>\$ 4,183,383</u>	<u>\$ 867,911</u>	<u>\$ 1,152,160</u>	<u>\$ 1,056,599</u>	<u>\$ 7,260,053</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, 2018

	Water	Sewer	City Buildings	EMS	Totals
Operating revenues					
Charges for services	\$ 722,457	\$ 307,652	\$ -	\$ 525,756	\$ 1,555,865
Rent and other revenues	25,969	20,943	40,898	50	87,860
Total operating revenues	<u>748,426</u>	<u>328,595</u>	<u>40,898</u>	<u>525,806</u>	<u>1,643,725</u>
Operating expenses					
Salaries	171,886	138,467	14,742	221,755	546,850
Employee benefits	91,088	86,361	3,137	118,225	298,811
Service, supplies and other	283,711	80,420	27,266	152,319	543,716
Depreciation	212,896	42,886	69,068	64,524	389,374
Total operating expenses	<u>759,581</u>	<u>348,134</u>	<u>114,213</u>	<u>556,823</u>	<u>1,778,751</u>
Operating income (loss)	<u>(11,155)</u>	<u>(19,539)</u>	<u>(73,315)</u>	<u>(31,017)</u>	<u>(135,026)</u>
Non-operating revenues (expenses)					
Interest income	4,611	1,404	-	4,766	10,781
Interest expense and fiscal charges	(53,095)	-	(14,824)	-	(67,919)
Grant revenue	-	-	-	165,000	165,000
Connection fees	2,585	-	-	-	2,585
Total non-operating revenue (expense)	<u>(45,899)</u>	<u>1,404</u>	<u>(14,824)</u>	<u>169,766</u>	<u>110,447</u>
Income (loss) before contributions and transfers	(57,054)	(18,135)	(88,139)	138,749	(24,579)
Contributions and transfers:					
Transfers In	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Change in net position	(57,054)	(18,135)	(48,139)	138,749	15,421
Net position, beginning of year	4,240,387	886,006	1,200,299	917,785	7,244,477
Restatement adjustment	<u>50</u>	<u>40</u>	<u>-</u>	<u>65</u>	<u>155</u>
Net position, end of year	<u>\$ 4,183,383</u>	<u>\$ 867,911</u>	<u>\$ 1,152,160</u>	<u>\$ 1,056,599</u>	<u>\$ 7,260,053</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, 2018

	Water	Sewer	City Buildings	EMS	Totals
Cash flows from operating activities:					
Cash received from customers, service fees	\$ 722,769	\$ 306,695	\$ -	\$ 443,256	\$ 1,472,720
Cash received from customers, other	25,969	20,943	37,430	50	84,392
Cash paid to suppliers	(299,741)	(90,014)	(31,268)	(168,963)	(589,986)
Cash paid to employees	(238,801)	(202,306)	(17,879)	(329,912)	(788,898)
Net cash flows from operating activities	<u>210,196</u>	<u>35,318</u>	<u>(11,717)</u>	<u>(55,569)</u>	<u>178,228</u>
Cash flows from noncapital financing activities:					
Transfers (to)/from other funds	-	-	40,000	-	40,000
Operating grants	-	-	-	165,000	165,000
Net cash flows from noncapital financing activities	<u>-</u>	<u>(108,307)</u>	<u>60,422</u>	<u>165,000</u>	<u>117,115</u>
Cash flows from capital and related financing activities:					
Principal paid on notes, leases and bonds	(206,767)	-	(33,881)	-	(240,648)
Interest paid	(56,935)	-	(14,824)	-	(71,759)
Connection and impact fees	2,585	-	-	-	2,585
Net cash flows from capital and related financing activities	<u>(261,117)</u>	<u>-</u>	<u>(48,705)</u>	<u>-</u>	<u>(309,822)</u>
Cash flows from investing activities:					
Interest on investments	4,611	1,136	-	4,766	10,513
Net cash flows from investing activities	<u>4,611</u>	<u>1,136</u>	<u>-</u>	<u>4,766</u>	<u>10,513</u>
Net change in cash and cash equivalents	(46,310)	(71,853)	-	114,197	(3,966)
Cash and cash equivalents, including restricted cash, beginning of year	<u>454,083</u>	<u>189,134</u>	<u>-</u>	<u>885,433</u>	<u>1,528,650</u>
Cash and cash equivalents, including restricted cash, end of year	<u><u>\$ 407,773</u></u>	<u><u>\$ 117,281</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 999,630</u></u>	<u><u>\$ 1,524,684</u></u>
Reconciliation of operating income to net cash flows from operating activities:					
Net operating income (loss)	\$ (11,155)	\$ (19,539)	\$ (73,315)	\$ (31,017)	\$ (135,026)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:					
Depreciation/amortization	212,896	42,886	69,068	64,524	389,374
Pension and OPEB expense	32,615	22,823	-	34,815	90,253
Employer pension and OPEB contributions	(20,889)	(15,702)	-	(26,590)	(63,181)
Changes in operating assets and liabilities:					
(Increase)/decrease in receivables	(6,779)	(957)	(3,468)	(82,500)	(93,704)
(Increase)/decrease in prepaids	(4,727)	(4,727)	(3,309)	(5,672)	(18,435)
Increase/(decrease) in payables	(11,303)	(4,867)	(693)	(10,972)	(27,835)
Increase/(decrease) in unearned revenue	7,091	-	-	-	7,091
Increase/(decrease) in accrued liabilities	12,447	15,401	-	1,843	29,691
Net cash flows from operating activities	<u><u>\$ 210,196</u></u>	<u><u>\$ 35,318</u></u>	<u><u>\$ (11,717)</u></u>	<u><u>\$ (55,569)</u></u>	<u><u>\$ 178,228</u></u>

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

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting entity

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

Blended component unit

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

Basis of presentation - government-wide financial statements

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

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

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies, Continued

Basis of presentation – fund financial statements

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

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

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

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

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies, Continued

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Measurement focus and basis of accounting

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

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

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

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

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

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies, Continued

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

Cash and cash equivalents

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

Investments

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 cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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, 2018

Note 1. Summary of Significant Accounting Policies, Continued

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

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has one type of item that qualifies for reporting in this category, which is pension/OPEB 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/OPEB related items reported on the government-wide financial statements. See footnote 9 for more information.

Postemployment Benefits

For purposes of measuring the net pension and OPEB assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB 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, 2018

Note 1. Summary of Significant Accounting Policies, Continued

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, 2018

Note 1. Summary of Significant Accounting Policies, Continued

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, 2018

Note 1. Summary of Significant Accounting Policies, Continued

Tax Abatements

The City has not entered into any tax abatement agreements and the City is not aware of any tax abatement agreements that have been entered into by other governments that would reduce the City's tax revenues.

New Pronouncements

For the year ended June 30, 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB. Implementation of these new Statements resulted in a restatement of beginning net position in the City's government-wide, and proprietary fund financial statements (see Note 12).

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

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

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

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 3. Stewardship, Compliance, and Accountability

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

Budgets and budgetary accounting

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

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain public comment.
3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. The City follows a voter-approved alternative expenditure limitation that was adopted on November 8, 2016.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds. The City Manager, subject to City Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without City Council approval.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

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

No budgetary amendment appropriations were made during the year.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 3. Stewardship, Compliance, and Accountability, Continued

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, 2018, 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.

Note 4. Deposits and Investments

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

Cash and cash equivalents	\$	2,462,066
Restricted cash and cash equivalents		511,299
Investments		156,486
Restricted investments		156,486
Total	\$	<u><u>3,286,337</u></u>

Restricted cash consists of the following at June 30, 2018:

Cemetery perpetual care	\$	26,942
WIFA and RDA debt service and repair reserves		336,462
Customer deposits		64,964
Repairs and replacement extension		82,932
Total restricted cash and investments	\$	<u><u>511,299</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, 2018 cash on hand was \$547 and the carrying amount of the City's deposits was \$1,502,216. As of June 30, 2018, \$0 of the City's bank balance was exposed to custodial credit risk because all amounts were insured and collateralized with securities held by the pledging financial institution's trust department or agent.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

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. The State Board of Investments provides oversight for the State Treasurer’s investment pools. 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. Financial statements for the LGIP funds are available on the Arizona State Treasurer’s website at aztreasury.gov.

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 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, 2018 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 in bank	\$ 1,341,276	N/A	N/A
Investments:			
Local Government Investment Pool 5	1,143,999	(1)	32.85 days
US Government Agency Bonds	<u>800,910.94</u>	(1)	3 years
Total cash and investments	<u>\$ 3,286,337</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 City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 4. Deposits and Investments, Continued

The City has the following recurring fair value measurements as of June 30, 2018:

- State Treasurer's Investment Pool is valued at the pool's share price multiplied by the number of shares the City held. The fair value of a participant's position in the pools approximates the value of the participant's pool shares. (Level 2 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, 2018

Note 5. Capital Assets

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

Governmental activities:	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
Capital assets, not being depreciated:				
Land	\$ 241,725	\$ -	\$ -	\$ 241,725
Construction in progress	124,949	506,515	(621,727)	9,737
Total capital assets, not being depreciated	<u>366,674</u>	<u>506,515</u>	<u>(621,727)</u>	<u>251,462</u>
Capital assets, being depreciated:				
Improvements other than buildings	8,400,140	134,777	-	8,534,917
Buildings and improvements	993,175	-	-	993,175
Furniture, equipment & vehicles	3,182,647	117,433	-	3,300,080
Infrastructure - roads	2,011,702	621,727	-	2,633,429
Total capital assets, being depreciated	<u>14,587,664</u>	<u>873,937</u>	<u>-</u>	<u>15,461,601</u>
Less accumulated depreciation for:				
Improvements other than buildings	(3,293,261)	(201,827)	-	(3,495,088)
Buildings and improvements	(606,686)	(42,704)	-	(649,390)
Furniture, equipment & vehicles	(2,254,888)	(187,914)	-	(2,442,802)
Infrastructure - roads	(732,298)	(81,181)	-	(813,479)
Total accumulated depreciation	<u>(6,887,133)</u>	<u>(513,626)</u>	<u>-</u>	<u>(7,400,759)</u>
Total capital assets, being depreciated, net	<u>7,700,531</u>	<u>360,311</u>	<u>-</u>	<u>8,060,842</u>
Governmental activities capital assets, net	<u>\$ 8,067,205</u>	<u>\$ 866,826</u>	<u>\$ (621,727)</u>	<u>\$ 8,312,304</u>

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

Governmental activities:	
General government	\$ 21,445
Public safety	168,099
Public works/streets	274,015
Culture & recreation	50,067
Total depreciation expense - governmental activities	<u>\$ 513,626</u>

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 5. Capital Assets, Continued

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

Business-type activities:	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
Capital assets not being depreciated:				
Land and water rights	\$ 37,984	\$ -	\$ -	\$ 37,984
Total capital assets, not being depreciated	<u>37,984</u>	<u>-</u>	<u>-</u>	<u>37,984</u>
Capital assets being depreciated:				
Water system	8,588,748	-	-	8,588,748
Sewer system	1,415,153	-	-	1,415,153
Buildings and improvements	2,392,928	-	-	2,392,928
Furniture, equipment & vehicles	1,355,802	-	-	1,355,802
Total capital assets, being depreciated	<u>13,752,631</u>	<u>-</u>	<u>-</u>	<u>13,752,631</u>
Less accumulated depreciation for:				
Water system	(2,832,266)	(189,231)	-	(3,021,497)
Sewer system	(770,107)	(36,010)	-	(806,117)
Buildings and improvements	(553,071)	(91,943)	-	(645,014)
Furniture, equipment & vehicles	(891,077)	(72,190)	-	(963,267)
Total accumulated depreciation	<u>(5,046,521)</u>	<u>(389,374)</u>	<u>-</u>	<u>(5,435,895)</u>
Total capital assets, being depreciated, net	<u>8,706,110</u>	<u>(389,374)</u>	<u>-</u>	<u>8,316,736</u>
Business-type activities capital assets, net	<u>\$ 8,744,094</u>	<u>\$ (389,374)</u>	<u>\$ -</u>	<u>\$ 8,354,720</u>

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

Business-type activities:	
Water	\$ 212,896
Sewer	42,886
Buildings	69,068
EMS	64,524
Total depreciation expense - business-type activities	<u>\$ 389,374</u>

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 6. Long-Term Liabilities

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

Governmental activities:	Balance 6/30/2017	Additions	Retirements	Balance 6/30/2018	Current Portion
Capital Leases	199,313	\$ -	\$ (61,833)	\$ 137,480	\$ 63,318
Compensated absences	122,361	58,333	(73,417)	107,277	64,366
Net pension liability	1,616,173	117,172	-	1,733,345	-
Governmental activity Long-term liabilities	<u>\$ 1,937,847</u>	<u>\$ 175,505</u>	<u>\$ (135,250)</u>	<u>\$ 1,978,102</u>	<u>\$ 127,684</u>
 Business-type activities:					
Revenue bonds:					
Water development revenue bonds	\$ 129,875	\$ -	\$ (2,689)	\$ 127,186	\$ 2,813
Other:					
WIFA loans payable	828,475	-	(111,864)	716,611	115,413
Rural development loan	892,390	-	(84,145)	808,245	87,116
Capital leases	436,371	-	(41,951)	394,420	43,361
Compensated absences	31,764	60,407	(34,564)	57,607	28,876
Net pension liability	857,691	-	(1,795)	855,896	-
Business-type activity Long-term liabilities	<u>\$ 3,176,566</u>	<u>\$ 60,407</u>	<u>\$ (277,008)</u>	<u>\$ 2,959,965</u>	<u>\$ 277,579</u>

Generally, resources from the General fund are used to liquidate liabilities and compensated absences for governmental activities.

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CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 6. Long-Term Liabilities, Continued

The following is a listing of long-term debt and liabilities outstanding as of June 30, 2018:

Loan Payable:

Water Infrastructure Finance Authority loan, issued 2001 converted to term loan, July 1, 2003, bearing interest at 3.3% due in semi-annual principal and interest installments, maturing July, 2021. \$ 396,818

Water Infrastructure Finance Authority loan, issued May 21, 2011 bearing interest at 2.604%, due in semiannual principal and interest installments, maturing July, 2030. 319,793

Rural Development loan, issued September 14, 2011 bearing interest at 3.25%, due in monthly principal and interest installments, maturing August, 2026. 808,245

Revenue Bonds:

Water Development Revenue Bonds, issued 2003 due in semiannual principal and interest installments, bearing interest at 4.625%, maturing July 1, 2042. 127,186

Total loans and bonds payable 1,652,042

Leases Payable:

Capital leases payable in annual installments through October 1, 2027, bearing interest at 2.83% and 4.16%. 531,900

Accrued Compensated Absences 164,884

Net OPEB Liability 0

Net Pension Liability 2,589,241

Total long term liabilities 4,938,067

Less current portion

 Business-type Activities (277,579)

 Governmental-type Activities (127,684)

Total net of current portion \$ 4,532,804

Revenue Bonds and Loan debt service maturities are as follows for the business-type activities as of June 30, 2018:

Year Ended June 30,	Business-Type Activities		
	Principal	Interest	Total
2019	\$ 205,342	\$ 45,542	\$ 250,884
2020	212,009	39,134	251,143
2021	215,106	33,010	248,116
2022	226,002	25,673	251,675
2023	125,823	20,383	146,206
2024-2028	491,791	49,969	541,760
2029-2033	107,797	20,145	127,942
2034-2038	30,396	12,453	42,849
2039-2043	37,776	4,566	42,342
Total	<u>\$ 1,652,042</u>	<u>\$ 250,875</u>	<u>\$ 1,902,917</u>

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

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. In fiscal year 2017, the City entered into a lease agreement as lessee for financing the acquisition of a Caterpillar 420F2 loader. These lease agreements qualify as 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, 2018, were as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2019	\$ 66,602	\$ 57,555	\$ 124,157
2020	10,822	48,742	59,564
2021	10,822	48,742	59,564
2022	10,822	48,742	59,564
2023	10,822	48,742	59,564
2024-2028	39,970	219,014	258,984
Total remaining minimum lease payments:	149,860	471,537	621,397
Less: amount representing interest:	(12,380)	(77,117)	(89,497)
Present value of remaining minimum lease payments:	<u>\$ 137,480</u>	<u>\$ 394,420</u>	<u>\$ 531,900</u>

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

	<u>Cost</u>	<u>Depreciation</u>
Buildings	\$ 1,534,577	\$ 178,753
Vehicles	302,714	211,900
Equipment	103,121	10,312

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, 2018, 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>	<u>General Fund</u>	
General Fund	\$ 64,573	\$ 13,017	\$ -	\$ 77,590
Sewer Fund	20,422	-	87,885	108,307
	<u>\$ 84,995</u>	<u>\$ 13,017</u>	<u>\$ 87,885</u>	<u>\$ 185,897</u>

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

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, 2018, the City had the following transfers:

<u>Transfers In</u>	<u>Transfers Out</u>		
	General Fund	Non Major Governmental Fund	Total
General Fund	\$ -	\$ 25,000	\$ 25,000
Non Major Governmental	17,348	-	17,348
Building Fund	40,000	-	40,000
	<u>\$ 57,348</u>	<u>\$ 25,000</u>	<u>\$ 82,348</u>

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, 2018

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, 2018, 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/OPEB asset	\$ 2,219	\$ 42,920	\$ 45,139	\$ 44,102	\$ 1,037
Net pension/OPEB liabilities	1,831,978	757,263	2,589,241	1,733,345	855,896
Deferred outflows of resources	278,203	570,437	848,640	718,664	129,976
Deferred inflows of resources	117,673	55,282	172,955	117,977	54,978
Pension/OPEB expense	145,402	4,180	149,582	(12,598)	162,180

The City reported (\$12,598) of pension and OPEB expenditures in the governmental funds related to all pension and OPEB plans to which it contributes.

Arizona State Retirement System (ASRS)

Plan description – City employees not covered by the other pension plans described below participate 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.

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, 2018

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.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction for each completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

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 year ended June 30, 2018, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.5 percent (11.34 percent for retirement and 0.16 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 11.5 percent (10.9 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 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 9.47 percent (9.17 percent for retirement and 0.21 percent for health insurance premium benefit, and 0.09 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill.

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
2016	\$ 119,008	\$ 5,484	\$ 1,316
2017	123,724	6,427	1,607
2018	128,179	5,174	1,882

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 9. Retirement and Pension Plans, Continued

Pension liability – At June 30, 2018, the City reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net pension/OPEB (asset) liability
Pension	\$ 1,831,979
Health insurance premium benefit	(6,495)
Long-term disability	4,277

The net asset and net liabilities were measured as of June 30, 2017. The total liability used to calculate the net asset or net liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017 reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The City's proportion of the net asset or net 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, 2017. The City's proportion measured as of June 30, 2017 and the change from its proportion measures as of June 30, 2016 were:

	Proportion June 30, 2016	Proportion June 30, 2017	Increase (decrease) from June 30, 2016
Pension	0.011710%	0.011760%	0.000050%
Health insurance premium benefit	0.011931%	0.011930%	-0.000001%
Long-term disability	0.011799%	0.011800%	0.000001%

The net asset and net liabilities measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the City's net asset and net liabilities as a result of these changes is not known.

Expense – For the year ended June 30, 2018, the City recognized the following pension and OPEB expense:

	Pension/OPEB Expense
Pension	\$ 139,322
Health insurance premium benefit	3,798
Long-term disability	2,282

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 9. Retirement and Pension Plans, Continued

Deferred outflows/inflows of resources – At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit		Long-Term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 54,933	-	0	-	-
Changes of assumptions or other inputs	79,567	54,779	-	0	-	-
Net difference between projected and actual earnings on pension plan investments	13,152	-	-	7313	-	640
Changes in proportion and differences between contributions and proportionate share of contributions	50,250	-	-	8	-	-
Contributions subsequent to the measurement date	128,179	-	5,174	0	1,882	-
Total	\$ 271,148	\$ 109,712	\$ 5,174	\$ 7,321	\$ 1,882	\$ 640

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized as expenses as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources	Health Insurance Premium Benefit	Long-term disability
2019	\$ (32,317)	\$ (1,830)	\$ (160)
2020	84,775	(1,830)	(160)
2021	22,940	(1,830)	(160)
2022	(42,141)	(1,830)	(160)
2023	-	(1)	-
Thereafter	-	-	-

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

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, 2016
Actuarial roll forward date	June 30, 2017
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
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2016, 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 to be 8.7 percent 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:

Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	58%	6.73%	3.87%
Fixed income	25%	3.70%	0.91%
Commodities	2%	3.84%	0.08%
Real Estate	10%	4.25%	0.42%
Multi-asset	5%	3.41%	0.17%
Totals	100%		5.45%
		Inflation	3.25%
		Expected arithmetic nominal return	8.70%

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 9. Retirement and Pension Plans, Continued

Discount Rate – The discount rate used to measure the ASRS total pension/OPEB asset and liabilities was 8.00 percent, which is less than the long-term expected rate of return of 8.7 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/OPEB asset and liabilities.

Sensitivity of the proportionate share of the net pension/OPEB (asset) 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	\$ 2,351,377	\$ 1,831,979	\$ 1,397,977
Net insurance premium benefit liability (asset)	10,786	(6,495)	(21,180)
Net long-term disability liability	5,115	4,277	3,567

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 and cost-sharing multiple-employer defined benefit pension plan and an agent cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) 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. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

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.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

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:

	Initial Membership Date Before January 1, 2012	Initial Membership Date On or After January 1, 2012
Retirement and Disability		
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	
Survivor Benefit		
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, 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, 2018

Note 9. Retirement and Pension Plans, Continued

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents.

Employees covered by benefit terms – At June 30, 2018, the following employees were covered by the agent pension plans’ benefit terms:

Retirees & Beneficiaries	4		4
Terminated	5		0
Active employees	5		5
Total	14		9

Contributions and annual OPEB cost – State statutes establish the pension contribution requirements for active PSPRS employees. 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. Contribution rates for the year ended June 30, 2018 are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active member - Pension	City - Pension	insurance premium
PSPRS Police	7.65-11.65%	25.76%	0.00%
PSPRS Tier 3 risk pool	9.94%	9.68%	0.26%

Also, statute required the City to contribute at the actuarially determined rate of 11.37% of the annual covered payroll of City police employees who were PSPRS Tier 3 Risk Pool members, in addition to the City’s required contributions to the PSPRS Tier 3 Risk Pool for these City police employees.

In addition, the City was required by statute to contribute at the actuarially determined rate of 11.37 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.

The City’s contributions to the plans for the year ended June 30, 2018, were:

	Pension	Health insurance
PSPRS	\$ 81,939	-
PSPRS Tier 3 risk pool	-	-

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 9. Retirement and Pension Plans, Continued

During fiscal year 2018, the City paid for PSPRS pension and OPEB contributions 100% from the general fund.

Liability (Asset) – At June 30, 2018, the City reported the following assets and liabilities:

	Net pension (asset) liability	Net OPEB (asset) liability
PSPRS	\$ 173,499	\$ (36,185)

The net assets and net liabilities were measured as of June 30, 2017, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liability as of June 30, 2017, reflects changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. the following changes of benefit terms and actuarial assumptions.

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Discount rate	7.50%
Projected salary increases	3.5% to 7.5% including inflation
Inflation	2.5%
Permanent benefit increase	Included for pensions / not applicable for OPEB
Mortality rates	RP-2014 mortality tables projected backwards 1 year to 2013 with MP-2014 (110% of female healthy annuitant mortality table)
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 9. Retirement and Pension Plans, Continued

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. 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 Geometric Real Rate of Return</u>
U.S. Equity	16.00%	7.60%
Non-U.S. Equity	14.00%	8.70%
Private Equity	12.00%	6.75%
Fixed Income	5.00%	1.25%
Credit Opportunities	16.00%	5.83%
Absolute Return	2.00%	3.75%
GTAA	10.00%	3.96%
Real Assets	9.00%	4.52%
Real Estate	10.00%	3.75%
Risk Parity	4.00%	5.00%
Short Term Inv.	2.00%	0.25%
Total	100.00%	

Discount Rate –At June 30, 2017, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.40 percent, which was a decrease of 0.10 percent from the discount rate used as of June 30, 2016. The projection of cash flows used to determine the discount rates 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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension /OPEB liability.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 9. Retirement and Pension Plans, Continued

Changes in the Net Pension/OPEB Liability

	Pension			Health insurance premium benefit		
	Increase (decrease)			Increase (decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2016	\$ 1,663,754	\$ 1,080,001	\$ 583,753	\$ 27,524	\$ 59,471	\$ (31,947)
Changes for the year:						
Service cost	49,954	-	49,954	1,111	-	1,111
Interest on total pension liability	123,149	-	123,149	2,106	-	2,106
Changes of benefit terms	29,769	-	29,769	200	-	200
Difference between expected and actual experience in the measurement of the pension liability	348,777	-	348,777	(5,577)	-	(5,577)
Changes of assumptions	21,917	-	21,917	(1,869)	-	(1,869)
Contributions - employer	-	78,110	(78,110)	-	-	-
Contributions - employee	-	34,077	(34,077)	-	-	-
Net investment income	-	129,150	(129,150)	-	7,006	(7,006)
Benefit payments, including refunds of employee contributions	(93,487)	(93,487)	-	-	-	-
Pension Plan Administrative Expense	-	(1,543)	1,543	-	(62)	62
Other changes*	-	160,262	(160,262)	-	-	-
Net changes	480,079	306,569	173,510	(4,029)	6,944	(10,973)
Balances at June 30, 2017	\$ 2,143,833	\$ 1,386,570	\$ 757,263	\$ 23,495	\$ 66,415	\$ (42,920)

Sensitivity of the City's proportionate share of the net pension/OPEB liability to changes in the discount rate – The following table presents the City's net pension/OPEB liability (asset) calculated using the discount rate noted (7.40 percent) above, as well as what the City's net pension/OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate:

	1% Decrease (6.40%)	Discount Rate (7.40%)	1% Increase (8.40%)
Proportionate share of			
Net pension (asset) / liability	\$ 749,690	\$ 757,263	\$ 764,836
Net OPEB (asset)/ liability	\$ (42,491)	\$ (42,920)	\$ (43,349)

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/OPEB expense – For the year ended June 30, 2018, the City recognized the following pension and OPEB expense:

	Pension expense	OPEB expense
PSPRS Police	\$ 6,677	\$ (2,497)

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 9. Retirement and Pension Plans, Continued

Deferred outflows/inflows of resources - At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 376,248	\$ 46,806	\$ -	\$ 4,822
Changes in assumptions	93,404	-	-	1,616
Net difference between projected and actual earnings on pension plan investments	18,846	-	-	2,038
Contributions subsequent to the measurement date	81,939	-	-	-
Total	<u>\$ 570,437</u>	<u>\$ 46,806</u>	<u>\$ -</u>	<u>\$ 8,476</u>

The amounts reported as deferred outflows of resources related to PSPRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension/OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions and OPEB will be recognized as expenses as follows:

Year Ended June 30,	Pension	Health Insurance Premium Benefit
2019	\$ 146,487	\$ (1,518)
2020	145,022	(1,518)
2021	96,477	(1,518)
2022	53,706	(1,516)
2023	-	(1,008)
Thereafter	-	(1,398)

Note 10. Risk Management

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

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 10. Risk Management, Continued

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

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

Note 11. Commitments and Contingencies

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

In prior years, the City performed work on one of the City's bridges which impacted and affected wet-lands around the bridge. Due to wet-land maintenance requirements, an equal acreage of wet-lands must be re-established and maintained in perpetuity. The City of St. Johns is in communication with the U.S. Corp of Engineers and the Arizona Department of Game and Fish to have Game and Fish re-establish and maintain the wet-lands. While the amounts and timing have not been finalized as of the issuance of these statements, it is expected the City will pay approximately \$268,000 over 20 years to Game and Fish for this purpose. The details and agreement are expected to be finalized in the year ending June 30, 2019, and the City will record the related liabilities once the details are finalized.

NOTE 12. Change in Accounting Principle

As mentioned in Note 1 to the financial statements, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*. This resulted in a restatement of beginning net position as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>EMS Fund</u>
Restatement adjustment - implementation of GASB 75:					
Net OPEB liability (measurement date as of June 30, 2016)	\$ 27,718	\$ -	\$ (1,154)	\$ (846)	\$ (1,461)
Deferred outflows - contributions made during fiscal year 2017	4,414	-	1,204	886	1,526
Total Restatement Adjustment	<u>\$ 32,132</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 40</u>	<u>\$ 65</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ST. JOHNS, ARIZONA
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2018

ASRS - Pension	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.011760%	0.011710%	0.011120%	0.010317%
Proportionate share of the net pension liability (asset)	\$ 1,831,979	\$ 1,890,112	\$ 1,731,944	\$ 1,526,522
Covered payroll	\$ 2,883,715	\$ 1,146,598	\$ 1,094,203	\$ 886,754
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	63.53%	164.85%	158.28%	172.15%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available

See accompanying notes to pension/OPEB plan schedules.

CITY OF ST. JOHNS, ARIZONA
Schedule of the Proportionate Share of the Net OPEB Liability
June 30, 2018

ASRS - Health insurance premium benefit	Reporting Fiscal Year (Measurement Date)	
	2018	2017
	(2017)	(2016)
Proportion of the net OPEB liability (asset)	0.011930%	0.011931%
Proportionate share of the net OPEB liability (asset)	\$ (6,495)	\$ 3,450
Covered payroll	\$ 2,883,715	\$ 1,146,598
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-0.23%	0.30%
Plan fiduciary net position as a percentage of the total OPEB liability	103.57%	98.02%
 ASRS - Long-term disability		
ASRS - Long-term disability	Reporting Fiscal Year (Measurement Date)	
	2018	2017
	(2017)	(2016)
Proportion of the net OPEB liability (asset)	0.011800%	0.011799%
Proportionate share of the net OPEB liability (asset)	\$ 4,277	\$ 4,240
Covered payroll	\$ 2,883,715	\$ 1,146,598
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	0.15%	0.37%
Plan fiduciary net position as a percentage of the total OPEB liability	84.44%	85.17%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedule above. Additional information will be displayed as it becomes available

CITY OF ST. JOHNS, ARIZONA
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2018

PSPRS	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability				
Service cost	\$ 49,954	\$ 53,380	\$ 42,050	\$ 51,283
Interest on total pension liability	123,149	125,938	100,199	80,927
Changes of benefit terms	29,769	(88,004)	-	51,339
Difference between expected and actual experience of the total net pension liability	348,777	(51,026)	242,304	(151,792)
Changes of assumptions	21,917	78,581	-	279,193
Benefit payments, including refunds of employee contributions	(93,487)	(65,464)	(59,204)	(62,461)
Net change in total pension liability	480,079	53,405	325,349	248,489
Total pension liability - beginning	1,663,754	1,610,349	1,285,000	1,036,511
Total pension liability - ending (a)	<u>\$ 2,143,833</u>	<u>\$ 1,663,754</u>	<u>\$ 1,610,349</u>	<u>\$ 1,285,000</u>
Plan fiduciary net position				
Contributions - employer	\$ 78,110	\$ 79,318	\$ 34,397	\$ 22,419
Contributions - employee	34,077	35,342	28,751	17,863
Net investment income	129,150	6,068	35,968	120,191
Benefit payments, including refunds of employee contributions	(93,487)	(65,464)	(59,204)	(62,461)
Pension Plan Administrative Expense	(1,543)	(1,272)	(1,256)	-
Other (net transfer)	160,262	8,467	8,485	(15,984)
Net change in plan fiduciary net position	306,569	62,459	47,141	82,028
Plan fiduciary net position - beginning	1,080,001	1,017,542	970,401	888,373
Plan fiduciary net position - ending (b)	<u>\$ 1,386,570</u>	<u>\$ 1,080,001</u>	<u>\$ 1,017,542</u>	<u>\$ 970,401</u>
Net pension liability - ending (a) - (b)	<u>\$ 757,263</u>	<u>\$ 583,753</u>	<u>\$ 592,807</u>	<u>\$ 314,599</u>
Plan fiduciary net position as a percentage of the total pension liability	64.68%	64.91%	63.19%	75.52%
Covered payroll	\$ 226,652	\$ 297,545	\$ 291,807	\$ 221,222
Net pension liability as a percentage of covered payroll	334.11%	196.19%	203.15%	142.21%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available

See accompanying notes to pension/OPEB plan schedules.

CITY OF ST. JOHNS, ARIZONA
Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2018

PSPRS	Reporting Fiscal Year
Health Insurance Premium Benefit	(Measurement Date)
	2018
	(2017)
Total pension liability	
Service cost	\$ 1,111
Interest on total pension liability	2,106
Changes of benefit terms	200
Difference between expected and actual experience of the total net pension liability	(5,577)
Changes of assumptions	(1,869)
Benefit payments, including refunds of employee contributions	-
Net change in total pension liability	(4,029)
Total pension liability - beginning	27,524
Total pension liability - ending (a)	\$ 23,495
 Plan fiduciary net position	
Contributions - employer	\$ -
Contributions - employee	-
Net investment income	7,006
Benefit payments, including refunds of employee contributions	-
Pension Plan Administrative Expense	(62)
Other (net transfer)	-
Net change in plan fiduciary net position	6,944
Plan fiduciary net position - beginning	59,471
Plan fiduciary net position - ending (b)	\$ 66,415
 Net pension liability - ending (a) - (b)	\$ (42,920)
 Plan fiduciary net position as a percentage of the total pension liability	282.68%
 Covered payroll	\$ 226,652
 Net pension liability as a percentage of covered payroll	-18.94%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedule above. Additional information will be displayed as it becomes available

See accompanying notes to pension/OPEB plan schedules.

CITY OF ST. JOHNS, ARIZONA
Schedule of Pension/OPEB Contributions
June 30, 2018

ASRS - Pension	Reporting Fiscal Year			
	2018	2017	2016	2015
Contractually required contribution	\$ 128,179	\$ 123,602	\$ 111,527	\$ 99,508
Contributions in relation to the contractually required contribution	(128,179)	(123,602)	(111,527)	(99,508)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,925,308	\$ 2,883,715	\$ 1,146,598	\$ 1,094,203
Contributions as a percentage of covered payroll	4.38%	4.29%	9.73%	9.09%

ASRS- Health insurance premium benefit	Reporting Fiscal Year	
	2018	2017
Contractually required contribution	\$ 5,174	\$ 6,421
Contributions in relation to the contractually required contribution	(5,174)	(6,421)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,925,308	\$ 2,883,715
Contributions as a percentage of covered payroll	0.18%	0.22%

ASRS - Long-term disability	Reporting Fiscal Year (Measurement Date)	
	2018	2017
Contractually required contribution	\$ 1,882	\$ 1,605
Contributions in relation to the contractually required contribution	(1,882)	(1,605)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,925,308	\$ 2,883,715
Contributions as a percentage of covered payroll	0.06%	0.06%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the pension/OPEB schedule above. Additional information will be displayed as it becomes available

See accompanying notes to pension/OPEB plan schedules.

CITY OF ST. JOHNS, ARIZONA
Schedule of Pension/OPEB Contributions
June 30, 2018

PSPRS	Reporting Fiscal Year (Measurement Date)				
	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 81,939	\$ 78,110	\$ 79,318	\$ 34,397	\$ 22,419
Contributions in relation to the actuarially determined contribution	(81,939)	(78,110)	(79,318)	(34,397)	(22,419)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 318,333	\$ 226,652	\$ 297,545	\$ 291,807	\$ 221,222
Contributions as a percentage of covered payroll	25.74%	34.46%	26.66%	11.79%	10.13%

PSPRS
Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)	
	2018	2017
Actuarially determined contribution	\$ 81,939	\$ -
Contributions in relation to the actuarially determined contribution	(81,939)	-
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 318,333	\$ 226,652
Contributions as a percentage of covered payroll	25.74%	0.00%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the pension/OPEB schedule above. Additional information will be displayed as it becomes available

See accompanying notes to pension/OPEB plan schedules.

CITY OF ST. JOHNS, ARIZONA
Required Supplementary Information
Notes to the Pension/OPEB Plan Schedules
June 30, 2018

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	21 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 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%. In the 2013 actuarial valuation, the projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
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 2015 using projection scale AA (adjusted by 105% for both males and females)

CITY OF ST. JOHNS, ARIZONA
Required Supplementary Information
Notes to the Pension/OPEB Plan Schedules
June 30, 2018

Note 2. Factors that Affect the Identification of Trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are included in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

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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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes:				
City sales tax	\$ 800,000	\$ 800,000	\$ 745,173	\$ (54,827)
Total taxes	800,000	800,000	745,173	(54,827)
Licenses, permits and fees:				
Building permits	2,500	2,500	2,891	391
Business and other licenses	1,030	1,030	1,465	435
Total licenses, permits and fees	3,530	3,530	4,356	826
Intergovernmental:				
State sales taxes	331,050	331,050	342,237	11,187
State revenue sharing	437,150	437,150	441,931	4,781
Auto lieu tax	233,230	233,230	227,783	(5,447)
State land reimbursement	140,000	140,000	204,310	64,310
Other grants	15,000	15,000	-	(15,000)
Total intergovernmental	1,156,430	1,156,430	1,216,261	59,831
Charges for services:				
Administrative fees	1,100	1,100	1,644	544
Cemetery fees	9,000	9,000	7,407	(1,593)
Park, swimming pool and recreation fees	49,900	49,900	53,893	3,993
Animal control	2,200	2,200	8,076	5,876
Airport fuel sales	260,550	260,550	280,888	20,338
Total charges for services	322,750	322,750	351,908	29,158
Fines and forfeitures:				
Fines and forfeitures	31,100	31,100	35,960	4,860
Total fines and forfeitures	31,100	31,100	35,960	4,860
Interest:				
Interest income	1,400	1,400	704	(696)
Total interest	1,400	1,400	704	(696)
Other revenues:				
Rents	23,000	23,000	29,275	6,275
Donations	-	-	1,500	1,500
Miscellaneous	13,950	13,950	21,245	7,295
Total other revenues	36,950	36,950	52,020	15,070
Total revenues	2,352,160	2,352,160	2,406,382	54,222

(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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
General government:				
Council	11,500	11,500	8,216	3,284
Administration	285,640	285,640	299,183	(13,543)
Magistrate	82,300	82,300	67,564	14,736
Contingency	-	-	592	(592)
Total general government	<u>379,440</u>	<u>379,440</u>	<u>375,555</u>	<u>3,885</u>
Public safety:				
Law enforcement	892,100	892,100	923,820	(31,720)
Fire	623,560	623,560	508,252	115,308
Animal control	48,490	48,490	41,281	7,209
Total public safety	<u>1,564,150</u>	<u>1,564,150</u>	<u>1,473,353</u>	<u>90,797</u>
Public works/streets:				
Planning and zoning	40,660	40,660	31,624	9,036
Mosquito control	5,000	5,000	5,631	(631)
Airport	384,850	384,850	396,409	(11,559)
Cemetery	4,460	4,460	3,058	1,402
Total public works/streets	<u>434,970</u>	<u>434,970</u>	<u>436,722</u>	<u>(1,752)</u>
Culture and recreation:				
Contributions	23,500	23,500	23,850	(350)
Parks and recreation, activity center and fairgrounds	293,390	293,390	261,797	31,593
Swimming pool	125,550	125,550	107,399	18,151
Little league	5,150	5,150	2,776	2,374
Equestrian	6,010	6,010	5,750	260
Total culture and recreation	<u>453,600</u>	<u>453,600</u>	<u>401,572</u>	<u>52,028</u>
Capital outlay	-	-	-	-
Total expenditures	<u>2,832,160</u>	<u>2,832,160</u>	<u>2,687,202</u>	<u>144,958</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(480,000)</u>	<u>(480,000)</u>	<u>(280,820)</u>	<u>199,180</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	25,000	25,000
Transfers out	(40,000)	(40,000)	(57,348)	(17,348)
Total other financing sources (uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>(32,348)</u>	<u>7,652</u>
Net change in fund balance	(520,000)	(520,000)	(313,168)	206,832
Fund balance, beginning of year	591,464	591,464	591,464	-
Fund balance, end of year	<u>\$ 71,464</u>	<u>\$ 71,464</u>	<u>\$ 278,296</u>	<u>\$ 206,832</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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenue:				
Highway user revenues	\$ 748,815	\$ 748,815	\$ 756,180	\$ 7,365
Total intergovernmental	748,815	748,815	756,180	7,365
Other revenue:				
Interest income	2,800	2,800	6,175	3,375
Miscellaneous	500	500	-	(500)
Total revenue	752,115	752,115	762,355	10,240
EXPENDITURES:				
Public works:				
Salaries	197,300	197,300	163,737	33,563
Employee benefits	107,700	107,700	102,327	5,373
Services, supplies, and other	535,115	535,115	283,087	252,028
Total public works	840,115	840,115	549,151	290,964
Capital outlay	1,112,000	1,112,000	107,089	1,004,911
Total expenditures	1,952,115	1,952,115	656,240	1,295,875
Excess (deficiency) of revenues over (under) expenditures	(1,200,000)	(1,200,000)	106,115	1,306,115
Fund balance, beginning of year	1,342,405	1,342,405	1,342,405	-
Fund balance, end of year	\$ 142,405	\$ 142,405	\$ 1,448,520	\$ 1,306,115

**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, 2018

	Special Revenue Funds		Permanent Fund	Total
	LTAf	Grants Fund	Cemetery	
ASSETS				
Cash and cash equivalents	\$ 40,514	\$ 48,252	\$ -	\$ 88,766
Due from other governments	-	16,076	-	16,076
Restricted cash - permanent fund	-	-	26,942	26,942
Restricted investments - permanent fund	-	-	31,298	31,298
Total assets	\$ 40,514	\$ 64,328	\$ 58,240	\$ 163,082
LIABILITIES				
Total liabilities	\$ -	\$ -	\$ -	\$ -
FUND BALANCES				
Nonspendable:				
Fund principal	-	-	58,240	58,240
Restricted:				
Public safety	-	11,058	-	11,058
Public works/streets	40,514	-	-	40,514
Culture and recreation	-	49,386	-	49,386
Committed to:				
Culture and recreation	-	3,884	-	3,884
Total fund balances	40,514	64,328	58,240	163,082
Total liabilities and fund balances	\$ 40,514	\$ 64,328	\$ 58,240	\$ 163,082

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, 2018

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total</u>
	<u>LTAf</u>	<u>Grants Fund</u>	<u>Cemetery</u>	
REVENUES:				
Intergovernmental revenue	\$ -	\$ 227,267	\$ -	\$ 227,267
Interest	-	-	422	422
Donations and other	-	21,834	3,039	24,873
Total revenues	<u>-</u>	<u>249,101</u>	<u>3,461</u>	<u>252,562</u>
EXPENDITURES:				
Current:				
Public safety	-	265,973	-	265,973
Culture and recreation	-	1,607	-	1,607
Health and welfare	-	10,000	-	10,000
Total expenditures	<u>-</u>	<u>277,580</u>	<u>-</u>	<u>277,580</u>
Excess (deficiency) of revenues over (under) expenditures	-	(28,479)	3,461	(25,018)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(25,000)	-	(25,000)
Transfers in	-	17,348	-	17,348
Total other financing sources (uses):	<u>-</u>	<u>(7,652)</u>	<u>-</u>	<u>(7,652)</u>
Net change in fund balances	-	(36,131)	3,461	(32,670)
Fund balances, beginning of year	<u>40,514</u>	<u>100,459</u>	<u>54,779</u>	<u>195,752</u>
Fund balances, end of year	<u>\$ 40,514</u>	<u>\$ 64,328</u>	<u>\$ 58,240</u>	<u>\$ 163,082</u>

CITY OF ST. JOHNS, ARIZONA
LTAF SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2018

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

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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenue:				
Federal, state and other grants	\$ 3,470,430	\$ 3,470,430	\$ 227,267	\$ (3,243,163)
Other revenue:				
Donations and other	64,150	64,150	21,834	(42,316)
Total revenue	<u>3,534,580</u>	<u>3,534,580</u>	<u>249,101</u>	<u>(3,285,479)</u>
EXPENDITURES:				
Current:				
Public safety	122,940	122,940	265,973	(143,033)
Culture and recreation	3,000,500	3,000,500	1,607	2,998,893
Health and welfare	27,000	27,000	10,000	17,000
Total expenditures	<u>3,150,440</u>	<u>3,150,440</u>	<u>277,580</u>	<u>2,872,860</u>
Excess (deficiency) of revenues over (under) expenditures	384,140	384,140	(28,479)	(412,619)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(25,000)	(25,000)
Transfers in	-	-	17,348	17,348
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(7,652)</u>	<u>(7,652)</u>
Net change in fund balance	384,140	384,140	(36,131)	(420,271)
Fund balance, beginning of year	<u>100,459</u>	<u>100,459</u>	<u>100,459</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 484,599</u></u>	<u><u>\$ 484,599</u></u>	<u><u>\$ 64,328</u></u>	<u><u>\$ (420,271)</u></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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Cemetery perpetual care fees	\$ 2,500	\$ 2,500	\$ 2,394	\$ (106)
Interest	300	300	422	122
Donations and Other	-	-	645	645
	<u>2,800</u>	<u>2,800</u>	<u>3,461</u>	<u>661</u>
Total revenue	<u>2,800</u>	<u>2,800</u>	<u>3,461</u>	<u>661</u>
EXPENDITURES:				
Public works	<u>4,460</u>	<u>4,460</u>	<u>-</u>	<u>4,460</u>
Total expenditures	<u>4,460</u>	<u>4,460</u>	<u>-</u>	<u>4,460</u>
Excess (deficiency) of revenues over (under) expenditures	(1,660)	(1,660)	3,461	5,121
Fund balance, beginning of year	<u>54,779</u>	<u>54,779</u>	<u>54,779</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 53,119</u></u>	<u><u>\$ 53,119</u></u>	<u><u>\$ 58,240</u></u>	<u><u>\$ 5,121</u></u>

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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HINTONBURDICK
CPAs & ADVISORS

**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, 2018, 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 March 25, 2019.

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 first 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies.

2018-001 Segregation of Duties
2018-002 Lack of Documentation

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

HintonBurdick, PLLC
Gilbert, Arizona
March 25, 2019



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, 2018, and have issued our report thereon dated March 25, 2019. 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, 2018.

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
HintonBurdick, PLLC
Gilbert, Arizona
March 25, 2019

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