



FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2022

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF ST. JOHNS, ARIZONA

Table of Contents

	<u>Page</u>
Independent Auditors' Report on Financial Statements.....	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Net Position - Proprietary Funds.....	20
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Notes to the Financial Statements.....	23
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability.....	58
Schedule of the Proportionate Share of the Net OPEB Liability	59
Schedule of Changes in the Net Pension Liability and Related Ratios.....	60
Schedule of Changes in the Net OPEB Liability and Related Ratios	61
Schedule of Pension/OPEB Contributions.....	62
Notes to the Pension/OPEB Plan Schedules	64
Budgetary Comparison Schedules – Major Governmental Funds.....	66
Supplementary Information:	
Nonmajor Combining and Individual Fund Budgetary Comparison Schedules.....	71
Other Communications from Independent Auditors:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters.....	79
Report on State Legal Compliance	81

This page intentionally left blank



HINTONBURDICK CPAs & ADVISORS

Independent Auditors' Report

The Honorable Mayor and
City Council
St. Johns, Arizona

Report on the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of St. Johns, AZ and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in fiscal year 2022, the City of St. Johns, AZ implemented the provisions of GASB Statement No. 87, *Leases* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

City of St. Johns, AZ's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of St. Johns, AZ's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of St. Johns, AZ's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of St. Johns, AZ's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of St. Johns, AZ'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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2025 on our consideration of City of St. Johns, AZ'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 solely 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 the effectiveness of 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, AZ's internal control over financial reporting and compliance.

HintonBurdick, PLLC

Mesa, Arizona
April 22, 2025

This page intentionally left blank

CITY OF ST. JOHNS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2022

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, 2022. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total net position increased by \$729,457 which resulted in total assets in excess of total liabilities (net position) of \$18.1 million at the close of the fiscal year.
- Total governmental revenues exceeded total governmental expenses and transfers by \$294,482.
- Total business-type revenues exceeded total business-type expenses and transfers by \$434,975.
- Total revenues from all sources were \$7.32 million and the total cost of all City programs was \$6.59 million.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,082,957 or 32% 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.
- 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 \$18.1 million as of June 30, 2022 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	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Current and other assets	\$ 4,550,969	\$ 3,966,788	\$ 2,650,822	\$ 2,131,644	\$ 7,201,791	\$ 6,098,432
Capital assets	7,582,167	8,007,793	7,581,537	7,886,247	15,163,704	15,894,040
Total assets	12,133,136	11,974,581	10,232,359	10,017,891	22,365,495	21,992,472
Deferred outflows of resources	693,047	869,115	177,044	141,928	870,091	1,011,043
Long-term liabilities outstanding	2,012,074	2,909,776	1,646,999	2,066,954	3,659,073	4,976,730
Other liabilities	281,231	223,895	283,983	295,297	565,214	519,192
Total liabilities	2,293,305	3,133,671	1,930,982	2,362,251	4,224,287	5,495,922
Deferred inflows of resources	615,717	87,346	271,414	26,735	887,131	114,081
Net position:						
Net investment in capital assets	7,534,197	7,605,778	6,552,202	6,592,433	14,086,399	14,198,211
Restricted	3,064,384	2,331,967	636,337	749,492	3,700,721	3,081,459
Unrestricted	(681,420)	(315,066)	1,018,468	428,908	337,048	113,842
Total net position	\$ 9,917,161	\$ 9,622,679	\$ 8,207,007	\$ 7,770,833	\$ 18,124,168	\$ 17,393,512

Governmental Activities

The cost of all Governmental activities this year was \$4.6 million. As shown on the statement of Changes in Net Position on the following page, \$529,345 of this cost was paid for by those who directly benefited from the programs, \$1.96 million 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 \$2.49 million. General Taxes, State Revenue Sharing and investment earnings totaled \$2.43 million.

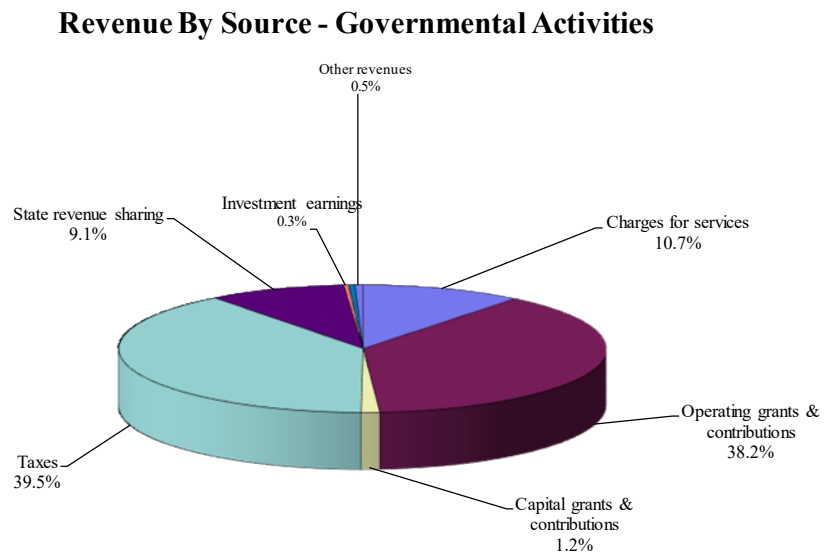
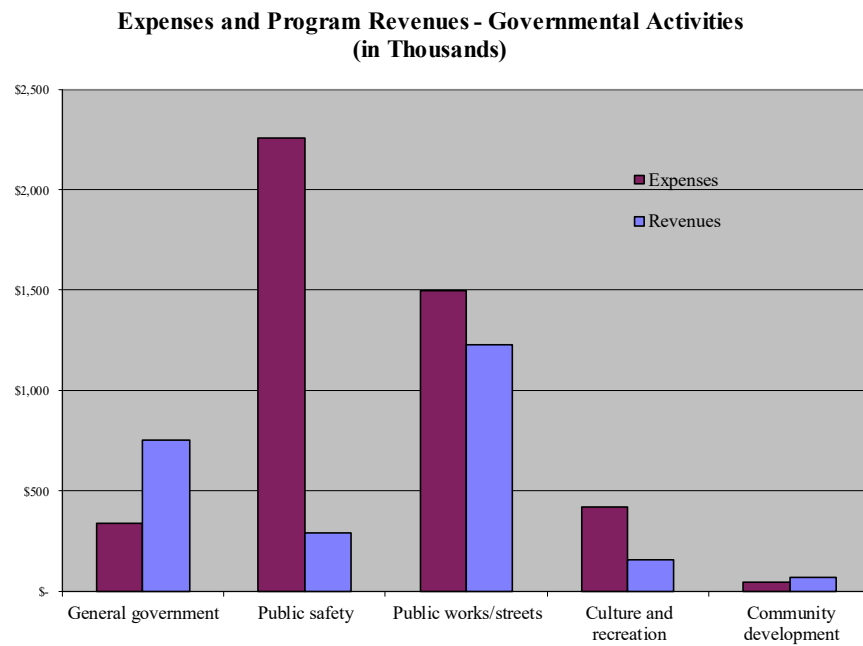
The City's programs include: General Government, Public Safety, Public Works/Streets, Culture & Recreation, and Community Development. Each program's revenues and expenses are presented below.

CITY OF ST. JOHNS, ARIZONA
Changes in Net Position

	Governmental activities		Business-type activities		Combined Total	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenues:						
Program revenues:						
Charges for services	\$ 529,345	\$ 1,358,279	\$ 2,132,724	\$ 2,073,050	\$ 2,662,069	\$ 3,431,329
Operating grants and contributions	1,896,195	1,695,350	177,300	191,100	2,073,495	1,886,450
Capital grants and contributions	59,976	312,650	90,095	-	150,071	312,650
General revenues:						
Taxes	1,958,267	1,747,547	-	-	1,958,267	1,747,547
State revenue sharing	451,910	501,914	-	-	451,910	501,914
Other revenue/(expense)	21,464	91,050	2,563	1,502	24,027	92,552
Total revenues	<u>4,917,157</u>	<u>5,706,790</u>	<u>2,402,682</u>	<u>2,265,652</u>	<u>7,319,839</u>	<u>7,972,442</u>
Expenses:						
General government	335,275	357,339	-	-	335,275	357,339
Public safety	2,257,430	2,386,435	-	-	2,257,430	2,386,435
Public works/Streets	1,494,640	1,373,854	-	-	1,494,640	1,373,854
Culture and recreation	420,079	351,173	-	-	420,079	351,173
Community development	42,616	-	-	-	42,616	-
Interest on long-term debt	22,635	3,625	-	-	22,635	3,625
Water	-	-	892,300	927,407	892,300	927,407
Sewer	-	-	281,227	260,545	281,227	260,545
City Buildings	-	-	111,436	115,519	111,436	115,519
EMS	-	-	732,744	517,765	732,744	517,765
Total expenses	<u>4,572,675</u>	<u>4,472,426</u>	<u>2,017,707</u>	<u>1,821,236</u>	<u>6,590,382</u>	<u>6,293,662</u>
Increase (Decrease) in net position						
before transfers	344,482	1,234,364	384,975	444,416	729,457	1,678,780
Transfers	<u>(50,000)</u>	<u>(50,000)</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Increase in net position	294,482	1,184,364	434,975	494,416	729,457	1,678,780
Net position, beginning	9,622,679	8,438,315	7,770,833	7,276,417	17,393,512	15,714,732
Restatement adjustment	-	-	1,199	-	1,199	-
Net position, ending	<u>\$ 9,917,161</u>	<u>\$ 9,622,679</u>	<u>\$ 8,207,007</u>	<u>\$ 7,770,833</u>	<u>\$ 18,124,168</u>	<u>\$ 17,393,512</u>

Total resources available during the fiscal year to finance governmental operations were \$14.54 million consisting of Net Position at July 1, 2021 of \$9.62 million, program revenues of \$2.48 million and General Revenues of \$2.43 million. Total Governmental Activities expenses during the year were \$4.57 million; thus, Governmental Net Position increased by \$294,482 from operations resulting in net position of \$9.92 million.

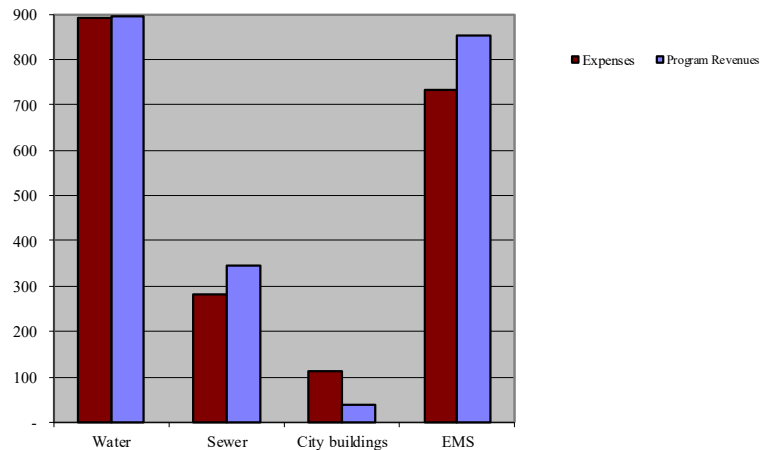
The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:



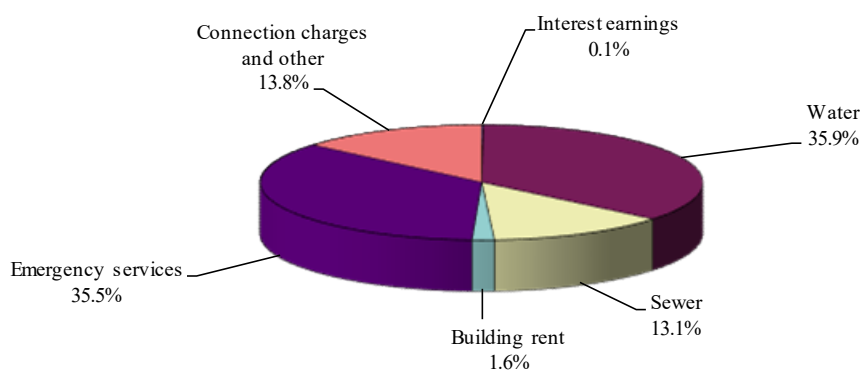
Business Type Activities

Net Position of the Business Type activities at June 30, 2022, as reflected in the Statement of Net Position was \$8.21 million. The cost of providing all Proprietary (Business Type) activities this year was \$2.02 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$2.13 million. Investment earnings and capital and operating grants were \$267,395. The Net Position increased by \$434,975 prior to the restatement adjustment of \$1,199.

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 \$4.2 million, an increase of \$479,126 in comparison with the prior year. The city has \$1,082,957 constituting unassigned fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is nonspendable, restricted, committed 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 \$1,082,957, and total fund balance is \$1,145,915. 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 33.74% of total General fund expenditures excluding transfers. During the year, the City of St. Johns' General fund balance decreased by \$193,188.

The Highway User Revenue Fund has a total fund balance of \$2,438,570, all of which is restricted for road construction and maintenance. The net increase in the fund balance during the current year was \$201,987. Revenues were slightly more and expenses significantly less than estimated for budgeting purposes.

The Grants Fund has a total fund balance of \$506,936, all of which is restricted or committed for various purposes. The net increase in the fund balance during the current year was \$469,194. Revenues were slightly more and expenses significantly less than estimated for budgeting purposes.

The nonmajor governmental funds have a total fund balance of \$106,932, the majority of which is restricted and assigned for Abatement funds, LTAF, 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 \$8,207,007 consisting of \$6,552,202 in net investment in capital assets, \$636,337 in restricted and \$1,018,468 in unrestricted net position.

Budgetary Highlights

The General Fund's revenues of \$3,259,709 were more than budgeted revenues of \$2,913,015 by \$346,694. The most significant variance in revenues is \$226,790 for taxes, \$125,918 for intergovernmental revenue and \$81,040 in charges for services that were collected in excess of budget. The General Fund's expenditures of \$3,395,952 were less than budgeted expenditures of \$3,727,415 by \$331,463. See the budget to actual reports for specific departments that were over/under budget.

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 2022, net capital assets of the government activities totaled \$7.58 million and the net capital assets of the business-type activities totaled \$7.58 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.)

Long-term Liabilities

At year-end, the City had \$2.01 million in governmental type long-term obligations, and \$1.65 million in proprietary long-term obligations. During the current fiscal year, the City's total long-term obligations decreased by \$1.32 million. (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 2022/2023, 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 2021/2022.

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, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,571,290	\$ 1,907,373	\$ 5,478,663
Investments	166,163	-	166,163
Receivables (net of allowance)	488,743	139,143	627,886
Inventory	122,397	35,086	157,483
Internal balances	64,573	(64,573)	-
Restricted cash	6,694	403,947	410,641
Restricted investments	59,724	129,546	189,270
Note receivable	-	79,513	79,513
Net OPEB asset	71,385	20,787	92,172
Capital assets (net of accumulated depreciation):			
Land	241,725	37,984	279,709
Land improvements	4,410,595	-	4,410,595
Buildings	299,717	1,443,171	1,742,888
Distribution systems	-	5,360,976	5,360,976
Infrastructure/roads	1,476,467	-	1,476,467
Furniture, equipment and vehicles	1,153,663	739,406	1,893,069
Total assets	12,133,136	10,232,359	22,365,495
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	655,774	173,425	829,199
Deferred outflows related to OPEB	37,273	3,619	40,892
Total deferred outflows of resources	693,047	177,044	870,091
LIABILITIES			
Accounts payable and other current liabilities	281,231	277,821	559,052
Interest payable	-	6,162	6,162
Noncurrent liabilities:			
Due within one year	77,130	207,617	284,747
Due in more than one year	83,833	891,710	975,543
Net pension/OPEB liability	1,851,111	547,672	2,398,783
Total liabilities	2,293,305	1,930,982	4,224,287
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	566,470	175,914	742,384
Deferred inflows related to OPEB	49,247	17,761	67,008
Deferred inflows related to leases	-	77,739	77,739
Total deferred inflows of resources	615,717	271,414	887,131
NET POSITION			
Net investment in capital assets	7,534,197	6,552,202	14,086,399
Restricted for:			
Debt service	-	107,525	107,525
Public works/streets	2,918,625	-	2,918,625
OPEB	71,385	20,787	92,172
Other purposes	74,374	508,025	582,399
Unrestricted	(681,420)	1,018,468	337,048
Total net position	\$ 9,917,161	\$ 8,207,007	\$ 18,124,168

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, 2022

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	\$ 335,275	\$ 42,628	\$ 707,969	\$ -	\$ 415,322	\$ -	\$ 415,322
Public safety	2,257,430	53,618	189,914	45,835	(1,968,063)	-	(1,968,063)
Public works/streets	1,494,640	322,189	902,325	-	(270,126)	-	(270,126)
Culture and recreation	420,079	110,910	31,330	14,141	(263,698)	-	(263,698)
Community development	42,616	-	64,657	-	22,041	-	22,041
Interest on long-term debt	22,635	-	-	-	(22,635)	-	(22,635)
Total governmental activities	4,572,675	529,345	1,896,195	59,976	(2,087,159)	-	(2,087,159)
Business-type activities:							
Water	892,300	895,970	177,300	-	-	180,970	180,970
Sewer	281,227	344,194	-	90,095	-	153,062	153,062
City buildings	111,436	38,983	-	-	-	(72,453)	(72,453)
EMS	732,744	853,577	-	-	-	120,833	120,833
Total business-type activities	2,017,707	2,132,724	177,300	90,095	-	382,412	382,412
Total primary government	\$ 6,590,382	\$ 2,662,069	\$ 2,073,495	\$ 150,071			
General revenues:							
Taxes:							
City sales tax					1,186,790	-	1,186,790
State sales tax					482,668	-	482,668
Auto lieu tax					288,809	-	288,809
Smart and safe tax					16,171	-	16,171
Urban revenue sharing					451,910	-	451,910
Unrestricted investment earnings					(20,887)	2,563	(18,324)
Gain (loss) on sale of assets					26,180	-	26,180
Transfers					(50,000)	50,000	-
Total general revenues					2,381,641	52,563	2,434,204
Change in net position					294,482	434,975	729,457
Net position - beginning					9,622,679	7,770,833	17,393,512
Restatement adjustment					-	1,199	1,199
Net position - ending					\$ 9,917,161	\$ 8,207,007	\$ 18,124,168

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

CITY OF ST. JOHNS, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2022

	General	Highway Users Revenue Fund	Grants	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 842,480	\$ 2,370,796	\$ 317,500	\$ 40,514	\$ 3,571,290
Investments	166,163	-	-	-	166,163
Receivables:					
Other	119	-	75,598	-	75,717
Intergovernmental	194,225	92,625	126,176	-	413,026
Due from other funds	64,573	-	-	-	64,573
Inventory	62,958	59,439	-	-	122,397
Restricted cash-permanent fund	-	-	-	6,694	6,694
Restricted investments - permanent fund	-	-	-	59,724	59,724
Total assets	<u>\$ 1,330,518</u>	<u>\$ 2,522,860</u>	<u>\$ 519,274</u>	<u>\$ 106,932</u>	<u>\$ 4,479,584</u>
LIABILITIES					
Accounts payable	\$ 120,922	\$ 70,351	\$ 10,810	\$ -	\$ 202,083
Accrued wages and benefits	28,714	13,939	1,528	-	44,181
Customer deposits	11,675	-	-	-	11,675
Other current liabilities	23,292	-	-	-	23,292
Total liabilities	<u>184,603</u>	<u>84,290</u>	<u>12,338</u>	<u>-</u>	<u>281,231</u>
FUND BALANCES					
Nonspendable:					
Inventory	62,958	59,439	-	-	122,397
Fund principal	-	-	-	66,418	66,418
Restricted for:					
General government	-	-	460,771	-	460,771
Public works/streets	-	2,379,131	-	40,514	2,419,645
Public safety	-	-	36,302	-	36,302
Community development	-	-	1,907	-	1,907
Committed to:					
Culture and recreation	-	-	7,956	-	7,956
Unassigned	1,082,957	-	-	-	1,082,957
Total fund balances	<u>1,145,915</u>	<u>2,438,570</u>	<u>506,936</u>	<u>106,932</u>	<u>4,198,353</u>
Total liabilities and fund balances	<u>\$ 1,330,518</u>	<u>\$ 2,522,860</u>	<u>\$ 519,274</u>	<u>\$ 106,932</u>	<u>\$ 4,479,584</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, 2022

Total fund balances governmental funds		\$ 4,198,353
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	16,896,013	
Accumulated depreciation	<u>(9,313,846)</u>	7,582,167
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated absences	(112,993)	
Notes payable	(47,970)	
Net pension/OPEB liability	<u>(1,851,111)</u>	(2,012,074)
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	71,385	
Deferred outflows	693,047	
Deferred inflows	<u>(615,717)</u>	148,715
Net position of governmental activities		<u><u>\$ 9,917,161</u></u>

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

CITY OF ST. JOHNS, ARIZONA
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2022

	General	Highway Users Revenue Fund	Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 1,186,790	\$ -	\$ -	\$ -	\$ 1,186,790
Licenses, permits and fees	13,405	-	-	-	13,405
Intergovernmental revenue	1,565,918	902,325	767,748	-	3,235,991
Charges for services	388,980	-	-	-	388,980
Fines and forfeitures	8,096	-	-	-	8,096
Investment income (loss)	(4,995)	(14,147)	-	(1,742)	(20,884)
Other revenues	101,515	-	389	2,875	104,779
Total revenues	3,259,709	888,178	768,137	1,133	4,917,157
Expenditures					
General government	326,059	-	-	-	326,059
Public safety	1,796,373	-	160,368	-	1,956,741
Public works/streets	631,239	586,199	-	-	1,217,438
Culture and recreation	277,353	-	103,182	-	380,535
Community development	-	-	42,338	-	42,338
Capital outlay	-	88,240	-	-	88,240
Debt service:					
Principal	345,000	9,045	-	-	354,045
Interest	19,928	2,707	-	-	22,635
Total expenditures	3,395,952	686,191	305,888	-	4,388,031
Excess (deficiency) of revenues over (under) expenditures	(136,243)	201,987	462,249	1,133	529,126
Other financing sources (uses)					
Transfers in	-	-	6,945	-	6,945
Transfers out	(56,945)	-	-	-	(56,945)
Total other financing sources (uses)	(56,945)	-	6,945	-	(50,000)
Net change in fund balances	(193,188)	201,987	469,194	1,133	479,126
Fund balances, beginning of year	1,339,103	2,236,583	37,742	105,799	3,719,227
Fund balances, end of year	\$ 1,145,915	\$ 2,438,570	\$ 506,936	\$ 106,932	\$ 4,198,353

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, 2022

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

Net change in fund balances - total governmental funds		\$ 479,126
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period.		
Capital outlay	144,158	
Depreciation expense	<u>(569,784)</u>	(425,626)
Repayment of long-term debt uses current financial resources in the governmental funds but decreases long-term liabilities in the statement of net position.		
Notes payable principal retirement		354,045
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.		
		2,724
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.		
Pension and OPEB contributions	246,255	
Pension and OPEB expense	<u>(362,042)</u>	(115,787)
Change in net position of governmental activities		<u><u>\$ 294,482</u></u>

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

CITY OF ST. JOHNS, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2022

	Water	Sewer	City Buildings	EMS	Totals
Assets					
Current assets:					
Cash and cash equivalents	\$ 70,398	\$ 442,343	\$ 2,240	\$ 1,392,392	\$ 1,907,373
Receivables (net of allowance)	110,240	28,903	-	-	139,143
Inventory	28,363	6,723	-	-	35,086
Total current assets	<u>209,001</u>	<u>477,969</u>	<u>2,240</u>	<u>1,392,392</u>	<u>2,081,602</u>
Noncurrent assets:					
Restricted cash	317,186	86,761	-	-	403,947
Restricted investments	-	129,546	-	-	129,546
Net OPEB asset	7,721	4,157	-	8,909	20,787
Lease receivable	-	-	79,513	-	79,513
Land	7,674	30,310	-	-	37,984
Buildings and improvements	139,938	87,845	2,085,314	127,302	2,440,399
Collection and distribution systems	8,588,748	1,505,248	-	-	10,093,996
Furniture, equipment and vehicles	261,207	112,743	-	1,606,459	1,980,409
Accumulated depreciation	<u>(4,112,346)</u>	<u>(1,089,779)</u>	<u>(734,641)</u>	<u>(1,034,485)</u>	<u>(6,971,251)</u>
Total noncurrent assets	<u>5,210,128</u>	<u>866,831</u>	<u>1,430,186</u>	<u>708,185</u>	<u>8,215,330</u>
Total assets	<u>5,419,129</u>	<u>1,344,800</u>	<u>1,432,426</u>	<u>2,100,577</u>	<u>10,296,932</u>
Deferred Outflows of Resources					
Deferred outflows related to pensions	64,415	34,685	-	74,325	173,425
Deferred outflows related to OPEB	1,344	724	-	1,551	3,619
Total deferred outflows of resources	<u>65,759</u>	<u>35,409</u>	<u>-</u>	<u>75,876</u>	<u>177,044</u>
Liabilities					
Current liabilities:					
Accounts payable	64,809	50,363	4,379	27,232	146,783
Accrued liabilities	17,683	3,156	258	27,883	48,980
Customer deposits	82,058	-	-	-	82,058
Due to other funds	-	-	64,573	-	64,573
Accrued interest payable	6,162	-	-	-	6,162
Current portion of long-term liabilities	<u>142,803</u>	<u>7,226</u>	<u>40,316</u>	<u>17,272</u>	<u>207,617</u>
Total current liabilities	<u>313,515</u>	<u>60,745</u>	<u>109,526</u>	<u>72,387</u>	<u>556,173</u>
Noncurrent liabilities (net of current portion):					
Compensated absences	11,452	4,817	213	11,515	27,997
Notes payable	553,138	-	198,484	-	751,622
Revenue bonds payable	112,091	-	-	-	112,091
Net pension/OPEB liability	<u>203,421</u>	<u>109,534</u>	<u>-</u>	<u>234,717</u>	<u>547,672</u>
Total noncurrent liabilities	<u>880,102</u>	<u>114,351</u>	<u>198,697</u>	<u>246,232</u>	<u>1,439,382</u>
Total liabilities	<u>1,193,617</u>	<u>175,096</u>	<u>308,223</u>	<u>318,619</u>	<u>1,995,555</u>
Deferred Inflows of Resources					
Deferred inflows related to pensions	65,339	35,183	-	75,392	175,914
Deferred inflows related to OPEB	6,597	3,552	-	7,612	17,761
Deferred inflows related to leases	<u>-</u>	<u>-</u>	<u>77,739</u>	<u>-</u>	<u>77,739</u>
Total deferred inflows of resources	<u>71,936</u>	<u>38,735</u>	<u>77,739</u>	<u>83,004</u>	<u>271,414</u>
Net position					
Net investment in capital assets	4,094,365	646,367	1,112,194	699,276	6,552,202
Restricted	406,965	220,463	-	8,909	636,337
Unrestricted	<u>(281,995)</u>	<u>299,548</u>	<u>(65,730)</u>	<u>1,066,645</u>	<u>1,018,468</u>
Total net position	<u>\$ 4,219,335</u>	<u>\$ 1,166,378</u>	<u>\$ 1,046,464</u>	<u>\$ 1,774,830</u>	<u>\$ 8,207,007</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, 2022

	Water	Sewer	City Buildings	EMS	Totals
Operating revenues					
Charges for services	\$ 862,527	\$ 314,247	\$ -	\$ 853,577	\$ 2,030,351
Rent and other revenues	24,883	27,492	38,983	-	91,358
Total operating revenues	887,410	341,739	38,983	853,577	2,121,709
Operating expenses					
Salaries	208,604	92,448	1,438	260,166	562,656
Employee benefits	85,000	26,729	17,067	129,719	258,515
Service, supplies and other	360,275	111,850	16,924	229,775	718,824
Depreciation	205,161	50,200	65,968	113,084	434,413
Total operating expenses	859,040	281,227	101,397	732,744	1,974,408
Operating income (loss)	28,370	60,512	(62,414)	120,833	147,301
Non-operating revenues (expenses)					
Interest income	921	(3,827)	2,507	2,962	2,563
Interest expense and fiscal charges	(33,260)	-	(10,039)	-	(43,299)
Grant revenue	177,300	90,095	-	-	267,395
Connection fees	8,560	2,455	-	-	11,015
Total non-operating revenue (expense)	153,521	88,723	(7,532)	2,962	237,674
Income (loss) before contributions and transfers	181,891	149,235	(69,946)	123,795	384,975
Contributions and transfers:					
Transfers In	-	-	50,000	-	50,000
Change in net position	181,891	149,235	(19,946)	123,795	434,975
Net position, beginning of year	4,037,444	1,017,143	1,065,211	1,651,035	7,770,833
Restatement adjustment	-	-	1,199	-	1,199
Net position, end of year	<u>\$ 4,219,335</u>	<u>\$ 1,166,378</u>	<u>\$ 1,046,464</u>	<u>\$ 1,774,830</u>	<u>\$ 8,207,007</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, 2022

	Water	Sewer	City Buildings	EMS	Totals
Cash flows from operating activities:					
Cash received from customers, service fees	\$ 860,011	\$ 313,965	\$ -	\$ 853,577	\$ 2,027,553
Cash received from customers, other	24,883	27,492	38,983	-	91,358
Cash paid to suppliers	(333,117)	(58,905)	(8,852)	(327,929)	(728,803)
Cash paid to employees	(282,386)	(144,720)	(18,042)	(395,151)	(840,299)
Net cash flows from operating activities	269,391	137,832	12,089	130,497	549,809
Cash flows from noncapital financing activities:					
Proceeds/payments (to)/from other funds	(255,181)	-	(13,075)	-	(268,256)
Transfers (to)/from other funds	-	-	50,000	-	50,000
Operating grants	177,300	-	-	-	177,300
Net cash flows from noncapital financing activities	(77,881)	-	36,925	-	(40,956)
Cash flows from capital and related financing activities:					
Purchase of capital assets	-	(129,703)	-	-	(129,703)
Principal paid on notes and bonds	(225,813)	-	(38,666)	(207,980)	(472,459)
Interest paid	(35,612)	-	(10,039)	-	(45,651)
Capital grants	-	90,095	-	-	90,095
Connection and impact fees	8,560	2,455	-	-	11,015
Net cash flows from capital and related financing activities	(252,865)	(37,153)	(48,705)	(207,980)	(546,703)
Cash flows from investing activities:					
Interest on investments	921	3,629	1,931	2,962	9,443
Net cash flows from investing activities	921	3,629	1,931	2,962	9,443
Net change in cash and cash equivalents	(60,434)	104,308	2,240	(74,521)	(28,407)
Cash and cash equivalents, including restricted cash, beginning of year	448,018	424,796	-	1,466,913	2,339,727
Cash and cash equivalents, including restricted cash, end of year	\$ 387,584	\$ 529,104	\$ 2,240	\$ 1,392,392	\$ 2,311,320
Reconciliation of operating income to net cash flows from operating activities:					
Net operating income (loss)	\$ 28,370	\$ 60,512	\$ (62,414)	\$ 120,833	\$ 147,301
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:					
Depreciation/amortization	205,161	50,200	65,968	113,084	434,413
Pension and OPEB expense	11,035	(14,394)	-	(12,754)	(16,113)
Employer pension and OPEB contributions	(21,608)	(11,635)	-	-	(33,243)
Changes in operating assets and liabilities:					
(Increase)/decrease in receivables	(2,516)	(282)	-	-	(2,798)
(Increase)/decrease in prepaids	5,470	5,470	3,829	6,564	21,333
Increase/(decrease) in payables	21,688	47,475	4,243	(104,718)	(31,312)
Increase/(decrease) in accrued liabilities	21,791	486	463	7,488	30,228
Net cash flows from operating activities	\$ 269,391	\$ 137,832	\$ 12,089	\$ 130,497	\$ 549,809

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

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

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 (SJ MPC) board of directors consists of not less than three members which are appointed by the St. Johns City Council. The SJ MPC, 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 SJ MPC have been eliminated. The SJ MPC 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, 2022

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.

Grants Fund – This fund is used to account for various federal and state grants and other contributions that are restricted for a specific use.

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, 2022

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, 2022

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, 2022

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, 2022

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.

Leases and Subscription-Based Information Technology Arrangements

Lessee: The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 1. Summary of Significant Accounting Policies, Continued

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The City is a lessor for a noncancellable lease of a building. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and proprietary fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term.

Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-based information technology arrangements: The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more and a non-cancellable period of more than one year. The City uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 1. Summary of Significant Accounting Policies, Continued

Revenues and expenditures/expenses

Program revenues

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

Property taxes

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

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

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.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 1. Summary of Significant Accounting Policies, Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

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, 2022, the City implemented the provisions of GASB Statement No. 87, *Leases*. GASB Statement No. 87 improves accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this new statement resulted in a restatement of beginning net position in the government-wide financial statements and the proprietary fund financial statements (see Note 7 and Note 12).

For the year ended June 30, 2022, the City implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The City had no SBITAs during the year ended June 30, 2022 that required reporting under GASB statement No. 96.

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.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

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

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

Note 3. Stewardship, Compliance, and Accountability

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

Budgets and budgetary accounting

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

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain public comment.
3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. The City follows a voter-approved alternative expenditure limitation that was adopted on August 4, 2020.
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.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 3. Stewardship, Compliance, and Accountability, Continued

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.

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, 2022, 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	\$ 5,289,393
Restricted cash and cash equivalents	599,911
Investments	166,163
Restricted investments	189,270
	<hr/>
Total	\$ 6,244,737
	<hr/>

Restricted cash consists of the following at June 30, 2022:

Cemetery perpetual care	66,418
WIFA and RDA debt service and repair reserves	235,991
Customer deposits	81,195
Repairs and replacement extension	216,307
	<hr/>
Total restricted cash and investments	\$ 599,911
	<hr/>

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 4. Deposits and Investments, Continued

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, 2022 cash on hand was \$547 and the carrying amount of the City's deposits was \$3,445,680. As of June 30, 2022, none of the City's bank balance of \$3,496,159 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.

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, 2022 the government had the following cash, investments and maturities:

	Fair Value	Quality Rating	Weighted Average Maturity (2)
Deposits:			
Cash on hand	\$ 547	N/A	N/A
Cash in bank	3,445,680	N/A	N/A
Investments:			
Local Government			
Investment Pool 5	1,948,073	(1)	36.5 days
US Government Agency Bonds	850,437	(1)	3 years
Total cash and investments	<u>\$ 6,244,737</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.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 4. Deposits and Investments, Continued

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.

The City has the following recurring fair value measurements as of June 30, 2022:

- 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.

This section intentionally left blank

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 5. Capital Assets

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

Governmental activities:	Balance 6/30/2021	Additions	Deletions	Balance 6/30/2022
Capital assets, not being depreciated:				
Land	\$ 241,725	\$ -	\$ -	\$ 241,725
Total capital assets, not being depreciated	<u>241,725</u>	<u>-</u>	<u>-</u>	<u>241,725</u>
Capital assets, being depreciated:				
Improvements other than buildings	8,665,310	-	-	8,665,310
Buildings and improvements	993,175	-	-	993,175
Furniture, equipment & vehicles	4,218,216	108,556	-	4,326,772
Infrastructure - roads	2,633,429	35,602	-	2,669,031
Total capital assets, being depreciated	<u>16,510,130</u>	<u>144,158</u>	<u>-</u>	<u>16,654,288</u>
Less accumulated depreciation for:				
Improvements other than buildings	(4,066,201)	(188,514)	-	(4,254,715)
Buildings and improvements	(679,800)	(13,658)	-	(693,458)
Furniture, equipment & vehicles	(2,900,617)	(272,492)	-	(3,173,109)
Infrastructure - roads	(1,097,444)	(95,120)	-	(1,192,564)
Total accumulated depreciation	<u>(8,744,062)</u>	<u>(569,784)</u>	<u>-</u>	<u>(9,313,846)</u>
Total capital assets, being depreciated, net	<u>7,766,068</u>	<u>(425,626)</u>	<u>-</u>	<u>7,340,442</u>
Governmental activities capital assets, net	<u>\$ 8,007,793</u>	<u>\$ (425,626)</u>	<u>\$ -</u>	<u>\$ 7,582,167</u>

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

Governmental activities:

General government	\$ 5,455
Public safety	223,164
Public works/streets	302,890
Culture & recreation	38,275
Total depreciation expense - governmental activities	<u>\$ 569,784</u>

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

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 6/30/2021	Additions	Deletions	Balance 6/30/2022
Capital assets not being depreciated:				
Land and water rights	\$ 37,984	\$ -	\$ -	\$ 37,984
Total capital assets, not being depreciated	37,984	-	-	37,984
Capital assets being depreciated:				
Water system	8,588,748	-	-	8,588,748
Sewer system	1,415,153	90,095	-	1,505,248
Buildings and improvements	2,400,791	39,608	-	2,440,399
Furniture, equipment & vehicles	1,980,409	-	-	1,980,409
Total capital assets, being depreciated	14,385,101	129,703	-	14,514,804
Less accumulated depreciation for:				
Water system	(3,589,190)	(189,091)	-	(3,778,281)
Sewer system	(914,147)	(40,592)	-	(954,739)
Buildings and improvements	(917,493)	(79,735)	-	(997,228)
Furniture, equipment & vehicles	(1,116,008)	(124,995)	-	(1,241,003)
Total accumulated depreciation	(6,536,838)	(434,413)	-	(6,971,251)
Total capital assets, being depreciated, net	7,848,263	(304,710)	-	7,543,553
Business-type activities capital assets, net	<u>\$ 7,886,247</u>	<u>\$ (304,710)</u>	<u>\$ -</u>	<u>\$ 7,581,537</u>

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

Business-type activities:

Water	\$ 205,161
Sewer	50,200
Buildings	65,968
EMS	113,084
Total depreciation expense - business-type activities	<u>\$ 434,413</u>

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 6. Long-Term Liabilities

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

	Balance 6/30/2021	Additions	Retirements	Balance 6/30/2022	Current Portion
Governmental Activities:					
Notes Payable:					
Direct Borrowings					
Notes payable*	\$ 402,015	\$ -	\$ (354,045)	\$ 47,970	\$ 9,334
Total Notes Payable	<u>402,015</u>	<u>-</u>	<u>(354,045)</u>	<u>47,970</u>	<u>9,334</u>
Other:					
Compensated absences	115,717	66,706	(69,430)	112,993	67,796
Net OPEB liability	5,187	-	(3,572)	1,615	-
Net pension liability	2,386,857	-	(537,361)	1,849,496	-
	<u>2,507,761</u>	<u>66,706</u>	<u>(610,363)</u>	<u>1,964,104</u>	<u>67,796</u>
Governmental activity					
Long-term liabilities	<u>\$ 2,909,776</u>	<u>\$ 66,706</u>	<u>\$ (964,408)</u>	<u>\$ 2,012,074</u>	<u>\$ 77,130</u>
Business-type Activities:					
Revenue Bonds:					
Direct Placements					
Water development revenue bonds	\$ 118,684	\$ -	\$ (3,222)	\$ 115,462	\$ 3,371
Total Revenue Bonds	<u>118,684</u>	<u>-</u>	<u>(3,222)</u>	<u>115,462</u>	<u>3,371</u>
Notes Payable:					
Direct Borrowings					
WIFA loans payable	359,268	-	(126,756)	232,512	23,259
Rural development loan	538,717	-	(95,835)	442,882	98,997
Notes payable*	277,145	-	(38,666)	238,479	39,995
Total Notes Payable	<u>1,175,130</u>	<u>-</u>	<u>(261,257)</u>	<u>913,873</u>	<u>162,251</u>
Other:					
Compensated absences	62,114	45,146	(37,268)	69,992	41,995
Net OPEB liability	3,143	-	(2,273)	870	-
Net pension liability	707,883	-	(161,081)	546,802	-
Total Other	<u>773,140</u>	<u>45,146</u>	<u>(200,622)</u>	<u>617,664</u>	<u>41,995</u>
Business-type activity					
Long-term liabilities	<u>\$ 2,066,954</u>	<u>\$ 45,146</u>	<u>\$ (465,101)</u>	<u>\$ 1,646,999</u>	<u>\$ 207,617</u>

* The City implemented GASB 87 in fiscal year 2022. With the implementation, debt reported as capital leases in fiscal year 2021 are reported as notes payable in fiscal year 2021 (not leases under GASB 87).

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

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 6. Long-Term Liabilities, Continued

The following is a listing of long-term debt and liabilities outstanding as of June 30, 2022:

Notes Payable from Direct Borrowings:

Water Infrastructure Finance Authority loan, issued May 21, 2011
bearing interest at 2.604%, due in semiannual principal and
interest installments, maturing July, 2030. \$ 232,512

Rural Development loan, issued September 14, 2011 bearing interest at
3.25%, due in monthly principal and interest installments of \$111,924,
maturing August, 2026. 442,882

Zion National Bank loan, issued October 9, 2014, bearing interest at
3.33% through October 2024 and 4.16% thereafter, due in semi annual
principal and interest installments of \$24,371, maturing October 1, 2027. 238,479

Caterpillar Financial Services Corporation loan issued November 22, 2016,
bearing interest at 3.20%, due in annual principal and interest installments of
\$10,822, maturing November 23, 2023. 47,970

Revenue Bonds from Direct Placements:

Water Development Revenue Bonds, issued 2003
due in semiannual principal and interest installments,
bearing interest at 4.625%, maturing July 1, 2042. 115,462

Total loans and bonds payable 1,077,305

Accrued Compensated Absences 182,985

Net OPEB Liability 2,485

Net Pension Liability 2,396,298

Total long term liabilities 3,659,073

Less current portion

Business-type Activities (207,617)

Governmental-type Activities (77,130)

Total net of current portion \$ 3,374,326

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 6. Long-Term Liabilities, Continued

Revenue bonds and notes payable debt service maturities are as follows as of June 30, 2022:

Year Ended June 30,	Notes Payable and Revenue Bonds					
	Business-Type Activities			Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 165,622	\$ 29,375	\$ 194,997	\$ 9,334	\$ 1,487	\$ 10,821
2024	170,993	24,346	195,339	38,636	1,258	39,894
2025	176,538	19,152	195,690	-	-	-
2026	182,538	13,512	196,050	-	-	-
2027	102,980	8,521	111,501	-	-	-
2028-2032	157,161	22,806	179,967	-	-	-
2033-2037	29,053	13,828	42,881	-	-	-
2038-2042	36,423	6,289	42,712	-	-	-
2043	8,326	193	8,519	-	-	-
Total	<u>\$ 1,029,634</u>	<u>\$ 138,022</u>	<u>\$ 1,167,656</u>	<u>\$ 47,970</u>	<u>\$ 2,745</u>	<u>\$ 50,715</u>

Revenue Bonds

The City has issued revenue bonds to United States Department of Agriculture, Rural Utility Services (RUS) for utility system improvements. The bonds are secured by, and to be repaid from, the associated utility net revenue.

Notes Payable

The City received loans from the Water Infrastructure Financing Authority (WIFA) and United States Department of Agriculture (USDA) for water system improvements. The WIFA loans are secured by, and to be repaid from, the associated utility net revenue. In the event of default for non-payment, WIFA may take any action permitted or required under the law, including appointment of a receiver of the system. The USDA loan is secured by, and to be repaid from, the associated utility net revenue.

In fiscal year 2015, the City entered into an agreement to finance the remodel of the New City Hall. The note is secured by the property.

In fiscal year 2017 the City entered into an agreement to finance the acquisition of a Caterpillar 420F2 loader. The note is secured by the equipment.

In fiscal year 2021, the City entered into an agreement to finance the acquisition of wildland apparatus. This note was paid off in fiscal year 2022.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 7. Lease Receivable

The City began leasing a building to a third party beginning July 1, 2020. The lease was for four years, expiring June 30, 2024, and the City receives monthly payments of \$3,400. The City recognized \$38,293 in lease revenue and \$2,507 in interest revenue during the current fiscal year related to this lease. As of June 30, 2022, the City's receivable for lease payments was \$79,513. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$77,739.

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, 2022, the City had the following interfund receivables and payables:

<u>Due To</u>	<u>Due From</u>	
	Building Fund	Total
General Fund	\$ 64,573	\$ 64,573
	<u>\$ 64,573</u>	<u>\$ 64,573</u>

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, 2022, the City had the following transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	
	General Fund	Total
Grants Fund	\$ 6,945	\$ 6,945
Building Fund	50,000	50,000
	<u>\$ 56,945</u>	<u>\$ 56,945</u>

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

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.

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, 2022, the City reported the following aggregate amounts related to pensions and other post employment benefits (OPEB) 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	\$ 59,391	\$ 32,781	\$ 92,172	\$ 71,385	\$ 20,787
Net pension/OPEB liabilities	1,564,778	834,005	2,398,783	1,851,111	547,672
Deferred outflows of resources	505,839	364,253	870,092	693,048	177,044
Deferred inflows of resources	553,357	256,035	809,392	615,717	193,675
Pension/OPEB (income) expense	(16,915)	85,117	68,202	115,785	(47,583)

The City reported \$244,336 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.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Retirement and Pension Plans, Continued

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.

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 \$100 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, 2022, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 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 12.41 percent (12.01 percent for

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Retirement and Pension Plans, Continued

retirement, 0.21 percent for health insurance premium benefit, and 0.19 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 10.22 percent (10.13 percent for retirement 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 to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2022 were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2022	\$ 160,857	\$ 2,813	\$ 2,545

Liability – At June 30, 2022, 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	\$ 1,562,293
Health insurance premium benefit	(59,391)
Long-term disability	2,485

The net asset and net liabilities were measured as of June 30, 2021. 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, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5 percent to 7.0 percent and changing the projected salary increases from 2.7–7.2 percent to 2.9–8.4 percent.

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, 2021. The City's proportion measured as of June 30, 2021 and the change from its proportion measures as of June 30, 2020 were:

	Proportion June 30, 2020	Proportion June 30, 2021	Increase (decrease) from
Pension	0.010830%	0.011890%	0.001060%
Health insurance premium benefit	0.011090%	0.012190%	0.001100%
Long-term disability	0.010980%	0.012040%	0.001060%

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Retirement and Pension Plans, Continued

Expense – For the year ended June 30, 2022, the City recognized the following pension and OPEB expense:

	<u>Pension/OPEB Expe</u>
Pension	\$ 152,591
Health insurance premium benefit	(6,936)
Long-term disability	1,872

Deferred outflows/inflows of resources – At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>		<u>Long-Term Disability</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 23,816	\$ -	\$ -	\$ 20,597	\$ 718	\$ 203
Changes of assumptions or other inputs	203,345	-	2,944	2,401	795	3,132
Net difference between projected and actual earnings on pension plan investments	-	494,989	-	22,031	-	1,721
Changes in proportion and differences between contributions and proportionate share of contributions	107,481	7,622	7	391	519	270
Contributions subsequent to the measurement date	160,857	-	2,813	-	2,545	-
Total	<u>\$ 495,499</u>	<u>\$ 502,611</u>	<u>\$ 5,764</u>	<u>\$ 45,420</u>	<u>\$ 4,577</u>	<u>\$ 5,326</u>

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, 2023. 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:

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Retirement and Pension Plans, Continued

Year Ended June 30,	Deferred Outflows (Inflows) of Resources	Health Insurance Premium Benefit	Long-Term Disability
2023	\$ 55,206	\$ (9,953)	\$ (459)
2024	56,522	(9,545)	(428)
2025	(109,120)	(10,460)	(491)
2026	(170,577)	(11,551)	(753)
2027	-	(960)	(274)
Thereafter	-	-	(889)

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

Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9-8.4% for pension/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pension/not applicable for OPEB
Mortality rates	2017 SRA Scale-U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0 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 geometric real rates of return for each major asset class are summarized in the following table:

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Retirement and Pension Plans, Continued

Asset Class	Target Asset Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	4.90%
Fixed income-credit	20%	5.20%
Fixed income-interest rate sensitive	10%	0.70%
Real Estate	20%	5.70%
Totals	100%	

Discount Rate – At June 30, 2021, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. 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 plans' 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 (asset).

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/OPEB liability (asset) calculated using the discount rate of 7.0 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 (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Proportionate share of			
Net pension (asset) / liability	\$ 2,457,356	\$ 1,562,293	\$ 816,058
Net insurance premium benefit liability (asset)	(39,323)	(59,391)	(76,455)
Net long-term disability liability	3,236	2,485	1,759

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

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Retirement and Pension Plans, Continued

Public Safety Personnel Retirement System (PSPRS)

Plan description – City employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A 9-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.

This section intentionally left blank.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

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 of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, 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%	1.5% to 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 inflation. 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, 2022

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 \$100 per month to \$260 per month depending on the age of the member and dependents.

Employees covered by benefit terms – At June 30, 2022, the following employees were covered by the agent pension plans' benefit terms:

	Pension	Health
Retirees & Beneficiaries	4	4
Terminated	1	0
Active employees	4	4
Total	9	8

Contributions— 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, 2022 are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member - Pension	City - Pension	City-Health insurance
PSPRS Police	7.65%	41.57%	0.00%
PSPRS Tier 3 risk pool	9.94%	9.81%	0.13%

In addition, statute required the City to contribute at the actuarially determined rate of 23.60 percent 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 23.60 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, 2022, were:

	Pension	premium benefit
PSPRS	\$ 82,710	\$ -
PSPRS Tier 3 risk pool	55,506	-

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Retirement and Pension Plans, Continued

During fiscal year 2022, the City paid for PSPRS pension and OPEB contributions 100 percent from the general fund.

Liability (Asset) – At June 30, 2022, the City reported the following assets and liabilities:

	<u>(asset) liability</u>	<u>(asset) liability</u>
PSPRS Police	\$ 834,006	\$ (32,781)

The net assets and net liabilities were measured as of June 30, 2021, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry Age Normal
Investment rate of return	7.30%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 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:

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Retirement and Pension Plans, Continued

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S public equity	24.00%	4.08%
International public equity	16.00%	5.20%
Global private equity	20.00%	7.67%
Other assets (capital appreciation)	7.00%	5.43%
Core bonds	2.00%	0.42%
Private credit	20.00%	5.74%
Diversifying strategies	10.00%	3.99%
Cash-Mellon	1.00%	-0.31%
Total	100.00%	

Discount Rate –At June 30, 2021, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.30 percent. 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.

This section intentionally left blank.

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Retirement and Pension Plans, Continued

Changes in the Net Pension/OPEB Liability

	Pension Increase (decrease)			Health insurance premium benefit 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, 2021	\$ 2,670,874	\$ 1,452,595	\$ 1,218,279	\$ 53,718	\$ 72,494	\$ (18,776)
Changes for the year:						
Service cost	63,234	-	63,234	1,354	-	1,354
Interest on total pension liability	195,336	-	195,336	3,906	-	3,906
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience in the measurement of the pension liability	(78,233)	-	(78,233)	209	-	209
Changes of assumptions	-	-	-	-	-	-
Contributions - employer	-	139,264	(139,264)	-	-	-
Contributions - employee	-	19,375	(19,375)	-	-	-
Net investment income	-	407,889	(407,889)	-	19,554	(19,554)
Benefit payments, including refunds of employee contributions	(116,536)	(116,536)	-	(3,120)	(3,120)	-
Pension Plan Administrative Expense	-	(1,918)	1,918	-	(80)	80
Other changes*	-	-	-	-	-	-
Net changes	63,801	448,074	(384,273)	2,349	16,354	(14,005)
Balances at June 30, 2022	\$ 2,734,675	\$ 1,900,669	\$ 834,006	\$ 56,067	\$ 88,848	\$ (32,781)

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 of 7.30 percent, 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 (6.30 percent) or 1 percentage point higher (8.30 percent) than the current rate:

	1% Decrease (6.30%)	Discount Rate (7.30%)	1% Increase (8.30%)
Proportionate share of			
Net pension (asset) / liability	\$ 1,282,288	\$ 834,006	\$ 479,676
Net OPEB (asset) / liability	(25,037)	(32,781)	(39,073)

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

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Retirement and Pension Plans, Continued

Expense – For the year ended June 30, 2022, the City recognized the following pension and OPEB expense:

	<u>Pension expense</u>	<u>OPEB expense</u>
PSPRS Police	\$ 83,864	\$ 1,253

Deferred outflows/inflows of resources - At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 159,034	\$ 62,588	\$ 30,439	\$ 7,420
Changes in assumptions	36,452	-	112	604
Net difference between projected and actual earnings on pension plan investments	-	177,186	-	8,237
Contributions subsequent to the measurement date	138,216	-	-	-
Total	<u>\$ 333,702</u>	<u>\$ 239,774</u>	<u>\$ 30,551</u>	<u>\$ 16,261</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, 2023. 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:

<u>Year Ended June 30,</u>	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
2023	\$ 45,289	\$ 1,596
2024	44,613	3,158
2025	(58,466)	4,997
2026	(75,724)	4,504
2027	-	35
Thereafter	-	-

CITY OF ST. JOHNS, ARIZONA
Notes to the Financial Statements
June 30, 2022

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.

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.

Note 12. Restatement adjustment

During the fiscal year ended June 30, 2022 the City implemented the provisions of GASB 87 Statement No. *Leases*. This resulted in an increase in lease receivable of \$117,806, an increase in deferred inflows related to leases of \$116,607 and an increase in beginning net position of \$1,199.

This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ST. JOHNS, ARIZONA
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2022

ASRS - Pension

	Reporting Fiscal Year (Measurement Date)							
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.011890%	0.010830%	0.010990%	0.011830%	0.011760%	0.011710%	0.011120%	0.010317%
Proportionate share of the net pension liability (asset)	\$ 1,562,293	\$ 1,876,462	\$ 1,599,173	\$ 1,649,869	\$ 1,831,979	\$ 1,890,112	\$ 1,731,944	\$ 1,526,522
Covered payroll	\$ 1,336,382	\$ 1,112,647	\$ 2,410,810	\$ 2,925,308	\$ 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	116.90%	168.65%	66.33%	56.40%	63.53%	164.85%	158.28%	172.15%
Plan fiduciary net position as a percentage of the total pension liability	78.58%	69.33%	73.24%	73.40%	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, 2022

ASRS - Health insurance premium benefit

	Reporting Fiscal Year (Measurement Date)					
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB liability (asset)	0.012190%	0.011090%	0.011260%	0.012060%	0.011930%	0.011930%
Proportionate share of the net OPEB liability (asset)	\$ (59,391)	\$ (7,852)	\$ (3,112)	\$ (4,343)	\$ (6,495)	\$ 3,450
Covered payroll	\$ 1,336,382	\$ 2,225,293	\$ 2,410,810	\$ 2,925,308	\$ 2,883,715	\$ 1,146,598
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-4.44%	-0.35%	-0.13%	-0.15%	-0.23%	0.30%
Plan fiduciary net position as a percentage of the total OPEB liability	130.24%	104.33%	101.62%	102.20%	103.57%	98.02%

ASRS - Long-term disability

	Reporting Fiscal Year (Measurement Date)					
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB liability (asset)	0.012040%	0.010980%	0.011160%	0.011860%	0.011800%	0.011799%
Proportionate share of the net OPEB liability (asset)	\$ 2,485	\$ 8,330	\$ 7,270	\$ 6,197	\$ 4,277	\$ 4,240
Covered payroll	\$ 1,336,382	\$ 2,225,293	\$ 2,410,810	\$ 2,925,308	\$ 2,883,715	\$ 1,146,598
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	0.19%	0.37%	0.30%	0.21%	0.15%	0.37%
Plan fiduciary net position as a percentage of the total OPEB liability	90.38%	68.01%	72.85%	77.83%	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

See accompanying notes to pension/OPEB plan schedules.

CITY OF ST. JOHNS, ARIZONA
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2022

PSPRS	Reporting Fiscal Year (Measurement Date)													
	2022 (2021)	2021 (2020)	#	2020 (2019)	#	2019 (2018)	#	2018 (2017)	#	2017 (2016)	#	2016 (2015)	#	2015 (2014)
Total pension liability														
Service cost	\$ 63,234	\$ 64,424		\$ 46,396		\$ 43,021		\$ 49,954		\$ 53,380		\$ 42,050		\$ 51,283
Interest on total pension liability	195,336	184,516		143,306		151,437		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	(78,233)	6,727		389,176		(161,319)		348,777		(51,026)		242,304		(151,792)
Changes of assumptions	-	-		91,129		-		21,917		78,581		-		279,193
Benefit payments, including refunds of employee contributions	(116,536)	(95,961)		(98,020)		(237,791)		(93,487)		(65,464)		(59,204)		(62,461)
Net change in total pension liability	63,801	159,706		571,987		(204,652)		480,079		53,405		325,349		248,489
Total pension liability - beginning	2,670,874	2,511,168		1,939,181		2,143,833		1,663,754		1,610,349		1,285,000		1,036,511
Total pension liability - ending (a)	<u>\$ 2,734,675</u>	<u>\$ 2,670,874</u>		<u>\$ 2,511,168</u>		<u>\$ 1,939,181</u>		<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	\$ 139,264	\$ 94,852		\$ 103,654		\$ 111,589		\$ 78,110		\$ 79,318		\$ 34,397		\$ 22,419
Contributions - employee	19,375	20,193		19,478		19,710		34,077		35,342		28,751		17,863
Net investment income	407,889	18,057		72,254		93,500		129,150		6,068		35,968		120,191
Benefit payments, including refunds of employee contributions	(116,536)	(95,961)		(98,020)		(237,791)		(93,487)		(65,464)		(59,204)		(62,461)
Hall/Parker Settlement	-	-		-		(45,955)		-		-		-		-
Pension Plan Administrative Expense	(1,918)	(1,473)		(2,249)		(2,123)		(1,543)		(1,272)		(1,256)		-
Other (net transfer)	-	(3,706)		-		16		160,262		8,467		8,485		(15,984)
Net change in plan fiduciary net position	448,074	31,962		95,117		(61,054)		306,569		62,459		47,141		82,028
Plan fiduciary net position - beginning	1,452,595	1,420,633		1,325,516		1,386,570		1,080,001		1,017,542		970,401		888,373
Plan fiduciary net position - ending (b)	<u>\$ 1,900,669</u>	<u>\$ 1,452,595</u>		<u>\$ 1,420,633</u>		<u>\$ 1,325,516</u>		<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>\$ 834,006</u>	<u>\$ 1,218,279</u>		<u>\$ 1,090,535</u>		<u>\$ 613,665</u>		<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	69.50%	54.39%		56.57%		68.35%		64.68%		64.91%		63.19%		75.52%
Covered payroll	\$ 228,342	\$ 236,820		\$ 227,590		\$ 220,284		\$ 226,652		\$ 297,545		\$ 291,807		\$ 221,222
Net pension liability as a percentage of covered payroll	365.24%	514.43%		479.17%		278.58%		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, 2022

PSPRS Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)				
	2022 (2021)	2021 (2020)	# 2020 (2019)	# 2019 (2018)	# 2018 (2017)
Total pension liability					
Service cost	\$ 1,354	\$ 1,349	\$ 925	\$ 1,101	\$ 1,111
Interest on total pension liability	3,906	681	755	1,779	2,106
Changes of benefit terms	-	-	-	-	200
Difference between expected and actual experience of the total net pension liability	209	45,398	(1,741)	(17,098)	(5,577)
Changes of assumptions	-	-	194	-	(1,869)
Benefit payments, including refunds of employee contributions	(3,120)	(3,120)	-	-	-
Net change in total pension liability	2,349	44,308	133	(14,218)	(4,029)
Total pension liability - beginning	53,718	9,410	9,277	23,495	27,524
Total pension liability - ending (a)	<u>\$ 56,067</u>	<u>\$ 53,718</u>	<u>\$ 9,410</u>	<u>\$ 9,277</u>	<u>\$ 23,495</u>
Plan fiduciary net position					
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employee	-	-	-	-	-
Net investment income	19,554	927	3,841	4,642	7,006
Benefit payments, including refunds of employee contributions	(3,120)	(3,120)	-	-	-
Pension Plan Administrative Expense	(80)	(75)	(66)	(71)	(62)
Other (net transfer)	-	-	-	1	-
Net change in plan fiduciary net position	16,354	(2,268)	3,775	4,572	6,944
Plan fiduciary net position - beginning	72,494	74,762	70,987	66,415	59,471
Plan fiduciary net position - ending (b)	<u>\$ 88,848</u>	<u>\$ 72,494</u>	<u>\$ 74,762</u>	<u>\$ 70,987</u>	<u>\$ 66,415</u>
Net pension liability - ending (a) - (b)	<u>\$ (32,781)</u>	<u>\$ (18,776)</u>	<u>\$ (65,352)</u>	<u>\$ (61,710)</u>	<u>\$ (42,920)</u>
Plan fiduciary net position as a percentage of the total pension liability	158.47%	134.95%	794.50%	765.19%	282.68%
Covered payroll	\$ 228,342	\$ 236,820	\$ 227,590	\$ 220,284	\$ 226,652
Net pension liability as a percentage of covered payroll	-14.36%	-7.93%	-28.71%	-28.01%	-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, 2022

ASRS - Pension	Reporting Fiscal Year							
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 160,857	\$ 155,688	\$ 135,535	\$ 129,536	\$ 128,179	\$ 123,602	\$ 111,527	\$ 99,508
Contributions in relation to the contractually required contribution	(160,857)	(155,688)	(135,535)	(129,536)	(128,179)	(123,602)	(111,527)	(99,508)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,339,357	\$ 1,336,382	\$ 1,112,647	\$ 1,205,405	\$ 1,462,654	\$ 1,441,858	\$ 1,146,598	\$ 1,094,203
Contributions as a percentage of covered payroll	12.01%	11.65%	12.18%	10.75%	8.76%	8.57%	9.73%	9.09%

ASRS- Health insurance premium benefit	Reporting Fiscal Year						
	2022	2021	2020	2019	2018	2017	
Contractually required contribution	\$ 2,813	\$ 5,212	\$ 5,800	\$ 5,330	\$ 5,174	\$ 6,421	
Contributions in relation to the contractually required contribution	(2,813)	(5,212)	(5,800)	(5,330)	(5,174)	(6,421)	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 1,339,357	\$ 1,336,382	\$ 2,225,293	\$ 2,410,810	\$ 2,925,308	\$ 2,883,715	
Contributions as a percentage of covered payroll	0.21%	0.39%	0.26%	0.22%	0.18%	0.22%	

ASRS - Long-term disability	Reporting Fiscal Year					
	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 2,545	\$ 2,406	\$ 2,012	\$ 1,854	\$ 1,882	\$ 1,605
Contributions in relation to the contractually required contribution	(2,545)	(2,406)	(2,012)	(1,854)	(1,882)	(1,605)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,339,357	\$ 1,336,382	\$ 2,225,293	\$ 2,410,810	\$ 2,925,308	\$ 2,883,715
Contributions as a percentage of covered payroll	0.19%	0.18%	0.09%	0.08%	0.06%	0.06%

Note: In accordance with GASB 68/75, 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, 2022

PSPRS - Pension	Reporting Fiscal Year								
	2022	2021	2020	2019	2018	2017	2016	2015	# 2014
Actuarially determined contribution	\$ 138,216	\$ 139,264	\$ 94,852	\$ 103,654	\$ 111,589	\$ 78,110	\$ 79,318	\$ 34,397	\$ 22,419
Contributions in relation to the actuarially determined contribution	(138,216)	(139,264)	(94,852)	(103,654)	(111,589)	(78,110)	(79,318)	(34,397)	(22,419)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 183,661	\$ 228,342	\$ 236,820	\$ 227,590	\$ 220,284	\$ 226,652	\$ 297,545	\$ 291,807	\$ 221,222
Contributions as a percentage of covered payroll	75.26%	60.99%	40.05%	45.54%	50.66%	34.46%	26.66%	11.79%	10.13%

PSPRS
Health Insurance Premium Benefit

	Reporting Fiscal Year							#	2017
	2022	2021	2020	2019	2018	2017	2016		
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 183,661	\$ 228,342	\$ 236,820	\$ 227,590	\$ 220,284	\$ 226,652	\$ 297,545	\$ 291,807	\$ 221,222
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: In accordance with GASB 68/75, 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, 2022

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	Entry Age Normal
Amortization method	Level Percentage of Pay, Closed
Remaining amortization period as of the 2020 actuarial valuation	17 years
Asset valuation method	7-Year smoothed market value; 80%120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In 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 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% 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 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% 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	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (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, 2022

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 increased the required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the City refunded excess employee contributions to PSPRS members. PSPRS allowed the City to reduce its actual employer contributions for the refund amounts. As a result, the City's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.

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.
- **Grants Fund** – This fund is used to account for various federal and state grants and other contributions that are restricted for a specific use.

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, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes:				
City sales tax	\$ 960,000	\$ 960,000	\$ 1,186,790	\$ 226,790
Total taxes	960,000	960,000	1,186,790	226,790
Licenses, permits and fees:				
Building permits	22,800	22,800	11,991	(10,809)
Business and other licenses	800	800	1,414	614
Total licenses, permits and fees	23,600	23,600	13,405	(10,195)
Intergovernmental:				
State sales taxes	400,000	400,000	482,668	82,668
State revenue sharing	450,000	450,000	451,910	1,910
Auto lieu tax	300,000	300,000	288,809	(11,191)
Smart and safe tax	-	-	16,171	16,171
State land reimbursement	180,000	180,000	211,594	31,594
Other grants	110,000	110,000	114,766	4,766
Total intergovernmental	1,440,000	1,440,000	1,565,918	125,918
Charges for services:				
Administrative fees	1,690	1,690	123	(1,567)
Cemetery fees	8,000	8,000	7,525	(475)
Park, swimming pool and recreation fees	65,500	65,500	71,752	6,252
Animal control	2,600	2,600	2,608	8
Airport fuel sales	230,150	230,150	306,972	76,822
Total charges for services	307,940	307,940	388,980	81,040
Fines and forfeitures:				
Fines and forfeitures	11,000	11,000	8,096	(2,904)
Total fines and forfeitures	11,000	11,000	8,096	(2,904)
Investment income (loss):				
Investment income (loss)	4,000	4,000	(4,995)	(8,995)
Total interest	4,000	4,000	(4,995)	(8,995)
Other revenues:				
Rents	35,150	35,150	57,430	22,280
Sale of Assets	-	-	26,180	26,180
Miscellaneous	131,325	131,325	17,905	(113,420)
Total other revenues	166,475	166,475	101,515	(64,960)
Total revenues	2,913,015	2,913,015	3,259,709	346,694

(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, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
EXPENDITURES:				
General government:				
Council	19,000	19,000	8,661	10,339
Administration	214,605	214,605	243,029	(28,424)
Magistrate	86,000	86,000	73,839	12,161
Contingency	-	-	530	(530)
Total general government	<u>319,605</u>	<u>319,605</u>	<u>326,059</u>	<u>(6,454)</u>
Public safety:				
Law enforcement	903,810	903,810	989,706	(85,896)
Fire	1,128,810	1,128,810	754,552	374,258
Animal control	53,360	53,360	52,115	1,245
Total public safety	<u>2,085,980</u>	<u>2,085,980</u>	<u>1,796,373</u>	<u>289,607</u>
Public works/streets:				
Planning and zoning	675,050	675,050	175,405	499,645
Mosquito control	4,000	4,000	92	3,908
Airport	346,825	346,825	451,096	(104,271)
Cemetery	4,175	4,175	4,646	(471)
Total public works/streets	<u>1,030,050</u>	<u>1,030,050</u>	<u>631,239</u>	<u>398,811</u>
Culture and recreation:				
Contributions	23,500	23,500	14,909	8,591
Parks and recreation, activity center and fairgrounds	130,630	130,630	132,518	(1,888)
Swimming pool	127,150	127,150	119,447	7,703
Little league	4,000	4,000	6,544	(2,544)
Equestrian	6,500	6,500	3,935	2,565
Total culture and recreation	<u>291,780</u>	<u>291,780</u>	<u>277,353</u>	<u>14,427</u>
Debt Service:				
Principal	-	-	345,000	(345,000)
Interest	-	-	19,928	(19,928)
Total debt service	<u>-</u>	<u>-</u>	<u>364,928</u>	<u>(364,928)</u>
 Total expenditures	 <u>3,727,415</u>	 <u>3,727,415</u>	 <u>3,395,952</u>	 <u>331,463</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(814,400)</u>	 <u>(814,400)</u>	 <u>(136,243)</u>	 <u>678,157</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(56,945)</u>	<u>(6,945)</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(56,945)</u>	<u>(6,945)</u>
 Net change in fund balance	 <u>(864,400)</u>	 <u>(864,400)</u>	 <u>(193,188)</u>	 <u>671,212</u>
 Fund balance, beginning of year	 <u>1,339,103</u>	 <u>1,339,103</u>	 <u>1,339,103</u>	 <u>-</u>
 Fund balance, end of year	 <u>\$ 474,703</u>	 <u>\$ 474,703</u>	 <u>\$ 1,145,915</u>	 <u>\$ 671,212</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, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Intergovernmental revenue:				
Highway user revenues	\$ 800,000	\$ 800,000	\$ 902,325	\$ 102,325
Other revenue:				
Investment income (loss)	15,000	15,000	(14,147)	(29,147)
Total revenue	815,000	815,000	888,178	73,178
EXPENDITURES:				
Public works:				
Salaries	336,040	336,040	239,422	96,618
Employee benefits	77,800	77,800	111,199	(33,399)
Services, supplies, and other	1,165,160	1,165,160	235,578	929,582
Total public works	1,579,000	1,579,000	586,199	992,801
Capital outlay	936,000	936,000	88,240	847,760
Debt Service:				
Principal	-	-	9,045	(9,045)
Interest	-	-	2,707	(2,707)
Total debt service	-	-	11,752	(11,752)
Total expenditures	2,515,000	2,515,000	686,191	1,831,516
Excess (deficiency) of revenues over (under) expenditures	(1,700,000)	(1,700,000)	201,987	1,904,694
Fund balance, beginning of year	2,236,583	2,236,583	2,236,583	-
Fund balance, end of year	\$ 536,583	\$ 536,583	\$ 2,438,570	\$ 1,904,694

CITY OF ST. JOHNS, ARIZONA
GRANTS FUND
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenue:				
Federal, state and other grants	\$ 3,850,000	\$ 3,850,000	\$ 767,748	\$ (3,082,252)
Other revenue:				
Donations and other	6,000	6,000	389	(5,611)
Total revenue	<u>3,856,000</u>	<u>3,856,000</u>	<u>768,137</u>	<u>(3,087,863)</u>
EXPENDITURES:				
Public safety	850,000	850,000	160,368	689,632
Culture and recreation	3,006,000	3,006,000	103,182	2,902,818
Community development	200,000	200,000	42,338	157,662
Total expenditures	<u>4,056,000</u>	<u>4,056,000</u>	<u>305,888</u>	<u>3,750,112</u>
Excess (deficiency) of revenues over (under) expenditures	(200,000)	(200,000)	462,249	662,249
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	6,945	6,945
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>6,945</u>	<u>6,945</u>
Net change in fund balance	(200,000)	(200,000)	469,194	669,194
Fund balance, beginning of year	<u>37,742</u>	<u>37,742</u>	<u>37,742</u>	<u>-</u>
Fund balance, end of year	<u>\$ (162,258)</u>	<u>\$ (162,258)</u>	<u>\$ 506,936</u>	<u>\$ 669,194</u>

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.

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, 2022

	Special Revenue Fund	Permanent Fund	
	LTAF	Cemetery	Total
ASSETS			
Cash and cash equivalents	\$ 40,514	\$ -	\$ 40,514
Restricted cash - permanent fund	-	6,694	6,694
Restricted investments - permanent fund	-	59,724	59,724
Total assets	<u>\$ 40,514</u>	<u>\$ 66,418</u>	<u>\$ 106,932</u>
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES			
Nonspendable:			
Fund principal	-	66,418	66,418
Restricted:			
Public works/streets	<u>40,514</u>	<u>-</u>	<u>40,514</u>
Total fund balances	<u>40,514</u>	<u>66,418</u>	<u>106,932</u>
Total liabilities and fund balances	<u>\$ 40,514</u>	<u>\$ 66,418</u>	<u>\$ 106,932</u>

CITY OF ST. JOHNS, ARIZONA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2022

	Special Revenue Fund	Permanent Fund	
	LTAF	Cemetery	Total
REVENUES:			
Investment income (loss)	\$ -	\$ (1,742)	\$ (1,742)
Donations and other	-	2,875	2,875
	<u>-</u>	<u>2,875</u>	<u>2,875</u>
Total revenues	-	1,133	1,133
	<u>-</u>	<u>1,133</u>	<u>1,133</u>
EXPENDITURES:	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	1,133	1,133
	<u>-</u>	<u>1,133</u>	<u>1,133</u>
Net change in fund balances	-	1,133	1,133
	<u>-</u>	<u>1,133</u>	<u>1,133</u>
Fund balances, beginning of year	40,514	65,285	105,799
	<u>40,514</u>	<u>65,285</u>	<u>105,799</u>
Fund balances, end of year	\$ 40,514	\$ 66,418	\$ 106,932
	<u>\$ 40,514</u>	<u>\$ 66,418</u>	<u>\$ 106,932</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, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:	\$ -	\$ -	\$ -	\$ -
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	\$ -	\$ -	\$ 40,514	\$ 40,514

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, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Cemetery perpetual care fees	\$ 2,500	\$ 2,500	\$ 2,875	\$ 375
Investment income (loss)	1,000	1,000	(1,742)	(2,742)
Total revenue	3,500	3,500	1,133	(2,367)
EXPENDITURES:				
Public works	3,500	3,500	-	3,500
Total expenditures	3,500	3,500	-	3,500
Excess (deficiency) of revenues over (under) expenditures	-	-	1,133	1,133
Fund balance, beginning of year	65,285	65,285	65,285	-
Fund balance, end of year	<u>\$ 65,285</u>	<u>\$ 65,285</u>	<u>\$ 66,418</u>	<u>\$ 1,133</u>

This page intentionally left blank.

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

This page intentionally left blank.



**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, 2022, 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 April 22, 2025.

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) as a basis for designing 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations that we consider to be material weaknesses or significant deficiencies.

2020-001	Misstatements and Year End Accounting
2018-001	Segregation of Duties

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 financial statements. 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

Mesa, Arizona

April 22, 2025



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, 2022, and have issued our report thereon dated April 22, 2025. 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, 2022.

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

Mesa, Arizona
April 22, 2025