
City of St. Joseph, Michigan

Berrien County, Michigan

Financial Report
with Supplementary Information
June 30, 2023

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Independent Auditor's Report

To the City Commission
City of St. Joseph, Michigan

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Joseph, Michigan (the "City") as of and for the year ended June 30, 2023 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, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City of St. Joseph Housing Commission, which represents 92 percent, 91 percent, and 97 percent of the assets, net position, and revenue, respectively, of the aggregate discretely presented component units. We did not audit the financial statements of the Southwest Michigan Regional Airport Authority, which represents 9 percent, 10 percent, and 0 percent of the assets, net position, and revenue, respectively, of the governmental activities. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for component units and joint ventures, is based solely on the report of the other auditors.

Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the City 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.

Responsibilities of Management for the Financial Statements

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 the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the City Commission
City of St. Joseph, Michigan

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 the City'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 the City'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 and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the City Commission
City of St. Joseph, Michigan

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

November 28, 2023

As management of the City of St. Joseph, Michigan (the "City"), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2023.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$131,773,913. Of this amount, \$45,202,837 is not restricted and may be used to meet the ongoing obligations of residents and creditors.
- At the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$21,103,078, an increase of \$467,297 in comparison to the prior year. Approximately \$3.3 million of this total amount is available for spending at the City's discretion.
- At the end of the fiscal year, the General Fund's fund balance was \$4,889,887, or approximately 51.8 percent of total General Fund expenditures. In keeping with longstanding practice, a portion of this will be recommended to be transferred to the Capital Improvement Fund to provide for major projects.
- The City's total debt (not including compensated absences) decreased by approximately \$0.6 million in the current year to approximately \$37.4 million, well below the debt limitations set by state statutes.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business. The statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., the cost of pension and other postemployment benefits).

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community and economic development, and culture and recreation. The business-type activities of the City include water, sewer, and marina operations.

The government-wide financial statements include not only the City itself (known as the primary government) but also the following legally separate component units, including the Brownfield Redevelopment Authority, the Downtown Development Authority, and the St. Joseph Housing Commission, for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into the following three categories:

- **Governmental funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements. The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenue, expenditures, and changes in fund balances. The City's major governmental funds for fiscal year 2023 were the General Fund, the Local Street Fund, and the Street Improvement Fund. Major funds are those whose revenue, expenditures, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental and at least 5 percent of the aggregate amount for all governmental and enterprise funds.

The City adopts an annual appropriated budget for its General Fund and all special revenue funds. A budgetary comparison statement has been provided for the General Fund and any major special revenue funds.

- **Proprietary funds** - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and marina operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insurance and employee health care needs and for its fleet of vehicles. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City's major enterprise funds for the fiscal year 2023 include the Sewer Fund, Water Fund, and City Water Fund. Data for the other nonmajor enterprise fund is presented in the basic financial statements. Individual fund data for each of the nonmajor enterprise funds is provided in the form of combining statements reported in the other supplementary information. Conversely, all three internal service funds are combined in a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements reported in the other supplementary information.

- **Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds include the pension trust fund and the custodial funds.

Notes and Other Information

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pension and OPEB.

City of St. Joseph, Michigan

Management's Discussion and Analysis (Continued)

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$131,773,913 at the close of the most recent fiscal year.

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 34,960,166	\$ 35,336,841	\$ 34,674,411	\$ 34,361,082	\$ 69,634,577	\$ 69,697,923
Capital assets	55,776,317	56,307,158	52,102,527	50,538,841	107,878,844	106,845,999
Total assets	90,736,483	91,643,999	86,776,938	84,899,923	177,513,421	176,543,922
Deferred Outflows of Resources						
	3,150,652	4,312,342	819,796	1,152,721	3,970,448	5,465,063
Liabilities						
Current liabilities	1,808,545	2,371,700	2,446,186	1,759,459	4,254,731	4,131,159
Noncurrent liabilities	10,800,913	11,124,655	34,198,380	33,880,270	44,999,293	45,004,925
Total liabilities	12,609,458	13,496,355	36,644,566	35,639,729	49,254,024	49,136,084
Deferred Inflows of Resources						
	363,576	891,245	92,356	167,765	455,932	1,059,010
Net Position						
Net investment in capital assets	51,385,845	51,126,060	22,733,921	21,995,794	74,119,766	73,121,854
Restricted	12,451,310	11,622,562	-	-	12,451,310	11,622,562
Unrestricted	17,076,946	18,820,119	28,125,891	28,249,356	45,202,837	47,069,475
Total net position	\$ 80,914,101	\$ 81,568,741	\$ 50,859,812	\$ 50,245,150	\$ 131,773,913	\$ 131,813,891

A portion of the City's net position, \$12,451,310, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$45,202,837 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental activities, business-type activities, and component units.

City of St. Joseph, Michigan

Management's Discussion and Analysis (Continued)

The following table illustrates the varying results of the governmental activities and business-type activities, which combine to capture the City's total net position, for the years ended June 30, 2023 and 2022:

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenue						
Program revenue:						
Charges for services	\$ 3,255,841	\$ 3,199,202	\$ 11,169,712	\$ 10,754,696	\$ 14,425,553	\$ 13,953,898
Operating grants	1,615,444	1,653,405	-	-	1,615,444	1,653,405
Capital grants	50,305	105,583	28,281	1,445,957	78,586	1,551,540
General revenue:						
Taxes	10,162,179	9,636,242	-	-	10,162,179	9,636,242
Intergovernmental	1,482,125	1,424,046	-	-	1,482,125	1,424,046
Investment earnings (losses)	677,911	(170,233)	473,259	25,058	1,151,170	(145,175)
Other revenue	263,852	306,488	-	-	263,852	306,488
Total revenue	17,507,657	16,154,733	11,671,252	12,225,711	29,178,909	28,380,444
Expenses						
General government	2,878,343	2,356,184	-	-	2,878,343	2,356,184
Public safety	5,379,217	5,048,253	-	-	5,379,217	5,048,253
Public works	6,425,349	4,975,822	-	-	6,425,349	4,975,822
Health and welfare	43,486	45,268	-	-	43,486	45,268
Community and economic development	408,879	336,947	-	-	408,879	336,947
Recreation and culture	2,325,932	2,428,006	-	-	2,325,932	2,428,006
Debt service	146,329	176,080	-	-	146,329	176,080
Sewer Fund	-	-	2,595,506	2,166,017	2,595,506	2,166,017
Water Fund	-	-	5,732,909	5,267,833	5,732,909	5,267,833
City Water Fund	-	-	2,145,915	1,743,063	2,145,915	1,743,063
Marina Fund	-	-	1,137,022	754,410	1,137,022	754,410
Total expenses	17,607,535	15,366,560	11,611,352	9,931,323	29,218,887	25,297,883
Transfers	(554,762)	(106,351)	554,762	106,351	-	-
Change in Net Position	(654,640)	681,822	614,662	2,400,739	(39,978)	3,082,561
Net Position - Beginning of year	81,568,741	80,886,919	50,245,150	47,844,411	131,813,891	128,731,330
Net Position - End of year	\$ 80,914,101	\$ 81,568,741	\$ 50,859,812	\$ 50,245,150	\$ 131,773,913	\$ 131,813,891

Governmental Activities

The City's governmental activities net position decreased by \$654,640. Property taxes were \$10,162,179, or approximately 58.0 percent, of the total governmental revenue. Grants and contributions were \$1,665,749, or approximately 9.5 percent, of the total governmental revenue. The remaining 32.5 percent is mostly composed of various charges for services, state revenue, and other miscellaneous revenue. Governmental expenses increased overall by \$2,240,975, primarily due to an increase in public works projects.

Business-type Activities

The City's business-type activities net position increased by \$614,662. Charges for services, including water sales, were \$11,169,712, the majority of the total business-type revenue, with the remaining mostly composed of various fees and interest revenue. Business-type expenses increased overall by \$1,680,029, primarily due to increases in expenses in the City Water Fund related to maintenance on lead service lines and in the Marina Fund related to maintenance on land improvements.

Financial Analysis of Individual Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for discretionary use, as it represents the portion of the fund balance that has not yet been limited to use for a particular purpose by an external party. Uncommitted or unassigned fund balance provides further information about the resources that have not been constrained by either the City Commission or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Commission.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's 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's governmental funds reported combined ending fund balances of \$21,103,078, an increase of \$467,297 in comparison with the prior fiscal year. Approximately 16 percent of this total amount constitutes unassigned fund balances, which are available for spending at the government's discretion. The remaining 84 percent is nonspendable or restricted/committed for specific government purposes.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$4,889,887, which represents roughly 46 percent of the total General Fund expenditures and other financing uses. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The fund balance of the City's General Fund increased by \$388,042 from the previous fiscal year. A portion of the fund balance will be recommended to be transferred to the Capital Improvement Fund in order to fund future major projects while maintaining an appropriate balance in the General Fund.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

The Sewer Fund reported net position of \$20,276,933, an increase of \$530,411 from the prior fiscal year. The net position balance is divided between \$4,441,922 net investment in capital assets and \$15,835,011 as unrestricted.

The Water Fund reported net position of \$19,195,926, an increase of \$1,254,006 from the prior fiscal year. The net position balance is divided between \$10,060,634 net investment in capital assets and \$9,135,292 as unrestricted.

The City Water Fund reported net position of \$8,390,050, a decrease of \$941,742 from the prior fiscal year. The net position balance is divided between \$5,943,646 net investment in capital assets and \$2,446,404 as unrestricted.

General Fund Budgetary Highlights

The City's budget is a dynamic document. Although adopted in May (prior to the start of the fiscal year), the budget is routinely amended during the course of the year to reflect changing operational demands. For the General Fund, the City Commission originally appropriated \$9,732,100 to cover anticipated operating expenditures. The City Commission's final amendment to the budget increased anticipated expenditures, including transfers, by \$1,053,000 to \$10,785,100. The most significant budget adjustments can be noted in the transfers out of the General Fund to the Capital Improvement Fund for the purpose of funding future capital improvement projects.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2023 was \$107,878,844 (net of depreciation), an increase of approximately \$1.0 million from the previous fiscal year. This increase in net assets is primarily due to infrastructure capital outlay exceeding regular annual depreciation. Major capital asset events during the fiscal year included the following:

- Upton Drive infrastructure improvements were initiated.
- A new street sweeper was purchased along with two pickup trucks, and two additional passenger vehicles were acquired.
- Local streets Willa, Lester, and Donna underwent infrastructure and roadway enhancements.
- The water plant clarifier project commenced with construction design expenses.

Debt Administration

At the end of the current fiscal year, the City had total outstanding debt of \$38,147,572. The City's total debt increased as a result of clean water bonds drawn upon during the year.

Economic Factors and Next Year's Budgets and Rates

- The 2024 General Fund budget shows a revenue surplus of \$985,000.
- The City's 2023 operating millage remains unchanged at 14.79 mills, with total tax revenue expected to grow by 6.92 percent year over year.
- The city water system development charge increased by 7.0 percent, while the water base and volume charges have risen by 4.75 percent.
- The sewer base and volume charges increased by 15.0 percent.
- Lead service line replacement will continue throughout the City.

Requests for Further Information

This financial report is intended to provide a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the finance director at City Hall at 700 Broad Street, St. Joseph, MI, 49085.

June 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 17,283,861	\$ 9,691,590	\$ 26,975,451	\$ 227,618
Investments (Note 3)	8,762,506	4,935,720	13,698,226	-
Receivables:				
Customer receivables	-	1,957,298	1,957,298	-
Other receivables	70,629	113,657	184,286	20,658
Due from other governments	185,902	-	185,902	-
Inventory	123,369	107,628	230,997	15,626
Prepaid expenses	171,455	64,092	235,547	19,477
Restricted assets	-	3,610,094	3,610,094	-
Investment in joint ventures (Note 1)	8,362,444	14,194,332	22,556,776	-
Capital assets:				
Assets not subject to depreciation (Note 4)	12,508,467	1,819,369	14,327,836	1,670,304
Assets subject to depreciation - Net (Note 4)	43,267,850	50,283,158	93,551,008	1,711,307
Total assets	90,736,483	86,776,938	177,513,421	3,664,990
Deferred Outflows of Resources				
Deferred pension costs (Note 8)	3,147,389	819,796	3,967,185	37,373
Deferred OPEB costs (Note 9)	3,263	-	3,263	-
Total deferred outflows of resources	3,150,652	819,796	3,970,448	37,373
Liabilities				
Accounts payable	429,587	1,790,754	2,220,341	41,892
Checks issued in excess of available cash	-	-	-	54,214
Due to other governmental units	-	391,375	391,375	-
Accrued liabilities and other	411,512	264,057	675,569	41,682
Unearned revenue	967,446	-	967,446	3,733
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	367,197	120,838	488,035	2,328
Current portion of bonds and contracts payable (Note 6)	767,974	1,742,422	2,510,396	19,411
Due in more than one year:				
Compensated absences (Note 6)	268,626	-	268,626	-
Net pension liability (Note 8)	4,218,714	1,098,842	5,317,556	30,045
Net OPEB liability (Note 9)	1,555,904	-	1,555,904	-
Bonds and contracts payable - Net of current portion (Note 6)	3,622,498	31,236,278	34,858,776	-
Total liabilities	12,609,458	36,644,566	49,254,024	193,305
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 8)	354,584	92,356	446,940	34,723
Deferred OPEB cost reductions (Note 9)	8,992	-	8,992	-
Total deferred inflows of resources	363,576	92,356	455,932	34,723

City of St. Joseph, Michigan

Statement of Net Position (Continued)

June 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 51,385,845	\$ 22,733,921	\$ 74,119,766	\$ 3,362,201
Restricted:				
Streets and highways	8,301,145	-	8,301,145	-
Sanitation	556,905	-	556,905	-
Public safety	505,743	-	505,743	-
Capital projects - Expendable	229,393	-	229,393	-
Capital projects - Nonexpendable	506,201	-	506,201	-
Library	1,627,822	-	1,627,822	-
Cemetery	124,833	-	124,833	-
Band	337,099	-	337,099	-
Debt service	262,169	-	262,169	-
Unrestricted	17,076,946	28,125,891	45,202,837	112,134
Total net position	\$ 80,914,101	\$ 50,859,812	\$ 131,773,913	\$ 3,474,335

City of St. Joseph, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 2,878,343	\$ 1,930,116	\$ 191,906	\$ 10,350
Public safety	5,379,217	568,074	19,769	-
Public works	6,425,349	287,830	1,067,219	39,955
Health and welfare	43,486	-	-	-
Community and economic development	408,879	-	-	-
Recreation and culture	2,325,932	469,821	336,550	-
Interest on long-term debt	146,329	-	-	-
Total governmental activities	17,607,535	3,255,841	1,615,444	50,305
Business-type activities:				
Sewer Fund	2,595,506	2,397,904	-	-
Water Fund	5,732,909	6,762,181	-	-
City Water Fund	2,145,915	1,118,103	-	28,281
Marina Fund	1,137,022	891,524	-	-
Total business-type activities	11,611,352	11,169,712	-	28,281
Total primary government	\$ 29,218,887	\$ 14,425,553	\$ 1,615,444	\$ 78,586
Component units:				
Downtown Development Authority	\$ 43,598	\$ -	\$ -	\$ -
Housing Commission	1,763,898	353,421	1,107,470	1,650,504
Total component units	\$ 1,807,496	\$ 353,421	\$ 1,107,470	\$ 1,650,504
General revenue:				
Taxes				
Unrestricted state-shared revenue:				
State-shared revenue				
Local Community Stabilization Authority				
Unrestricted investment income				
Other miscellaneous income				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2023

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (745,971)	\$ -	\$ (745,971)	\$ -
(4,791,374)	-	(4,791,374)	-
(5,030,345)	-	(5,030,345)	-
(43,486)	-	(43,486)	-
(408,879)	-	(408,879)	-
(1,519,561)	-	(1,519,561)	-
(146,329)	-	(146,329)	-
(12,685,945)	-	(12,685,945)	-
-	(197,602)	(197,602)	-
-	1,029,272	1,029,272	-
-	(999,531)	(999,531)	-
-	(245,498)	(245,498)	-
-	(413,359)	(413,359)	-
(12,685,945)	(413,359)	(13,099,304)	-
-	-	-	(43,598)
-	-	-	1,347,497
-	-	-	1,303,899
10,162,179	-	10,162,179	55,933
1,122,761	-	1,122,761	-
359,364	-	359,364	-
677,911	473,259	1,151,170	1,814
263,852	-	263,852	160,770
12,586,067	473,259	13,059,326	218,517
(554,762)	554,762	-	-
(654,640)	614,662	(39,978)	1,522,416
81,568,741	50,245,150	131,813,891	1,951,919
\$ 80,914,101	\$ 50,859,812	\$ 131,773,913	\$ 3,474,335

Governmental Funds
Balance Sheet

June 30, 2023

	General Fund	Local Street Fund	Street Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (Note 3)	\$ 3,325,810	\$ 848,517	\$ 2,877,516	\$ 6,633,827	\$ 13,685,670
Investments (Note 3)	2,882,851	-	1,977,470	3,902,185	8,762,506
Receivables:					
Other receivables	12,306	-	-	22,117	34,423
Due from other governments	-	51,245	-	134,657	185,902
Inventory	3,396	55,861	-	-	59,257
Prepaid expenses	90,389	-	-	19,349	109,738
Total assets	\$ 6,314,752	\$ 955,623	\$ 4,854,986	\$ 10,712,135	\$ 22,837,496
Liabilities					
Accounts payable	\$ 125,433	\$ 18,334	\$ 17,910	\$ 232,582	\$ 394,259
Accrued liabilities and other	331,986	13,243	775	26,709	372,713
Unearned revenue	967,446	-	-	-	967,446
Total liabilities	1,424,865	31,577	18,685	259,291	1,734,418
Fund Balances					
Nonspendable	93,785	55,861	-	525,550	675,196
Restricted	491,141	868,185	4,836,301	5,675,835	11,871,462
Committed	1,000,000	-	-	248,878	1,248,878
Assigned	-	-	-	4,002,581	4,002,581
Unassigned	3,304,961	-	-	-	3,304,961
Total fund balances	4,889,887	924,046	4,836,301	10,452,844	21,103,078
Total liabilities and fund balances	\$ 6,314,752	\$ 955,623	\$ 4,854,986	\$ 10,712,135	\$ 22,837,496

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2023

Fund Balances Reported in Governmental Funds	\$ 21,103,078
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets are not financial resources and are not reported in the funds:</p>	
Cost of capital assets	85,053,180
Accumulated depreciation	<u>(30,637,528)</u>
Net capital assets used in governmental activities	54,415,652
Investments in joint ventures are not financial resources and are not reported in the funds	8,362,444
Bonds payable are not due and payable in the current period and are not reported in the funds	(4,390,472)
Accrued interest is not due and payable in the current period and is not reported in the funds	(35,234)
<p>Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:</p>	
Employee compensated absences	(625,826)
Pension benefits and related deferred outflows and inflows	(1,425,909)
Retiree health care benefits and related deferred outflows and inflows	(1,561,633)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	<u>5,072,001</u>
Net Position of Governmental Activities	<u><u>\$ 80,914,101</u></u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2023

	General Fund	Local Street Fund	Street Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Taxes	\$ 6,373,888	\$ -	\$ 1,909,746	\$ 2,171,929	\$ 10,455,563
Intergovernmental:					
Federal grants	-	-	-	39,955	39,955
State sources:					
State-shared revenue	1,122,761	-	-	192,855	1,315,616
Act 51 gas and weight tax	-	301,972	-	765,247	1,067,219
Local Community Stabilization Authority	199,741	-	74,185	85,438	359,364
Other state grants	19,733	-	-	-	19,733
Charges for services	2,210,841	-	-	10,724	2,221,565
Fines and forfeitures	116,688	-	-	122,290	238,978
Licenses and permits	575,822	-	-	-	575,822
Interest and rentals:					
Investment earnings	219,762	23,029	141,815	293,305	677,911
Rental income	9,126	-	-	27,919	37,045
Other revenue	122,835	555	56,366	319,130	498,886
Total revenue	10,971,197	325,556	2,182,112	4,028,792	17,507,657
Expenditures					
Current services:					
General government	2,010,113	-	-	-	2,010,113
Public safety	4,713,870	-	-	867	4,714,737
Public works	974,609	1,803,546	286,185	1,949,568	5,013,908
Health and welfare	54,385	-	-	-	54,385
Community and economic development	253,417	-	-	-	253,417
Recreation and culture	1,177,038	-	-	930,750	2,107,788
Capital outlay	-	-	-	1,394,295	1,394,295
Debt service:					
Principal	233,707	-	-	552,000	785,707
Interest and fiscal charges	25,593	-	-	125,655	151,248
Total expenditures	9,442,732	1,803,546	286,185	4,953,135	16,485,598
Excess of Revenue Over (Under) Expenditures	1,528,465	(1,477,990)	1,895,927	(924,343)	1,022,059
Other Financing Sources (Uses)					
Transfers in (Note 5)	-	1,330,000	-	1,331,423	2,661,423
Transfers out (Note 5)	(1,140,423)	-	(1,356,000)	(719,762)	(3,216,185)
Total other financing (uses) sources	(1,140,423)	1,330,000	(1,356,000)	611,661	(554,762)
Net Change in Fund Balances	388,042	(147,990)	539,927	(312,682)	467,297
Fund Balances - Beginning of year	4,501,845	1,072,036	4,296,374	10,765,526	20,635,781
Fund Balances - End of year	\$ 4,889,887	\$ 924,046	\$ 4,836,301	\$ 10,452,844	\$ 21,103,078

Governmental Funds

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances to the Statement of Activities**

Year Ended June 30, 2023

Net Change in Fund Balances Reported in Governmental Funds	\$ 467,297
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,443,067
Depreciation expense	(1,890,518)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	790,626
Change in investment in joint venture does not require the use of current resources and, therefore, is not reported in the fund statements	(510,412)
Some employee costs (pension and OPEB, as well as related deferrals, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(1,101,004)
Internal service funds are included as part of governmental activities	<u>146,304</u>
Change in Net Position of Governmental Activities	<u><u>\$ (654,640)</u></u>

City of St. Joseph, Michigan

Proprietary Funds Statement of Net Position

June 30, 2023

	Enterprise Funds					Governmental Activities
	Sewer Fund	Water Fund	City Water	Nonmajor	Total	Internal
			Fund	(Marina Fund)		Service Funds
Assets						
Current assets:						
Cash and cash equivalents (Note 3)	\$ 1,123,811	\$ 6,104,293	\$ 1,671,926	\$ 791,560	\$ 9,691,590	\$ 3,598,191
Investments (Note 3)	981,410	2,964,390	989,920	-	4,935,720	-
Receivables:						
Customer receivables	879,977	772,150	305,171	-	1,957,298	-
Other receivables	106,944	1,650	-	5,063	113,657	36,206
Inventory	326	86,482	-	20,820	107,628	64,112
Prepaid expenses	14,069	43,770	-	6,253	64,092	61,717
Total current assets	3,106,537	9,972,735	2,967,017	823,696	16,869,985	3,760,226
Noncurrent assets:						
Restricted assets	3,610,094	-	-	-	3,610,094	-
Investment in joint ventures	14,194,332	-	-	-	14,194,332	-
Capital assets:						
Assets not subject to depreciation (Note 4)	426,747	321,085	941,748	129,789	1,819,369	-
Assets subject to depreciation - Net (Note 4)	8,878,396	27,915,214	11,331,618	2,157,930	50,283,158	1,360,665
Total noncurrent assets	27,109,569	28,236,299	12,273,366	2,287,719	69,906,953	1,360,665
Total assets	30,216,106	38,209,034	15,240,383	3,111,415	86,776,938	5,120,891
Deferred Outflows of Resources -						
Deferred pension costs (Note 8)	28,299	683,665	-	107,832	819,796	-
Liabilities						
Current liabilities:						
Accounts payable	1,077,127	197,867	483,635	32,125	1,790,754	35,328
Due to other governmental units	319,770	71,407	-	198	391,375	-
Accrued liabilities and other:						
Accrued salaries and wages	2,757	52,839	1,341	13,663	70,600	3,347
Accrued interest payable	50,915	95,525	35,637	-	182,077	-
Other accrued liabilities	-	11,380	-	-	11,380	218
Compensated absences (Note 6)	2,469	98,695	-	19,674	120,838	9,997
Current portion of bonds and contracts payable (Note 6)	327,422	1,046,032	368,968	-	1,742,422	-
Total current liabilities	1,780,460	1,573,745	889,581	65,660	4,309,446	48,890
Noncurrent liabilities:						
Net pension liability (Note 8)	37,931	916,375	-	144,536	1,098,842	-
Bonds and contracts payable - Net of current portion (Note 6)	8,145,893	17,129,633	5,960,752	-	31,236,278	-
Total liabilities	9,964,284	19,619,753	6,850,333	210,196	36,644,566	48,890
Deferred Inflows of Resources - Deferred pension cost reductions (Note 8)	3,188	77,020	-	12,148	92,356	-
Net Position						
Net investment in capital assets	4,441,922	10,060,634	5,943,646	2,287,719	22,733,921	1,360,665
Unrestricted	15,835,011	9,135,292	2,446,404	709,184	28,125,891	3,711,336
Total net position	<u>\$ 20,276,933</u>	<u>\$ 19,195,926</u>	<u>\$ 8,390,050</u>	<u>\$ 2,996,903</u>	<u>\$ 50,859,812</u>	<u>\$ 5,072,001</u>

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2023

	Enterprise Funds					Governmental
	Sewer Fund	Water Fund	City Water	Nonmajor	Total	Internal Service
			Fund	(Marina Fund)		Funds
Operating Revenue						
Sale of water	\$ -	\$ 6,605,284	\$ 1,118,103	\$ -	\$ 7,723,387	\$ -
Sewage disposal charges	2,305,310	-	-	-	2,305,310	-
Other sales to customers	-	-	-	888,900	888,900	-
Fines and forfeitures	91,094	111,957	-	-	203,051	-
Rent	-	-	-	-	-	1,060,274
Other revenue	1,500	44,940	-	2,624	49,064	2,063,147
Total operating revenue	2,397,904	6,762,181	1,118,103	891,524	11,169,712	3,123,421
Operating Expenses						
Utilities	1,227,948	338,153	-	26,881	1,592,982	-
Supplies and materials	28,896	712,270	21,757	329,010	1,091,933	291,739
Personnel costs	99,705	1,993,521	27,983	592,125	2,713,334	1,896,076
Contractual services	333,336	1,055,906	1,624,179	22,601	3,036,022	128,993
Insurance	26,384	82,084	-	11,726	120,194	177,686
Communications	4,014	6,624	708	-	11,346	-
Transportation	-	10,067	-	-	10,067	-
Repairs	11,683	207,777	4,271	21,027	244,758	-
Building and equipment rental	68,753	237,347	24,457	-	330,557	-
Other	2,346	7,254	12,485	41,374	63,459	-
Depreciation	198,514	687,227	315,506	92,278	1,293,525	549,103
Total operating expenses	2,001,579	5,338,230	2,031,346	1,137,022	10,508,177	3,043,597
Operating Income (Loss)	396,325	1,423,951	(913,243)	(245,498)	661,535	79,824
Nonoperating Revenue (Expense)						
Investment income	158,851	224,734	72,189	17,485	473,259	30,627
Interest expense	(208,192)	(394,679)	(114,569)	-	(717,440)	-
Other nonoperating expense	(385,735)	-	-	-	(385,735)	-
Gain on sale of assets	-	-	-	-	-	35,853
Total nonoperating (expense) revenue	(435,076)	(169,945)	(42,380)	17,485	(629,916)	66,480
(Loss) Income - Before capital contributions	(38,751)	1,254,006	(955,623)	(228,013)	31,619	146,304
Capital Contributions	-	-	28,281	-	28,281	-
Transfers In (Note 5)	569,162	-	-	-	569,162	-
Transfers Out (Note 5)	-	-	(14,400)	-	(14,400)	-
Change in Net Position	530,411	1,254,006	(941,742)	(228,013)	614,662	146,304
Net Position - Beginning of year	19,746,522	17,941,920	9,331,792	3,224,916	50,245,150	4,925,697
Net Position - End of year	\$ 20,276,933	\$ 19,195,926	\$ 8,390,050	\$ 2,996,903	\$ 50,859,812	\$ 5,072,001

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2023

	Enterprise Funds					Governmental Activities
	Sewer Fund	Water Fund	City Water	Nonmajor	Total	Internal
			Fund	(Marina Fund)		Service Funds
Cash Flows from Operating Activities						
Receipts from customers	\$ 2,312,349	\$ 6,700,662	\$ 1,092,819	\$ 891,524	\$ 10,997,354	\$ 3,123,421
(Payments to) receipts from interfund services and reimbursements	(200,000)	200,000	-	-	-	-
Payments to suppliers	(1,216,410)	(2,285,750)	(1,509,387)	(657,695)	(5,669,242)	(1,376,677)
Payments to employees and fringes	(187,308)	(2,036,829)	(54,591)	(316,409)	(2,595,137)	(65,605)
Claims paid	-	-	-	-	-	(1,087,298)
Other payments	(7,414)	(1,640)	-	(519)	(9,573)	(28,834)
Net cash and cash equivalents provided by (used in) operating activities	701,217	2,576,443	(471,159)	(83,099)	2,723,402	565,007
Cash Flows from Noncapital Financing Activities						
Transfers from other funds	569,162	-	-	-	569,162	-
Transfers to other funds	-	-	(14,400)	-	(14,400)	-
Net cash and cash equivalents provided by (used in) noncapital financing activities	569,162	-	(14,400)	-	554,762	-
Cash Flows from Capital and Related Financing Activities						
Issuance of bonds	-	-	1,945,877	-	1,945,877	-
Receipt of capital grants	-	-	1,426,046	-	1,426,046	-
Special assessment collections	9,502	-	-	-	9,502	-
Proceeds from sale of capital assets	-	-	-	-	-	35,853
Purchase of capital assets	(1,343,974)	(510,270)	(939,096)	-	(2,793,340)	(465,713)
Principal and interest paid on capital debt	(525,336)	(1,507,049)	(394,259)	-	(2,426,644)	-
Net cash and cash equivalents (used in) provided by capital and related financing activities	(1,859,808)	(2,017,319)	2,038,568	-	(1,838,559)	(429,860)
Cash Flows from Investing Activities						
Interest received on investments	158,851	224,734	72,189	17,485	473,259	30,627
Purchase of investment securities	(981,410)	(2,964,390)	(989,920)	-	(4,935,720)	-
Net cash and cash equivalents (used in) provided by investing activities	(822,559)	(2,739,656)	(917,731)	17,485	(4,462,461)	30,627
Net (Decrease) Increase in Cash and Cash Equivalents	(1,411,988)	(2,180,532)	635,278	(65,614)	(3,022,856)	165,774
Cash and Cash Equivalents - Beginning of year	6,145,893	8,284,825	1,036,648	857,174	16,324,540	3,432,417
Cash and Cash Equivalents - End of year	<u>\$ 4,733,905</u>	<u>\$ 6,104,293</u>	<u>\$ 1,671,926</u>	<u>\$ 791,560</u>	<u>\$ 13,301,684</u>	<u>\$ 3,598,191</u>

Proprietary Funds
Statement of Cash Flows (Continued)

Year Ended June 30, 2023

	Enterprise Funds					Governmental
	Sewer Fund	Water Fund	City Water	Nonmajor	Total	Internal
			Fund	(Marina Fund)		Service Funds
Classification of Cash and Cash Equivalents						
Cash and investments	\$ 1,123,811	\$ 6,104,293	\$ 1,671,926	\$ 791,560	\$ 9,691,590	\$ 3,598,191
Restricted cash	3,610,094	-	-	-	3,610,094	-
Total cash and cash equivalents	\$ 4,733,905	\$ 6,104,293	\$ 1,671,926	\$ 791,560	\$ 13,301,684	\$ 3,598,191
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities						
Operating income (loss)	\$ 396,325	\$ 1,423,951	\$ (913,243)	\$ (245,498)	\$ 661,535	\$ 79,824
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation	198,514	687,227	315,506	92,278	1,293,525	549,103
Changes in assets and liabilities:						
Receivables	(92,969)	(63,159)	(25,284)	(519)	(181,931)	(28,834)
Due to and from other funds	(200,000)	200,000	-	-	-	-
Inventories	-	28,805	-	17,180	45,985	(27,289)
Prepaid and other assets	(14,069)	(43,770)	-	(6,253)	(64,092)	(34,491)
Net pension or OPEB asset	12,548	298,138	(1,443)	52,926	362,169	-
Accounts payable	400,868	45,251	153,305	6,787	606,211	28,526
Accrued and other liabilities	-	-	-	-	-	(1,832)
Total adjustments	304,892	1,152,492	442,084	162,399	2,061,867	485,183
Net cash and cash equivalents provided by (used in) operating activities	\$ 701,217	\$ 2,576,443	\$ (471,159)	\$ (83,099)	\$ 2,723,402	\$ 565,007

The City had a noncash transaction related to its investment in the Benton Harbor - St. Joseph Joint Wastewater Treatment Plant.

**Fiduciary Funds
Statement of Fiduciary Net Position**

June 30, 2023

	Pension Trust Fund	Custodial Funds	Total Fiduciary Funds
Assets			
Cash and cash equivalents	\$ 652,393	\$ 37,110	\$ 689,503
Investments:			
Fixed income	25,657,875	-	25,657,875
Equities	46,311,465	-	46,311,465
Receivables	72,520	-	72,520
Total assets	72,694,253	37,110	72,731,363
Liabilities - Accounts payable	177,666	37,110	214,776
Net Position - Restricted for pension	\$ 72,516,587	\$ -	\$ 72,516,587

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2023

	Pension Trust Fund	Custodial Funds	Total Fiduciary Funds
Additions			
Investment income (loss):			
Interest and dividends	\$ 4,839,337	\$ -	\$ 4,839,337
Net increase in fair value of investments	2,027,428	-	2,027,428
Investment costs	(300,219)	-	(300,219)
Net investment income	6,566,546	-	6,566,546
Contributions:			
Employer contributions	900,437	-	900,437
Employee contributions	415,103	-	415,103
Total contributions	1,315,540	-	1,315,540
Property tax collections for other governments	-	15,895,383	15,895,383
Total additions	7,882,086	15,895,383	23,777,469
Deductions			
Benefit payments	4,283,349	-	4,283,349
Refunds of contributions	40,848	-	40,848
Administrative expenses	99,648	-	99,648
Tax distributions to other governments	-	15,895,383	15,895,383
Total deductions	4,423,845	15,895,383	20,319,228
Net Increase Restricted for Pension	3,458,241	-	3,458,241
Net Position Restricted for Pension - Beginning of year	69,058,346	-	69,058,346
Net Position Restricted for Pension - End of year	\$ 72,516,587	\$ -	\$ 72,516,587

Component Units
Statement of Net Position

June 30, 2023

	Downtown Development Authority	Housing Commission	Brownfield Redevelopment Authority	Total
Assets				
Cash and cash equivalents (Note 3)	\$ 80,545	\$ 65,170	\$ 81,903	\$ 227,618
Receivables	-	20,658	-	20,658
Inventory	-	15,626	-	15,626
Prepaid expenses	-	19,477	-	19,477
Capital assets:				
Assets not subject to depreciation (Note 4)	-	1,670,304	-	1,670,304
Assets subject to depreciation - Net (Note 4)	-	1,711,307	-	1,711,307
Total assets	80,545	3,502,542	81,903	3,664,990
Deferred Outflows of Resources - Deferred pension costs (Note 8)	-	37,373	-	37,373
Liabilities				
Accounts payable	1,522	40,370	-	41,892
Checks issued in excess of available cash	-	54,214	-	54,214
Accrued liabilities and other	711	40,971	-	41,682
Unearned revenue	-	3,733	-	3,733
Noncurrent liabilities:				
Due within one year - Current portion of bonds and contracts payable (Note 6)	-	21,739	-	21,739
Due in more than one year - Net pension liability (Note 6)	-	30,045	-	30,045
Total liabilities	2,233	191,072	-	193,305
Deferred Inflows of Resources - Deferred pension cost reductions (Note 8)	-	34,723	-	34,723
Net Position				
Net investment in capital assets	-	3,362,201	-	3,362,201
Unrestricted	78,312	(48,081)	81,903	112,134
Total net position	<u>\$ 78,312</u>	<u>\$ 3,314,120</u>	<u>\$ 81,903</u>	<u>\$ 3,474,335</u>

City of St. Joseph, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Downtown Development Authority	\$ 43,598	\$ -	\$ -	\$ -
Housing Commission	1,763,898	353,421	1,107,470	1,650,504
Brownfield Redevelopment Authority	-	-	-	-
Total component units	<u>\$ 1,807,496</u>	<u>\$ 353,421</u>	<u>\$ 1,107,470</u>	<u>\$ 1,650,504</u>

General revenue:

- Taxes
- Investment earnings
- Other miscellaneous income

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Component Units
Statement of Activities

Year Ended June 30, 2023

Net (Expense) Revenue and Changes in Net Position				
Downtown Development Authority	Housing Commission	Brownfield Redevelopment Authority	Total	
\$ (43,598)	\$ -	\$ -	\$ (43,598)	
-	1,347,497	-	1,347,497	
-	-	-	-	
(43,598)	1,347,497	-	1,303,899	
55,933	-	-	55,933	
353	1,152	309	1,814	
-	160,770	-	160,770	
56,286	161,922	309	218,517	
12,688	1,509,419	309	1,522,416	
65,624	1,804,701	81,594	1,951,919	
\$ 78,312	\$ 3,314,120	\$ 81,903	\$ 3,474,335	

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The City of St. Joseph, Michigan (the "City") follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the City.

Reporting Entity

The City operates with a city manager/commission form of government and provides services to its residents in many areas, including general government, public safety, water and sewer services, highways and streets, rubbish and trash disposal, planning and zoning, public improvements, culture, recreation, and general administrative services.

The City has elected a City Commission, which consists of the mayor, mayor pro tem, and three commissioners, with oversight of daily activities provided by the city manager.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

The component units described below should be included in the City's reporting entity because of the significance of their operational or financial relationship with the City. The discretely presented component units are reported in a separate column on the government-wide financial statements to emphasize that they are legally separate from the City.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, so data from these units are combined with data of the primary government.

Fiduciary Component Unit

City of St. Joseph Employees' Retirement System

The City of St. Joseph Employees' Retirement System (the "System") is governed by a five-member board, a majority of whom are appointed by the City Commission. Two members are elected by current employees. The System is a defined benefit pension plan that provides benefits to substantially all full-time employees of the City. Additional details of the System are included in Note 8. Separate audited financial statements are issued. The System is included in these statements as a fiduciary fund.

Discretely Presented Component Units

Downtown Development Authority

The Downtown Development Authority (the "Authority") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The Authority's governing body, which consists of nine individuals, is appointed by the City Commission. In addition, the Authority's budget is subject to approval by the City Commission. The Authority does not issue separate financial statements.

Note 1 - Significant Accounting Policies (Continued)

St. Joseph Housing Commission

The St. Joseph Housing Commission (the "Commission") is a nonprofit corporation that was organized under the laws of the State of Michigan. This component unit provides low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD). The fiscal year for the Housing Commission ends on March 31. The Commission's governing body, which consists of five individuals, is selected by the city mayor, with consent of the City Commission. The Commission is also considered a component unit due to the City's ability to impose its will by removing an appointed member. Complete financial reports can be obtained at 601 Port Street, St. Joseph, MI 49085.

Brownfield Redevelopment Authority

On May 12, 1997, the City created the Brownfield Redevelopment Authority (the "Redevelopment Authority") to revitalize selected environmentally distressed areas within the City's limits. The Redevelopment Authority's governing body, which consists of five individuals, is selected by the city mayor, with consent of the City Commission. In addition, the Redevelopment Authority's budget is subject to approval by the City Commission. The Redevelopment Authority does not issue separate financial statements.

Joint Ventures

The City participates in the following activities, which are considered joint ventures, with neighboring municipalities.

Southwest Michigan Regional Airport Authority

The City is a member of the Southwest Michigan Regional Airport Authority, which is a joint venture between four municipalities, including the City of St. Joseph, Michigan, and was established to oversee the airport operations for these municipalities. The City provides 35.78 percent of the total funding to the authority. The City of St. Joseph, Michigan's equity interest for the year ended June 30, 2023 was \$8,362,444. Separate audited financial statements for their year ended June 30, 2023 can be obtained from the Southwest Michigan Regional Airport Authority upon request.

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

The City is a member of the Benton Harbor - St. Joseph Joint Wastewater Treatment Plant, which is a joint venture between the City of Benton Harbor, Michigan and the City of St. Joseph, Michigan, and was established to provide sanitary sewage treatment and collection services for the residents of both cities. The City's equity interest in the amount of \$14,194,332 is recorded in the Sewer Fund and in the business-type activities in the government-wide financial statements. A copy of the most recent available separately audited financial statements for their year ended June 30, 2023 is available at the Benton Harbor - St. Joseph Joint Wastewater Treatment Plant's administrative offices.

Jointly Governed Organization

Community Emergency Services, Inc., Operating as Medic 1 Ambulance (Nonprofit)

The City of St. Joseph, Michigan is a member of Medic 1 Ambulance, but the City does not have an ongoing financial interest or ongoing financial responsibility. The City is entitled to the rights and privileges of one voting board member. Medic 1 Ambulance is organized for the purpose of providing emergency ambulance services to surrounding communities. The City's contribution for the year ended June 30, 2023 was \$54,385.

Note 1 - Significant Accounting Policies (Continued)

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-basis presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the City's water and sewer function and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

Governmental Funds

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Local Street Fund is used to account for the activities of construction and maintenance of smaller, local streets, which are financed primarily through state-shared revenue and transfers from Major Street and Street Improvement funds.
- The Street Improvement Fund is used to account for the activities related to street infrastructure improvements, which are financed primarily through local tax revenue.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following funds as major enterprise funds:

- The Sewer Fund is used to account for the activities related to the maintenance of the sanitary system and pays for the treatment of wastewater. The costs (expenses, including depreciation) are financed and recovered primarily through user charges.
- The Water Fund is used to account for activities associated with the general operation of the combined City and Authority water systems, as described in the water service agreement. These activities include water production and treatment; billing and recordkeeping; meter installation, reading, maintenance, and replacement; system-wide distribution maintenance, operations, and repair activities; and activities of certain major transmission facilities; and the administration and management of these activities, including state-mandated water testing. These exclude distribution system construction and replacement activities, which are the responsibility of the owners of the individual distribution systems, including the replacement of lead water services. The costs (expenses, including depreciation) are financed and recovered primarily through system-wide user charges.
- The City Water Fund is used to account for activities associated with the construction and replacement of elements of the city water distribution system, which is the responsibility of the City under the water service agreement. This includes the installation of new water mains, replacement of existing mains and public services, and replacement of lead water services within the city system. The costs (expenses, including depreciation) are financed and recovered primarily through user charges levied on city users.

The City's internal service funds are used to account for self-insurance, fleet maintenance, and employee health care provided to other departments on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the City's programs.

- The City reports a trust fund to account for the City of St. Joseph Employees' Retirement System, which accumulates resources for pension benefit payments to qualified employees of the City of St. Joseph, Michigan; the City of St. Joseph Housing Commission; and the Benton Harbor - St. Joseph Joint Wastewater Treatment Plant.
- The City utilizes a custodial fund to account for assets held by the City in a trustee capacity. Custodial funds are custodial in nature and do not involve measurement of results of operations.
- The Tax Collection Fund collects taxes on behalf of all the taxing authorities (state, county, school district, township, and the various smaller authorities).

Note 1 - Significant Accounting Policies (Continued)

Interfund Activity

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

Furthermore, 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 transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the City has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow, if applicable.

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

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments

Investments are reported at fair value or estimated fair value and consist of pension fund securities, mutual funds, municipal bonds, and certificates of deposit with an original maturity date of more than three months. Short-term investments are reported at cost, which approximates fair value.

Note 1 - Significant Accounting Policies (Continued)

Due from Other Governmental Units

Due from other governmental units primarily consists of amounts due from the State of Michigan for various payments and grants and receivables for charges for services provided to local governmental units.

Receivables

Receivables primarily consist of amounts due related to charges for services, interest receivable, and other amounts owed to the City at year end. No allowances have been made for uncollectible amounts.

Inventories

Inventories are valued at a first-in, first-out cost basis. Inventories of governmental funds are reported as expenditures when consumed rather than when purchased.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Unspent debt proceeds are set aside for future purchases. These amounts have been classified as restricted noncurrent assets.

Capital Assets

Capital assets are reported in the government-wide financial statements under the governmental activities, business-type activities, and component units columns. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and improvements	20-50
Furniture and equipment	5-50
Vehicles	5-30
Utilities systems	10-60
Infrastructure	25-60
Library books	5-10
Land improvements	10-60

Unearned Revenue

Unearned revenue represents amounts received through nonexchange transactions prior to all applicable eligibility criteria being met or amounts being received through exchange transactions prior to goods or services being provided.

Note 1 - Significant Accounting Policies (Continued)

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses.

The Bluffside installment loan, fire truck installment loan, and compensated absences liabilities are normally liquidated by the General Fund. The library renovation lease is liquidated by the Public Library (special revenue) Fund.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows related to the pension and retiree health care plans, which are reported in the government-wide financial statements.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City reports one type of item that qualifies for reporting in this category. The government-wide statements report deferred inflows related to the pension and retiree health care plans.

Net Position

Net position of the City is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The City will sometimes 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. Furthermore, 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.

Note 1 - Significant Accounting Policies (Continued)

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes.

The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Commission is the highest level of decision-making authority for the City that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City has, by resolution, authorized the finance director to assign fund balance. The City Commission 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 exist only 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.

The fund balance policy prescribes the minimum fund balance as no less than 20 percent of the budgeted expenditures of the General Fund, plus 100 percent of the budgeted debt service expenditures. This is deemed to be the prudent amount to maintain the City's ability to meet obligations as they come due throughout the year. If the unassigned audited fund balance for the previous fiscal year falls below 20 percent of budgeted expenditures, the General Fund budget for the following years will be amended to restore fund balance to the 20 percent level. If the unassigned fund balance exceeds 20 percent of budgeted expenditures, the City Commission may consider one or more of the following uses for the portion of fund balance in excess of 20 percent: (1) retain funds in the General Fund, (2) transfer funds to the Capital Improvement Fund for future projects, or (3) pay down debt service. The City Commission must formally direct this action.

Property Tax Revenue

City property taxes are assessed as of December 31 and attached as an enforceable lien on property as of July 1 the following year. The taxes are due, without penalty, on or before September 15. Real property taxes not collected as of March 1 are turned over to Berrien County, Michigan (the "County") for collection. The County advances the City 100 percent of the delinquent taxes on real property. The City has delegated the collection of delinquent property taxes to the county treasurer. The City recognizes property taxes as revenue when they are levied on July 1 because, at that point, the taxes are both measurable and available.

The City is permitted to levy up to 20.0000 mills (\$20 per \$1,000 of taxable valuation), reduced by Headlee to 15.5712 mills, for general governmental services other than the payment of principal and interest on long-term debt. It is also permitted to levy additional mills specifically designated for library, band, rubbish, airport, and debt service. For the year ended June 30, 2023, the City levied 11.2400 mills for general governmental services, 3.5500 mills for streets, 0.7809 mills for library services, 0.2500 mills for municipal band, 2.3033 mills for rubbish collection, 0.2444 mills for airport services, and 0.7000 mills for debt service. The total taxable value for the 2022 levy for the property within the City was \$530,409,098.

Note 1 - Significant Accounting Policies (Continued)

Pension

The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of St. Joseph Employees' Retirement System and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Other Postemployment Benefit Costs

The City offers retiree health care benefits to retirees. The City does not have a corresponding trust and, therefore, records the total OPEB liability calculated by the actuary. Benefit payments are recognized when due and payable in accordance with the benefit terms.

Compensated Absences (Vacation and Sick Leave)

Amounts of vested or accumulated vacation leave and compensated time are accrued in the government-wide and proprietary fund financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "termination leave" prior to retirement. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of proprietary funds is charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services and administrative expenses and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Upcoming Accounting Pronouncements

In April 2022, the Governmental Accounting Standards Board issued Statement No. 99, *Omnibus 2022*, which establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenue, the focus of government-wide financial statements, and terminology. The standard has various effective dates. The City does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

Note 1 - Significant Accounting Policies (Continued)

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2025.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

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

Cumulative surplus at July 1, 2022		\$ 418,219
Current year permit revenue		424,925
Related expenses:		
Public safety	\$ 265,337	
Code enforcement	86,666	352,003
Current year surplus		72,922
Cumulative surplus at June 30, 2023		\$ 491,141

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Michigan Public Employees' Retirement System Investment Act, Public Act 314 of 1965, as amended, authorizes the City of St. Joseph Employees' Retirement System to invest in stocks, government and corporate securities, mortgages, real estate, and other various investment instruments, subject to certain limitations. The board of trustees shall be the trustee of the assets of the retirement system and shall have full power to invest and reinvest such assets in accordance with provisions of Act 314 of the Public Acts of 1965, as amended. The board of trustees may employ investment counseling services and other services as it shall determine to be necessary in the proper operation of the System. The compensation for such services shall be subject to the approval of the city manager and the City Commission. All investment decisions are subject to Michigan law and the investment policy established by the City Commission.

The City has designated six banks for the deposit of its funds. The investment policy adopted by the City Commission in accordance with Public Act 196 of 1997 has authorized investment in the items listed above. The City's deposits and investments are in accordance with statutory authority.

Note 3 - Deposits and Investments (Continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy states that all security transactions, including financial deposits, entered into by the City shall be on a cash basis.

At year end, the City had bank deposits totaling approximately \$30,795,000 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized.

The carrying amount of the component units' deposits was approximately \$228,000, which consists of approximately \$81,000 for the Downtown Development Authority, approximately \$65,000 for the St. Joseph Housing Commission, and approximately \$82,000 for the Brownfield Redevelopment Authority. A portion of the component unit's cash is held by the City as part of pooled cash. As a result, the insured and uninsured amounts cannot be determined.

The System's cash is held by the City in a savings account at a financial institution under the City's employee identification number, along with other bank accounts under the City's control. As a result, the insured and uninsured amounts of the System's deposits cannot be determined. The carrying value on the books at the end of the year was approximately \$652,000.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy indicates the City will minimize custodial credit risk by annually requiring an examination of investments and the investment policy and requiring authorized investment officials to follow the "prudent person" standard.

The System's investment policy does not address custodial credit risk of investments. Although uninsured and unregistered, the System's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the System's name. Short-term investments in money market funds and investments in mutual funds are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates.

The City's investment policy minimizes interest rate risk by designing its portfolio with the objective to attain a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and cash flow characteristics of the portfolio.

The System's investment policy does not address interest rate risk.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations.

The System's investment policy does not further limit its investment choices.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer.

Note 3 - Deposits and Investments (Continued)

The City's investment policy minimizes concentration of credit risk by diversifying its investments by maturity dates, individual financial institution, or a specific class of security to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

As of June 30, 2023, rating information on the City's mutual funds investments is presented below:

S&P Rating	Commercial Paper	U.S. Government Agency Securities
AA+	- %	100.00 %
A1	75.08	-
A2	24.92	-
Total	100.00 %	100.00 %

The System's investment policy requires that investment in a single issuer shall not exceed 5 percent of the total fair value of the fund. At June 30, 2023, the System's investments were within that range.

The System's investment policy provides for a range of equity holdings between 50 and 70 percent, a range of income securities holdings between 25 and 45 percent, a range of alternative securities between 0 and 5 percent, and a range of cash between 0 and 5 percent of the total investments. As of June 30, 2023, the System's cash and equity holdings accounted for 64 percent of the total investment portfolio, and the System's holdings in fixed-income securities were 36 percent.

The System's investment policy provides that the investment grade portion of the fixed-income portfolio must maintain a dollar-weighted average credit rating of A1/A+ or better by Moody's and Standard & Poor's rating services, respectively. In addition, the minimum acceptable credit quality rating for a particular bond shall be investment grade (Baa/BBB, respectively). This requirement excludes commingled or mutual funds. As of June 30, 2023, rating information on the System's mutual funds investments is presented below:

S&P Rating	Corporate Bonds Mutual Funds
AAA	52.17 %
AA	2.95
A	12.17
BBB	12.91
BB	5.63
B	5.99
Below B	3.11
Not rated	5.07

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Note 3 - Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2023:

- Commercial paper of approximately 11,845,000 is valued using significant other observable inputs (Level 2 inputs).
- U.S. governmental agency securities of approximately 1,853,000 are valued using quoted market prices (Level 1 inputs).

The System has the following recurring fair value measurements as of June 30, 2023:

- Corporate bonds mutual funds of approximately \$25,658,000 are valued using quoted market prices (Level 1 inputs).
- Equity mutual funds of approximately of \$46,311,000 are valued using quoted market prices (Level 1 inputs).

The City entered into a capital lease for purposes of financing library building renovations. As part of the financing agreement, an escrow fund was established where the proceeds from the capital lease are held by an agent. The agent has invested the proceeds in a money market mutual fund of approximately \$809,000 at June 30, 2023, which was valued using quoted market prices (Level 1 inputs).

As permitted by state statutes, the City has also placed moneys for investment with the Berrien Community Foundation (BCF). These moneys, amounting to approximately \$266,000 as of June 30, 2023, are pooled with other BCF funds and invested at the discretion of BCF, which, for purposes of the City, essentially functions as an external investment pool. Investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

June 30, 2023

Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities, as well as component units, was as follows:

Governmental Activities

	Balance July 1, 2022	Reclassifications	Additions	Disposals	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 11,899,202	\$ -	\$ -	\$ -	\$ 11,899,202
Construction in progress	1,091,509	(1,914,885)	1,141,316	-	317,940
Historical art	291,325	-	-	-	291,325
Subtotal	13,282,036	(1,914,885)	1,141,316	-	12,508,467
Capital assets being depreciated:					
Infrastructure	26,534,584	1,914,885	-	-	28,449,469
Buildings and improvements	26,213,178	-	42,598	-	26,255,776
Furniture and equipment	5,623,056	-	266,702	-	5,889,758
Vehicles	6,416,427	-	421,662	(156,386)	6,681,703
Land improvements	10,655,203	-	36,502	-	10,691,705
Subtotal	75,442,448	1,914,885	767,464	(156,386)	77,968,411
Accumulated depreciation:					
Infrastructure	12,318,855	-	548,335	-	12,867,190
Buildings and improvements	9,071,012	-	587,223	-	9,658,235
Furniture and equipment	2,476,093	-	271,508	-	2,747,601
Vehicles	3,610,725	-	774,128	(156,386)	4,228,467
Land improvements	4,940,641	-	258,427	-	5,199,068
Subtotal	32,417,326	-	2,439,621	(156,386)	34,700,561
Net capital assets being depreciated	43,025,122	1,914,885	(1,672,157)	-	43,267,850
Net governmental activities capital assets	\$ 56,307,158	\$ -	\$ (530,841)	\$ -	\$ 55,776,317

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2022	Reclassifications	Additions	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 956,870	\$ -	\$ -	\$ 956,870
Construction in progress	1,272,312	(2,296,251)	1,886,438	862,499
Subtotal	2,229,182	(2,296,251)	1,886,438	1,819,369
Capital assets being depreciated:				
Water and sewer lines	44,983,055	2,296,251	781,588	48,060,894
Buildings and improvements	17,646,652	-	-	17,646,652
Furniture and equipment	1,819,650	-	189,185	2,008,835
Vehicles	22,215	-	-	22,215
Land improvements	3,339,816	-	-	3,339,816
Subtotal	67,811,388	2,296,251	970,773	71,078,412
Accumulated depreciation:				
Water and sewer lines	7,588,439	-	903,517	8,491,956
Buildings and improvements	9,446,636	-	230,797	9,677,433
Furniture and equipment	900,115	-	99,210	999,325
Vehicles	22,215	-	-	22,215
Land improvements	1,544,324	-	60,001	1,604,325
Subtotal	19,501,729	-	1,293,525	20,795,254
Net capital assets being depreciated	48,309,659	2,296,251	(322,752)	50,283,158
Net business-type activities capital assets	\$ 50,538,841	\$ -	\$ 1,563,686	\$ 52,102,527

Note 4 - Capital Assets (Continued)

Component Unit - Housing Commission

	Balance April 1, 2022	Reclassifications	Additions	Balance March 31, 2023
Capital assets not being depreciated:				
Land	\$ 19,800	\$ -	\$ -	\$ 19,800
Construction in progress	-	-	1,650,504	1,650,504
Subtotal	19,800	-	1,650,504	1,670,304
Capital assets being depreciated:				
Buildings and improvements	5,962,377	-	35,000	5,997,377
Furniture and equipment - Dwelling	33,900	-	-	33,900
Furniture and equipment - Administration	119,157	-	10,924	130,081
Subtotal	6,115,434	-	45,924	6,161,358
Accumulated depreciation - Buildings and improvements and furniture and equipment	4,297,812	-	152,239	4,450,051
Net capital assets being depreciated	1,817,622	-	(106,315)	1,711,307
Net capital assets	<u>\$ 1,837,422</u>	<u>\$ -</u>	<u>\$ 1,544,189</u>	<u>\$ 3,381,611</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 551,482
Public safety	366,309
Public works	666,219
Recreation and culture	306,508
Internal service fund depreciation is charged to the various functions based on their usage of the asset	549,103
Total governmental activities	<u>\$ 2,439,621</u>
Business-type activities:	
Water	\$ 687,227
Sewer	198,514
City water	315,506
Marina	92,278
Total business-type activities	<u>\$ 1,293,525</u>

Note 4 - Capital Assets (Continued)

Construction Commitments

The City is committed to contracts in the amount of approximately \$2,200,000 as of June 30, 2023 related to various reconstruction projects. The City largely intends to use the CWSRF bonds described in Note 6 to fund these projects, noting that additional money may continue to be drawn on the 2022 CWSRF bonds.

Note 5 - Interfund Receivables, Payables, and Transfers

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Local Street Fund	\$ 225,000
	Nonmajor governmental funds	915,423
	Total General Fund	1,140,423
Street Improvement Fund	Local Street Fund	940,000
	Nonmajor governmental funds	416,000
	Total Street Improvement Fund	1,356,000
Nonmajor governmental funds	Sewer Fund	554,762
	Local Street Fund	165,000
	Total nonmajor governmental funds	719,762
City Water Fund	Sewer Fund	14,400
	Total	<u>\$ 3,230,585</u>

Transfers are used to move revenue from the fund that is required to collect it to the fund that is required or allowed to expend it; move receipts restricted to, or allowed for, debt service from the funds collecting the receipts to the debt service funds as debt service payments become due; and use unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 6 - Long-term Debt

Long-term debt activity for the year ended June 30, 2023 can be summarized as follows:

Governmental Activities

	Interest Rate	Year of Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
2003 State revolving fund bonds	2.500%	2024	\$ 182,410	\$ -	\$ (95,000)	\$ 87,410	\$ 87,410
2004 State revolving fund bonds	2.125%	2025	381,902	-	(125,000)	256,902	130,000
2008 Bluffside installment loan	4.350%	2024	194,076	-	(120,846)	73,230	73,230
2020 Library renovations lease	2.870%	2039	1,725,861	-	(52,000)	1,673,861	58,000
2021 Fire truck installment purchase	1.750%	2031	1,087,093	-	(112,861)	974,232	114,415
Total direct borrowings and direct placements			3,571,342	-	(505,707)	3,065,635	463,055
Other debt:							
2011 Refunding bonds	4 - 4.125%	2027	1,595,000	-	(280,000)	1,315,000	300,000
Bond premium		2027	14,756	-	(4,919)	9,837	4,919
Total other debt			1,609,756	-	(284,919)	1,324,837	304,919
Total bonds and contracts payable			5,181,098	-	(790,626)	4,390,472	767,974
Compensated absences			490,791	428,471	(283,439)	635,823	367,197
Total governmental activities long-term debt			\$ 5,671,889	\$ 428,471	\$ (1,074,065)	\$ 5,026,295	\$ 1,135,171

June 30, 2023

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate	Year of Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
2008 Capital							
Improvement bonds	2.500%	2030	\$ 1,440,496	\$ -	\$ (165,000)	\$ 1,275,496	\$ 170,000
2009 Clean Water Bonds	2.500%	2030	111,000	-	(10,000)	101,000	11,000
2009 Clean Water Bonds	2.500%	2032	3,349,460	-	(300,000)	3,049,460	305,000
2010 Clean Water Bonds	2.500%	2032	730,000	-	(65,000)	665,000	65,000
2012 Clean Water Bonds	2.500%	2032	110,000	-	(10,000)	100,000	10,000
2013 Clean Water Bonds	2.000%	2033	158,702	-	(10,000)	148,702	10,000
2017 Clean Water Bonds	2.500%	2037	960,000	-	(55,000)	905,000	55,000
2018 Clean Water Bonds	2.000%	2041	15,435,000	-	(675,000)	14,760,000	690,000
2019 Sanitary Sewer							
Bonds	2.380%	2046	3,135,000	-	(95,000)	3,040,000	95,000
2020 Clean Water Bonds	2.000%	2041	1,263,317	-	(60,000)	1,203,317	60,000
2021 Clean Water Bonds	2.125%	2052	1,657,099	340,826	(50,864)	1,947,061	55,000
2021 Sanitary Sewer							
System Bonds	2.250%	2046	4,175,000	-	(135,000)	4,040,000	140,000
2022 Clean Water Bonds	2.125%	2053	-	1,605,051	-	1,605,051	70,000
Bond premium		2046	145,035	-	(6,422)	138,613	6,422
Total direct borrowings and direct placement			32,670,109	1,945,877	(1,637,286)	32,978,700	1,742,422
Other debt - 2012 General obligation tax bonds							
	2.900% to 3.350%	2023	80,000	-	(80,000)	-	-
Total bonds and contracts payable:			32,750,109	1,945,877	(1,717,286)	32,978,700	1,742,422
Compensated absences			90,391	224,521	(194,074)	120,838	120,838
Total business-type activities long-term debt			\$ 32,840,500	\$ 2,170,398	\$ (1,911,360)	\$ 33,099,538	\$ 1,863,260

Component Unit

	Interest Rate	Year of Maturity	Beginning Balance April 1, 2022	Additions	Reductions	Ending Balance March 31, 2023	Due within One Year
Bonds and contracts payable -							
Direct borrowings and direct placements - 2013 Energy Services Note							
	5.430%	2024	\$ 44,406	\$ -	\$ (24,995)	\$ 19,411	\$ 19,411
Compensated absences			1,712	10,544	(9,928)	2,328	2,328
Total component unit			\$ 46,118	\$ 10,544	\$ (34,923)	\$ 21,739	\$ 21,739

Note 6 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities (June 30, 2023)			
	Direct Borrowings and Direct Placements		Other Debt	
	Principal	Interest	Principal	Interest
2024	\$ 463,055	\$ 74,266	\$ 300,000	\$ 53,044
2025	307,401	63,381	320,000	41,044
2026	187,575	56,742	340,000	28,244
2027	195,687	52,604	355,000	14,644
2028	203,818	48,280	-	-
2029-2033	895,808	171,427	-	-
2034-2038	727,000	72,534	-	-
2039-2043	85,291	1,232	-	-
2044-2048	-	-	-	-
2049-2052	-	-	-	-
Total	\$ 3,065,635	\$ 540,466	\$ 1,315,000	\$ 136,976

Years Ending June 30	Business-type Activities (June 30, 2023)			
	Direct Borrowings and Direct Placements		Other Debt	
	Principal	Interest	Principal	Interest
2024	\$ 1,666,000	\$ 675,042	\$ -	\$ -
2025	1,715,000	635,285	-	-
2026	1,750,000	596,403	-	-
2027	1,790,000	555,584	-	-
2028	1,830,000	513,763	-	-
2029-2033	8,668,658	1,944,697	-	-
2034-2038	7,000,000	1,121,024	-	-
2039-2043	5,193,318	417,462	-	-
2044-2048	1,430,000	82,864	-	-
2049-2052	192,060	4,359	-	-
Total	\$ 31,235,036	\$ 6,546,483	\$ -	\$ -

Note 6 - Long-term Debt (Continued)

Years Ending June 30	Component Unit Activities - Housing Commission (March 31, 2023)	
	Direct Borrowings and Direct Placements	
	Principal	Interest
2024	\$ 19,411	\$ 525
2025	-	-
2026	-	-
2027	-	-
2028	-	-
2029-2033	-	-
2034-2038	-	-
2039-2043	-	-
2044-2048	-	-
2049-2052	-	-
Total	\$ 19,411	\$ 525

Outstanding principal and interest on the 2022 Clean Water Bond has been excluded from the schedules above because the loan has not been drawn in full at June 30, 2023. An amortization schedule will be determined at the completion of the project.

On August 28, 2023, the City issued two bonds: Sanitary Sewer System Junior Lien Revenue Bonds in the amount of \$3,000,000, with an interest rate of 2.125 percent and a maturity of October 2039 and Water Supply System Junior Lien Revenue Bonds in the amount of \$13,787,500, with an interest rate of 2.125 percent and a maturity of April 2040.

Note 7 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees.

The City participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required in the past three years.

The City also participates in a state pool, the Michigan Municipal Risk Management Authority, with other municipalities for property, liability, crime, and auto losses. The pool is organized under Public Act 138 of 1982, as amended. The state pool members' limits of coverage (per occurrence) are detailed in their policy agreements with the authority. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required in the past three years.

Note 8 - Pension Plan

Plan Description

The City of St. Joseph Employees' Retirement System is a cost-sharing multiple-employer public employee retirement system that provides pension benefits to substantially all full-time employees of the City of St. Joseph, Michigan; the City of St. Joseph Housing Commission; and the Benton Harbor - St. Joseph Joint Wastewater Treatment Plant (collectively referred to as the "Employers").

The financial statements of the pension system are included in these financial statements as a pension trust fund (a fiduciary fund). The pension system issues a publicly available financial report that can be obtained at the City of St. Joseph at 700 Broad Street, St. Joseph, Michigan.

The System is administered by the City of St. Joseph Retirement System Board of Trustees (the "Board"). The Board consists of five members - one member selected from among the City Commission; the city manager; one police or fire member elected by the police and fire members; one general member elected by the general membership; and one resident, who is not a member, retiree, or beneficiary of the System, who is appointed by the City Commission. The term of office of the citizen trustee, police or fire member trustee, and general member trustee shall be three years, one such term to expire September 30 of each year.

Benefits Provided

The System provides retirement, disability, and death benefits to covered and noncovered plan members and their beneficiaries. Plan members are eligible for service-related disability or service-related death benefits regardless of length of service or age. The benefit amounts attribute to regular retirements and the conditions under which such benefits may be paid are described in tabular form below:

	Eligibility	Benefit Multiplier	Years of Service	Years of Final Average Compensation (FAC)	Member Contribution Rate	Covered
General	60 and 10 or 30 years	2.25% - 0%	40	3	4.00%	Yes
Wastewater	60 and 10 or 30 years	2.25% - 0%	40	3	4.00%	Yes
Public works	60 and 10 or 30 years	2.25% - 0%	40	3	3.25%	Yes
Library	60 and 10 or 30 years	2.25% - 0%	40	3	4.00%	Yes
Housing	60 and 10 or 30 years	2.25% - 0%	40	3	4.00%	Yes
Police patrol	60 and 10 or 25 years	2.25% - 0%	28	3	6.50%	No
Police command	60 and 10 or 50 and 25 years	2.25% - 0%	30	3	6.50%	No
Fire	60 and 10 or 50 and 25 or 30 years	2.70% - 0%	25	3	8.35%	No

Covered members consist of any member who is covered by the federal Social Security old-age survivors' and disability insurance program on account of employment with the City. Noncovered members consist of any member who is not covered by the federal Social Security old-age survivors' and disability insurance program on account of employment with the City.

Deferred Retirement

Members are eligible for benefits with 10 years of service. Benefits begin at age 60 for general members, and at age 50 for public safety members with 25 years of service. Retirement benefits are calculated as regular retirement.

Duty Disability

No age or service requirement for eligibility. Retirement benefits are calculated as regular retirement. Upon termination of worker's compensation, or age 65, whichever occurs first, additional service credit is granted, and benefit is recomputed. Benefit shall not be less than the amount of workers' compensation.

Note 8 - Pension Plan (Continued)

Nonduty Disability

Members are eligible for benefits with 10 years of service. Retirement benefits are calculated as regular retirement.

Duty Death before Retirement

No age or service requirement for eligibility. Upon termination of worker’s compensation, a benefit equal to the workers' compensation amount shall be paid to the spouse, unmarried children under 18, and dependent parents.

Nonduty Death before Retirement

Members are eligible for benefits with 20 years of service or at age 55 with 10 years of service. Retirement benefits are calculated as regular retirement but actuarially reduced in accordance with a 100 percent joint and survivor election.

Death after Retirement

Firefighters are eligible. Spouse must have been married to the firefighter on the retirement date. Retirement benefits are calculated at 55 percent of the retiring firefighter’s pension for the remainder of the spouse’s lifetime.

Plan Membership

The following members of the System were covered by the benefit terms:

Retirees and beneficiaries receiving benefits	142
Terminated plan members entitled to but not yet receiving benefits	6
Active plan members	115
Total	263

Contributions

State law requires public employers make pension contributions in accordance with an actuarial valuation. The City hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by contractual agreements with the plan members. The City's required contribution is determined after consideration of the required contribution rate for employees. Employees are required to contribute 4 percent of their annual pay. The City’s contractually required contribution rates for the year ended June 30, 2023 were between 0 and 20.11 percent, depending on division.

The City of St. Joseph, Michigan; St. Joseph Housing Commission; and Benton Harbor - St. Joseph Joint Wastewater Treatment Plant are required to contribute such additional amounts, as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. The employers contributed \$900,437 for the year ended June 30, 2023. Of this amount, \$774,215 was contributed by the City.

Net Pension Liability

At June 30, 2023, the City reported a liability of \$5,317,556 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to the measurement date of June 30, 2023. The City's proportion of the net pension liability was based on the City's present value of future benefits as of June 30, 2023, relative to all other contributing employers. At June 30, 2023, the City's proportion was 86.64 percent.

Note 8 - Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the City recognized pension expense of \$2,317,730.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,335,538	\$ (446,336)
Net difference between projected and actual earnings on pension plan investments	2,629,584	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	2,063	(604)
Total	\$ 3,967,185	\$ (446,940)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense/(recovery) as follows:

Years Ending June 30	Amount
2024	\$ 928,023
2025	410,082
2026	2,439,030
2027	(256,890)
Total	\$ 3,520,245

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.5 percent (ranging from 3.63 to 6.50 percent), an investment rate of return (net of investment expenses) of 6.75 percent, and the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the Employers' contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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

Note 8 - Pension Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The nominal long-term expected rate of return for the System as a whole was 6.75 percent. The target allocation by asset class is as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
SEI S&P 500 Index Fund	10.00 %	7.31 %
SEI Extended Market Index Fund	3.00	8.08
SEI World Equity Ex-US Fund	18.00	9.38
SEI US Equity Factor	10.00	8.24
SEI Global Low Beta Equities	15.00	7.32
SEI Core Fixed Income Fund	13.00	4.26
SEI Limited Duration Bond Fund	14.00	3.18
SEI US High Yield	4.00	6.13
SEI Emerging Market Debt Fund	4.00	7.45
SEI Global Private Equity Fund	5.00	11.68
SEI Dynamic Asset Allocation Fund	4.00	9.81

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.75%)	Current Discount Rate (6.75%)	1 Percentage Point Increase (7.75%)
Net pension liability (asset) of the City of St. Joseph Employees' Retirement System	\$ 13,737,651	\$ 5,317,556	\$ (1,676,151)

The St. Joseph Housing Commission, a component unit of the City, is also a member of the System. All benefit terms and disclosures related to actuarial assumptions also apply to the Housing Commission. The Housing Commission's net pension liability as of March 31, 2023, the date of the Housing Commission's year end, was \$30,045. This liability is based on the Housing Commission's allocation of the System's liability at June 30, 2022. The Housing Commission also reports deferred outflows of \$37,373 and deferred inflows of \$34,723 at March 31, 2023.

Note 9 - Other Postemployment Benefit Plan

Plan Description

The City of St. Joseph Other Postemployment Benefits Plan is a single-employer defined benefit plan administered by the City. The benefits are provided in accordance with bargaining group agreement and other requirements. Plan benefit provisions were established and may be amended under the authority of the City Commission. The plan does not issue separate stand-alone financial statements.

June 30, 2023

Note 9 - Other Postemployment Benefit Plan (Continued)

Benefits Provided

The City provides certain retiree health care benefits to all applicable employees in accordance with union agreements and/or personnel policies. The City has eliminated postretirement health care for all employees except those public safety employees hired on or before June 30, 2012. Current retirees and those public safety employees hired on or before June 30, 2012 may elect to continue the City's health insurance benefit for themselves, their spouse, and dependents.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	June 30, 2021
Inactive plan members or beneficiaries currently receiving benefits	9
Active plan members	<u>8</u>
Total plan members	<u><u>17</u></u>

Contributions

Retiree health care costs are paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. The City establishes contribution rates based on an actuarially determined rate per a funding valuation. For the fiscal year ended June 30, 2023, the City made payments for postemployment health benefit premiums of \$116,116. This is less than the actuarially determined contribution amount of \$276,535, causing a contribution deficiency of \$160,419. Employees are not required to contribute to the plan.

Total OPEB Liability

The City's total OPEB liability of \$1,555,904 was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2021, which used update procedures to roll forward the estimated liability to June 30, 2023. The plan does not have a fiduciary net position; therefore, the liability reported in the financial statements is the total OPEB liability.

Changes in the total OPEB liability during the measurement year were as follows:

Changes in Total OPEB Liability	Total OPEB Liability
Balance at July 1, 2022	\$ 1,584,835
Changes for the year:	
Service cost	41,795
Interest	57,109
Differences between expected and actual experience	6,676
Changes in assumptions	(18,395)
Contributions - Employer	<u>(116,116)</u>
Net changes	<u>(28,931)</u>
Balance at June 30, 2023	<u><u>\$ 1,555,904</u></u>

OPEB Recovery and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the City recognized OPEB recovery of \$150,010.

Note 9 - Other Postemployment Benefit Plan (Continued)

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,263	\$ -
Changes in assumptions	-	8,992
Total	\$ 3,263	\$ 8,992

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2024	\$ (5,729)

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using an inflation assumption of 3.50 percent; a health care cost trend rate of 7.50 percent, decreasing by 0.5 percent per year to an ultimate rate of 3.50 percent; and the Pub-2010 mortality tables, with future mortality improvements projected to 2025 using scale MP-2018. These assumptions were applied to all periods included in the measurement.

Discount Rate

For plans that do not have formal assets, the single discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of determining the total OPEB liability as of June 30, 2023, the measurement date, the municipal bond rate is 3.86 percent (based on the daily rate closest to but no later than the measurement date of the Fidelity 20-Year Municipal GO AA Index). For the purpose of determining the total OPEB liability as of June 30, 2022, the municipal bond rate was 3.69 percent.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.86 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (2.86%)	Current Discount Rate (3.86%)	1 Percentage Point Increase (4.86%)
Total OPEB liability of the City of St. Joseph Other Postemployment Benefits Plan	\$ 1,668,330	\$ 1,555,904	\$ 1,453,366

Note 9 - Other Postemployment Benefit Plan (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the total OPEB liability of the City, calculated using the health care cost trend rate of 7.50 percent, as well as what the City's total OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.50%)	Current Health Care Cost Trend Rate (7.50%)	1 Percentage Point Increase (8.50%)
Total OPEB liability of the City of St. Joseph Other Postemployment Benefits Plan	\$ 1,421,021	\$ 1,555,904	\$ 1,705,747

Assumption Changes

For the year ended June 30, 2023, the single discount rate increased from 3.69 percent to 3.86 percent.

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 3.50 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

Note 10 - Fund Balance Constraints

The detail of the various components of fund balance is as follows:

	Primary Government				Total
	General Fund	Local Street Fund	Street Improvement Fund	Nonmajor Funds	
Nonspendable:					
Inventory	\$ 3,396	\$ 55,861	\$ -	\$ -	\$ 59,257
Prepays	90,389	-	-	19,349	109,738
Endowment purposes	-	-	-	506,201	506,201
Total nonspendable	93,785	55,861	-	525,550	675,196
Restricted:					
Roads	-	868,185	4,836,301	2,540,798	8,245,284
Public safety	491,141	-	-	14,602	505,743
Sanitation	-	-	-	556,905	556,905
Debt service	-	-	-	262,169	262,169
Cemetery	-	-	-	124,833	124,833
Library	-	-	-	1,840,992	1,840,992
Band	-	-	-	335,536	335,536
Total restricted	491,141	868,185	4,836,301	5,675,835	11,871,462
Committed:					
Budget stabilization	1,000,000	-	-	-	1,000,000
Equipment	-	-	-	248,878	248,878
Total committed	1,000,000	-	-	248,878	1,248,878
Assigned - Capital projects	-	-	-	4,002,581	4,002,581
Unassigned	3,304,961	-	-	-	3,304,961
Total fund balance	\$ 4,889,887	\$ 924,046	\$ 4,836,301	\$ 10,452,844	\$ 21,103,078

Required Supplementary Information

Required Supplementary Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 6,367,041	\$ 6,382,100	\$ 6,373,888	\$ (8,212)
Intergovernmental	1,092,800	1,194,300	1,342,235	147,935
Charges for services	2,048,700	1,993,400	1,953,580	(39,820)
Fines and forfeitures	141,200	111,200	116,688	5,488
Licenses and permits	533,100	496,400	575,822	79,422
Interest and rentals	13,900	227,000	222,894	(4,106)
Other revenue	14,400	124,000	122,314	(1,686)
Total revenue	10,211,141	10,528,400	10,707,421	179,021
Expenditures				
Current services:				
General government:				
Legislative (City Commission)	36,400	30,700	26,657	4,043
Chief executive (City Manager)	293,300	379,900	373,044	6,856
Purchasing	77,900	114,400	102,226	12,174
Treasurer	323,300	333,100	329,892	3,208
Assessing	116,000	117,000	109,695	7,305
Clerk	165,200	146,100	133,830	12,270
Buildings and grounds	389,800	393,700	365,339	28,361
Attorney	141,000	145,900	139,027	6,873
Elections	126,300	117,500	98,386	19,114
Personnel	116,600	124,800	122,190	2,610
Other	217,000	217,000	209,827	7,173
Public safety:				
Public safety department	3,233,200	3,435,250	3,360,106	75,144
Fire department	936,900	1,054,900	1,001,761	53,139
Code enforcement	117,500	88,700	86,666	2,034
Building inspections and related	299,100	273,950	265,337	8,613
Public works:				
Street lighting	88,000	92,000	77,299	14,701
Department of public works	220,900	249,800	240,665	9,135
City engineer	330,300	308,700	283,059	25,641
Asset management	99,200	101,400	91,486	9,914
Health and welfare - Ambulance	55,900	55,900	54,385	1,515
Community and economic development:				
Economic development	60,000	60,000	60,000	-
Community development	210,100	128,700	126,418	2,282
Communications	209,500	71,000	66,999	4,001
Recreation and culture:				
Parks	935,600	928,900	875,604	53,296
Ice arena	191,700	199,600	188,202	11,398
Lighthouse	11,200	11,200	6,928	4,272
City recreation program	160,800	144,500	106,304	38,196
Debt service	259,400	260,000	259,300	700
Total expenditures	9,422,100	9,584,600	9,160,632	423,968
Excess of Revenue Over Expenditures	789,041	943,800	1,546,789	602,989
Other Financing Uses - Transfers out	(310,000)	(1,200,500)	(1,200,423)	77
Net Change in Fund Balance	479,041	(256,700)	346,366	603,066
Fund Balance - Beginning of year	3,313,014	3,313,014	3,313,014	-
Fund Balance - End of year	\$ 3,792,055	\$ 3,056,314	\$ 3,659,380	\$ 603,066

City of St. Joseph, Michigan

Required Supplementary Information
 Budgetary Comparison Schedule - Major Special Revenue Funds
 Local Street Fund

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Intergovernmental	\$ 301,300	\$ 301,300	\$ 301,972	\$ 672
Interest and rentals	300	19,400	23,029	3,629
Other revenue	-	600	555	(45)
Total revenue	301,600	321,300	325,556	4,256
Expenditures - Current services - Public works	1,079,900	2,114,100	1,803,546	310,554
Excess of Expenditures Over Revenue	(778,300)	(1,792,800)	(1,477,990)	314,810
Other Financing Sources - Transfers in	390,000	1,330,000	1,330,000	-
Net Change in Fund Balance	(388,300)	(462,800)	(147,990)	314,810
Fund Balance - Beginning of year	1,072,036	1,072,036	1,072,036	-
Fund Balance - End of year	<u>\$ 683,736</u>	<u>\$ 609,236</u>	<u>\$ 924,046</u>	<u>\$ 314,810</u>

City of St. Joseph, Michigan

Required Supplementary Information
 Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)
 Street Improvement Fund

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 1,917,600	\$ 1,917,600	\$ 1,909,746	\$ (7,854)
Intergovernmental	3,537,000	74,200	74,185	(15)
Interest and rentals	2,500	118,500	141,815	23,315
Other revenue	-	56,400	56,366	(34)
Total revenue	5,457,100	2,166,700	2,182,112	15,412
Expenditures - Current services - Public works	1,372,000	451,700	286,185	165,515
Excess of Revenue Over Expenditures	4,085,100	1,715,000	1,895,927	180,927
Other Financing Uses - Transfers out	(4,075,000)	(1,356,000)	(1,356,000)	-
Net Change in Fund Balance	10,100	359,000	539,927	180,927
Fund Balance - Beginning of year	4,296,374	4,296,374	4,296,374	-
Fund Balance - End of year	<u>\$ 4,306,474</u>	<u>\$ 4,655,374</u>	<u>\$ 4,836,301</u>	<u>\$ 180,927</u>

City of St. Joseph, Michigan

Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 City of St. Joseph Employees' Retirement System

	Last Nine Fiscal Years Years Ended June 30								
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	86.64400 %	86.32900 %	86.09900 %	85.75700 %	85.91400 %	86.27300 %	83.29400 %	82.70100 %	83.85000 %
City's proportionate share of the net pension liability (asset)	\$ 5,317,556	\$ 4,907,701	\$(6,008,394)	\$ 3,347,748	\$ 937,732	\$(1,006,484)	\$ (848,961)	\$ 2,794,494	\$ (891,941)
City's covered payroll	\$ 6,658,826	\$ 6,291,172	\$ 5,928,496	\$ 5,929,031	\$ 5,586,257	\$ 5,882,817	\$ 3,447,246	\$ 3,199,377	\$ 2,999,915
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	79.86 %	78.01 %	(101.35)%	56.46 %	16.79 %	(17.11)%	(24.63)%	87.34 %	(29.73)%

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

City of St. Joseph, Michigan

Required Supplementary Information
Schedule of City Pension Contributions
City of St. Joseph Employees' Retirement System

	Last Nine Fiscal Years								
	Years Ended June 30								
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 744,215	\$ 897,051	\$ 771,651	\$ 756,532	\$ 725,186	\$ 753,757	\$ 747,494	\$ 871,555	\$ 891,941
Contributions in relation to the actuarially determined contribution	<u>744,215</u>	<u>897,051</u>	<u>771,651</u>	<u>756,532</u>	<u>725,186</u>	<u>753,757</u>	<u>747,494</u>	<u>871,555</u>	<u>891,941</u>
Contribution Excess	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered Payroll	\$ 6,658,826	\$ 6,291,172	\$ 5,928,496	\$ 5,929,031	\$ 5,586,257	\$ 5,882,817	\$ 3,447,246	\$ 3,199,377	\$ 2,999,915
Contributions as a Percentage of Covered Payroll	11.18 %	14.26 %	13.02 %	12.76 %	12.98 %	12.81 %	21.68 %	27.24 %	29.73 %

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

City of St. Joseph, Michigan

Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios

	Last Six Fiscal Years					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability						
Service cost	\$ 41,795	\$ 66,726	\$ 68,954	\$ 36,311	\$ 44,395	\$ 48,181
Interest	57,109	40,383	50,565	50,790	56,562	57,724
Differences between expected and actual experience	6,676	(318,703)	(40,975)	(195,640)	36,605	(22,267)
Changes in assumptions	(18,395)	(203,935)	85,030	642,912	67,323	(6,751)
Benefit payments, including refunds	<u>(116,116)</u>	<u>(139,070)</u>	<u>(107,053)</u>	<u>(111,965)</u>	<u>(169,347)</u>	<u>(98,581)</u>
Net Change in Total OPEB Liability	(28,931)	(554,599)	56,521	422,408	35,538	(21,694)
Total OPEB Liability - Beginning of year	<u>1,584,835</u>	<u>2,139,434</u>	<u>2,082,913</u>	<u>1,660,505</u>	<u>1,624,967</u>	<u>1,646,661</u>
Total OPEB Liability - End of year	<u>\$ 1,555,904</u>	<u>\$ 1,584,835</u>	<u>\$ 2,139,434</u>	<u>\$ 2,082,913</u>	<u>\$ 1,660,505</u>	<u>\$ 1,624,967</u>
Covered-employee Payroll	\$ 1,176,555	\$ 830,354	\$ 676,192	\$ 611,200	\$ 874,096	\$ 1,092,509
Total OPEB Liability as a Percentage of Covered-employee Payroll	132.24 %	190.86 %	316.39 %	340.79 %	189.97 %	148.74 %

GASB 74 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end. At an April commission meeting, the city manager will submit a proposed operating budget for the fiscal year commencing on the following July 1. The operating budget includes proposed expenditures and resources to finance them. A public hearing is conducted prior to the adoption of the budget to obtain taxpayers' comments. Prior to June 30, the budget is legally enacted through passage of a resolution by the City Commission.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

A reconciliation of the General Fund budgetary comparison schedule to the fund-based statement of revenue, expenditures, and changes in fund balances is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures and Transfers Out</u>	<u>Change in Fund Balance</u>
Amounts per operating statement, including other financing sources	\$ 10,971,197	\$ 10,583,155	\$ 388,042
Cemetery Perpetual Care Fund activity	(263,776)	(222,100)	(41,676)
Amounts per budget statement, including other financing sources	<u>\$ 10,707,421</u>	<u>\$ 10,361,055</u>	<u>\$ 346,366</u>

Pension Information

Changes in Assumptions

For the June 30, 2021 actuarial valuation, changes in actuarial assumptions recognized in this valuation are as follows: The investment rate of return assumption was lowered from 7.00 to 6.75 percent. The wage inflation assumption was lowered from 4.0 to 3.5 percent. The mortality assumption was updated. The amortization period was increased to 15 years and remains closed.

For the June 30, 2018 actuarial valuation, changes in actuarial assumptions recognized in the valuation are as follows: the investment rate of return assumption was lowered from 7.00 to 6.75 percent, the wage inflation assumption was lowered from 4.0 to 3.5 percent, the mortality assumption was updated, and the amortization period was increased to 15 years and remains closed.

For the June 30, 2014 actuarial valuation, the mortality assumption was updated to use the RP-2000 Mortality table projected 20 years unadjusted for women and with 110 percent of the table rates for men.

OPEB Information

Changes in Assumptions

For the year ended June 30, 2023, the single discount rate increased from 3.69 percent to 3.86 percent.

During the measurement year ended June 30, 2022, health care trend rates decreased from an initial trend of 8.25 percent, gradually decreasing to an ultimate trend rate of 4.50 percent in year 16, to an initial trend rate of 7.50 percent, gradually decreasing to an ultimate trend rate of 3.50 percent in year 12. For the year ended June 30, 2022, the single discount rate also increased from 1.92 percent to 3.69 percent.

During the measurement year ended June 30, 2021, the single discount rate decreased from 2.45 to 1.92 percent.

For the June 30, 2019 actuarial valuation, changes in actuarial assumptions recognized in this valuation are as follows: the single discount rate was lowered from 3.13 to 2.45 percent, and the wage inflation assumptions were increased from 3.50 to 7.50 percent and 4.10 to 6.50 percent.

Other Supplementary Information

Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2023

	Special Revenue Funds									
	Major Street Fund	Depot Fund	Garbage and Rubbish Collection Fund	Justice Training Fund	Drug Forfeiture Fund	Criminal Forfeiture Fund	Public Library Fund	Band Fund	Total Special Revenue Funds	Debt Service Fund
Assets										
Cash and cash equivalents	\$ 534,094	\$ 244,868	\$ 580,338	\$ 11,951	\$ 3,845	\$ 54	\$ 1,639,274	\$ 344,730	\$ 3,359,154	\$ 262,169
Investments	1,913,165	-	-	-	-	-	-	-	1,913,165	-
Receivables:										
Other receivables	3,524	4,010	-	-	-	-	14,583	-	22,117	-
Due from other governments	134,657	-	-	-	-	-	-	-	134,657	-
Prepaid expenses	-	1,563	-	-	-	-	16,223	1,563	19,349	-
Total assets	\$ 2,585,440	\$ 250,441	\$ 580,338	\$ 11,951	\$ 3,845	\$ 54	\$ 1,670,080	\$ 346,293	\$ 5,448,442	\$ 262,169
Liabilities										
Accounts payable	\$ 43,401	\$ -	\$ 17,361	\$ 1,248	\$ -	\$ -	\$ 22,862	\$ 9,194	\$ 94,066	\$ -
Accrued liabilities and other	1,241	-	6,072	-	-	-	19,396	-	26,709	-
Total liabilities	44,642	-	23,433	1,248	-	-	42,258	9,194	120,775	-
Fund Balances										
Nonspendable	-	1,563	-	-	-	-	16,223	1,563	19,349	-
Restricted	2,540,798	-	556,905	10,703	3,845	54	1,611,599	335,536	5,059,440	262,169
Committed	-	248,878	-	-	-	-	-	-	248,878	-
Assigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	2,540,798	250,441	556,905	10,703	3,845	54	1,627,822	337,099	5,327,667	262,169
Total liabilities and fund balances	\$ 2,585,440	\$ 250,441	\$ 580,338	\$ 11,951	\$ 3,845	\$ 54	\$ 1,670,080	\$ 346,293	\$ 5,448,442	\$ 262,169

Other Supplementary Information
 Combining Balance Sheet (Continued)
 Nonmajor Governmental Funds

June 30, 2023

	Capital Project Funds					Permanent Funds			Total	
	Capital Improvement Fund	State Street Rehabilitation Project Fund	CSO Storage Project Fund	Library Capital Project Fund	Lighthouse Improvement Fund	Total Capital Project Funds	Cemetery Perpetual Care Fund	Library Endowment Fund		Total Permanent Funds
Assets										
Cash and cash equivalents	\$ 1,772,076	\$ 63,000	\$ -	\$ 101,908	\$ 215,093	\$ 2,152,077	\$ 124,833	\$ 735,594	\$ 860,427	\$ 6,633,827
Investments	1,989,020	-	-	-	-	1,989,020	-	-	-	3,902,185
Receivables:										
Other receivables	-	-	-	-	-	-	-	-	-	22,117
Due from other governments	-	-	-	-	-	-	-	-	-	134,657
Prepaid expenses	-	-	-	-	-	-	-	-	-	19,349
Total assets	\$ 3,761,096	\$ 63,000	\$ -	\$ 101,908	\$ 215,093	\$ 4,141,097	\$ 124,833	\$ 735,594	\$ 860,427	\$ 10,712,135
Liabilities										
Accounts payable	\$ 138,516	\$ -	\$ -	\$ -	\$ -	\$ 138,516	\$ -	\$ -	\$ -	\$ 232,582
Accrued liabilities and other	-	-	-	-	-	-	-	-	-	26,709
Total liabilities	138,516	-	-	-	-	138,516	-	-	-	259,291
Fund Balances										
Nonspendable	-	-	-	-	-	-	-	506,201	506,201	525,550
Restricted	-	-	-	-	-	-	124,833	229,393	354,226	5,675,835
Committed	-	-	-	-	-	-	-	-	-	248,878
Assigned	3,622,580	63,000	-	101,908	215,093	4,002,581	-	-	-	4,002,581
Total fund balances	3,622,580	63,000	-	101,908	215,093	4,002,581	124,833	735,594	860,427	10,452,844
Total liabilities and fund balances	\$ 3,761,096	\$ 63,000	\$ -	\$ 101,908	\$ 215,093	\$ 4,141,097	\$ 124,833	\$ 735,594	\$ 860,427	\$ 10,712,135

Other Supplementary Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2023

	Special Revenue Funds									
	Major Street Fund	Depot Fund	Garbage and Rubbish Collection Fund	Justice Training Fund	Drug Forfeiture Fund	Criminal Forfeiture Fund	Public Library Fund	Band Fund	Total Special Revenue Funds	Debt Service Fund
Revenue										
Taxes	\$ -	\$ -	\$ 1,239,065	\$ -	\$ -	\$ -	\$ 420,072	\$ 134,470	\$ 1,793,607	\$ 378,322
Intergovernmental:										
Federal grants	-	-	-	-	-	-	-	-	-	-
State sources:										
State-shared revenue	-	-	-	36	-	-	192,819	-	192,855	-
Act 51 gas and weight tax	765,247	-	-	-	-	-	-	-	765,247	-
Local Community Stabilization Authority	-	-	39,232	-	-	-	16,319	5,224	60,775	24,663
Charges for services	-	-	2,650	-	-	-	8,074	-	10,724	-
Fines and forfeitures	-	-	-	-	-	-	122,290	-	122,290	-
Interest and rentals	(14,500)	33,836	20,611	299	83	1	106,206	8,848	155,384	12,151
Other revenue	-	1,418	-	-	998	-	41,882	1,418	45,716	-
Total revenue	750,747	35,254	1,301,558	335	1,081	1	907,662	149,960	3,146,598	415,136
Expenditures										
Current services:										
Public safety	-	-	-	867	-	-	-	-	867	-
Public works	813,350	6,492	1,113,770	-	906	50	-	-	1,934,568	15,000
Recreation and culture	-	-	-	-	-	-	798,609	129,853	928,462	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	500,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	76,482
Total expenditures	813,350	6,492	1,113,770	867	906	50	798,609	129,853	2,863,897	591,482
Excess of Revenue (Under) Over Expenditures	(62,603)	28,762	187,788	(532)	175	(49)	109,053	20,107	282,701	(176,346)
Other Financing Sources (Uses)										
Transfers in	416,000	-	-	-	-	-	-	-	416,000	-
Transfers out	(165,000)	-	-	-	-	-	-	-	(165,000)	-
Total other financing sources (uses)	251,000	-	-	-	-	-	-	-	251,000	-
Net Change in Fund Balances	188,397	28,762	187,788	(532)	175	(49)	109,053	20,107	533,701	(176,346)
Fund Balances - Beginning of year	2,352,401	221,679	369,117	11,235	3,670	103	1,518,769	316,992	4,793,966	438,515
Fund Balances - End of year	\$ 2,540,798	\$ 250,441	\$ 556,905	\$ 10,703	\$ 3,845	\$ 54	\$ 1,627,822	\$ 337,099	\$ 5,327,667	\$ 262,169

Other Supplementary Information
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Continued)
 Nonmajor Governmental Funds

Year Ended June 30, 2023

	Capital Project Funds					Permanent Funds				Total
	Capital Improvement Fund	State Street Rehabilitation Project Fund	CSO Storage Project Fund	Library Capital Project Fund	Lighthouse Improvement Fund	Total Capital Project Funds	Cemetery Perpetual Care Fund	Library Endowment Fund	Total Permanent Funds	
Revenue										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,171,929
Intergovernmental:										
Federal grants	39,955	-	-	-	-	39,955	-	-	-	39,955
State sources:										
State-shared revenue	-	-	-	-	-	-	-	-	-	192,855
Act 51 gas and weight tax	-	-	-	-	-	-	-	-	-	765,247
Local Community Stabilization Authority	-	-	-	-	-	-	-	-	-	85,438
Charges for services	-	-	-	-	-	-	-	-	-	10,724
Fines and forfeitures	-	-	-	-	-	-	-	-	-	122,290
Interest and rentals	110,793	-	-	646	4,666	116,105	3,124	34,460	37,584	321,224
Other revenue	263,064	-	-	10,000	350	273,414	-	-	-	319,130
Total revenue	413,812	-	-	10,646	5,016	429,474	3,124	34,460	37,584	4,028,792
Expenditures										
Current services:										
Public safety	-	-	-	-	-	-	-	-	-	867
Public works	-	-	-	-	-	-	-	-	-	1,949,568
Recreation and culture	-	-	-	-	-	-	-	2,288	2,288	930,750
Capital outlay	1,394,295	-	-	-	-	1,394,295	-	-	-	1,394,295
Debt service:										
Principal	-	-	-	52,000	-	52,000	-	-	-	552,000
Interest and fiscal charges	-	-	-	49,173	-	49,173	-	-	-	125,655
Total expenditures	1,394,295	-	-	101,173	-	1,495,468	-	2,288	2,288	4,953,135
Excess of Revenue (Under) Over Expenditures	(980,483)	-	-	(90,527)	5,016	(1,065,994)	3,124	32,172	35,296	(924,343)
Other Financing Sources (Uses)										
Transfers in	890,423	-	-	-	25,000	915,423	-	-	-	1,331,423
Transfers out	-	-	(554,762)	-	-	(554,762)	-	-	-	(719,762)
Total other financing sources (uses)	890,423	-	(554,762)	-	25,000	360,661	-	-	-	611,661
Net Change in Fund Balances	(90,060)	-	(554,762)	(90,527)	30,016	(705,333)	3,124	32,172	35,296	(312,682)
Fund Balances - Beginning of year	3,712,640	63,000	554,762	192,435	185,077	4,707,914	121,709	703,422	825,131	10,765,526
Fund Balances - End of year	\$ 3,622,580	\$ 63,000	\$ -	\$ 101,908	\$ 215,093	\$ 4,002,581	\$ 124,833	\$ 735,594	\$ 860,427	\$ 10,452,844

**Other Supplementary Information
Combining Statement of Net Position
Internal Service Funds**

June 30, 2023

	Motor Pool Fund	Self-Insurance Fund	Employee Health Care Fund	Total Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,091,402	\$ 946,208	\$ 1,560,581	\$ 3,598,191
Receivables	24,956	962	10,288	36,206
Inventory	64,112	-	-	64,112
Prepaid expenses	25,011	27,226	9,480	61,717
Total current assets	1,205,481	974,396	1,580,349	3,760,226
Noncurrent assets - Capital assets - Assets subject to depreciation - Net	1,360,665	-	-	1,360,665
Total assets	2,566,146	974,396	1,580,349	5,120,891
Liabilities				
Current liabilities:				
Accounts payable	34,958	370	-	35,328
Accrued liabilities and other	3,347	218	-	3,565
Compensated absences	9,997	-	-	9,997
Total liabilities	48,302	588	-	48,890
Net Position				
Net investment in capital assets	1,360,665	-	-	1,360,665
Unrestricted	1,157,179	973,808	1,580,349	3,711,336
Total net position	\$ 2,517,844	\$ 973,808	\$ 1,580,349	\$ 5,072,001

City of St. Joseph, Michigan

Other Supplementary Information
Combining Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds

Year Ended June 30, 2023

	Motor Pool Fund	Self-Insurance Fund	Employee Health Care Fund	Total Internal Service Funds
Operating Revenue				
Rent	\$ 1,060,274	\$ -	\$ -	\$ 1,060,274
Other revenue	36,549	261,282	1,765,316	2,063,147
Total operating revenue	1,096,823	261,282	1,765,316	3,123,421
Operating Expenses				
Supplies and materials	291,739	-	-	291,739
Personnel costs	173,890	-	1,722,186	1,896,076
Contractual services	118,928	7,875	2,190	128,993
Insurance	59,124	118,562	-	177,686
Depreciation	549,103	-	-	549,103
Total operating expenses	1,192,784	126,437	1,724,376	3,043,597
Operating (Loss) Income	(95,961)	134,845	40,940	79,824
Nonoperating Revenue (Expense)				
Investment income	22,172	(2,606)	11,061	30,627
Gain on sale of assets	35,853	-	-	35,853
Total nonoperating revenue (expense)	58,025	(2,606)	11,061	66,480
Change in Net Position	(37,936)	132,239	52,001	146,304
Net Position - Beginning of year	2,555,780	841,569	1,528,348	4,925,697
Net Position - End of year	\$ 2,517,844	\$ 973,808	\$ 1,580,349	\$ 5,072,001

Other Supplementary Information
Combining Statement of Cash Flows
Internal Service Funds

Year Ended June 30, 2023

	Motor Pool Fund	Self-Insurance Fund	Employee Health Care Fund	Total Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 1,096,823	\$ 261,282	\$ 1,765,316	\$ 3,123,421
Payments to suppliers	(595,541)	(7,505)	(773,631)	(1,376,677)
Payments to employees and fringes	(60,703)	(4,126)	(776)	(65,605)
Claims paid	(12,637)	(114,436)	(960,225)	(1,087,298)
Other payments	(20,455)	(663)	(7,716)	(28,834)
	<u>407,487</u>	<u>134,552</u>	<u>22,968</u>	<u>565,007</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of capital assets	35,853	-	-	35,853
Purchase of capital assets	(465,713)	-	-	(465,713)
	<u>(429,860)</u>	<u>-</u>	<u>-</u>	<u>(429,860)</u>
Cash Flows from Investing Activities				
Interest received and interest expensed on investments	22,172	482,152	11,061	515,385
Purchases of investment securities	-	(484,758)	-	(484,758)
	<u>22,172</u>	<u>(2,606)</u>	<u>11,061</u>	<u>30,627</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(201)	131,946	34,029	165,774
Cash and Cash Equivalents - Beginning of year	<u>1,091,603</u>	<u>814,262</u>	<u>1,526,552</u>	<u>3,432,417</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 1,091,402</u></u>	<u><u>\$ 946,208</u></u>	<u><u>\$ 1,560,581</u></u>	<u><u>\$ 3,598,191</u></u>
Classification of Cash and Cash Equivalents	<u><u>\$ 1,091,402</u></u>	<u><u>\$ 946,208</u></u>	<u><u>\$ 1,560,581</u></u>	<u><u>\$ 3,598,191</u></u>

**Other Supplementary Information
Combining Statement of Cash Flows (Continued)
Internal Service Funds**

Year Ended June 30, 2023

	Motor Pool Fund	Self-Insurance Fund	Employee Health Care Fund	Total Internal Service Funds
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (95,961)	\$ 134,845	\$ 40,940	\$ 79,824
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation	549,103	-	-	549,103
Changes in assets and liabilities:				
Receivables	(20,455)	(663)	(7,716)	(28,834)
Inventories	(27,289)	-	-	(27,289)
Prepaid and other assets	(25,011)	-	(9,480)	(34,491)
Accounts payable	28,156	370	-	28,526
Accrued and other liabilities	(1,056)	-	(776)	(1,832)
Total adjustments	503,448	(293)	(17,972)	485,183
Net cash and cash equivalents provided by operating activities	\$ 407,487	\$ 134,552	\$ 22,968	\$ 565,007

Other Supplementary Information
 Combining Statement of Fiduciary Net Position
 Fiduciary Funds

June 30, 2023

	General Agency Fund	Current Tax Collection Fund	Total
Assets - Cash and cash equivalents	\$ 37,110	\$ -	\$ 37,110
Liabilities - Accounts payable	37,110	-	37,110
Net Position Restricted for Pension	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of St. Joseph, Michigan

**Other Supplementary Information
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds**

Year Ended June 30, 2023

	<u>General Agency Fund</u>	<u>Current Tax Collection Fund</u>	<u>Total</u>
Additions - Property tax collections for other governments	\$ -	\$ 15,895,383	\$ 15,895,383
Deductions - Tax distributions to other governments	-	15,895,383	15,895,383
Net Increase (Decrease) in Fiduciary Net Position	-	-	-
Net Position - Beginning of year	-	-	-
Net Position - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>