

**City of St. Joseph
Stearns County, Minnesota**

Financial Statements

December 31, 2019



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**City of St. Joseph
Elected Officials and Administration
December 31, 2019**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Rick Schultz	Mayor	January 2021
Robert Loso	Council Member	January 2021
Troy Goracke	Council Member	January 2021
Brian Theisen	Council Member	January 2023
Anne Buckvold	Council Member	January 2023
<u>Administration</u>		
Kris Ambuehl	City Administrator	Appointed
Lori Bartlett	Finance Director	Appointed

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of St. Joseph
St. Joseph, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Joseph, Minnesota, as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Joseph, Minnesota, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and State Collected Sales Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Joseph's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2020, on our consideration of the City of St. Joseph's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of St. Joseph's internal control over financial reporting and compliance.

Bergan KDV, Ltd.

St. Cloud, Minnesota
April 22, 2020

City of St. Joseph Management's Discussion and Analysis

As management of the City of St. Joseph, we offer readers of the City of St. Joseph's financial statements this narrative overview and analysis of the financial activities of the City of St. Joseph for the fiscal year ended December 31, 2019.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2019 include the following:

- ◆ The assets of the City of St. Joseph exceeded its liabilities at the close of the most recent fiscal year by \$38,854,716. Of this amount, \$6,165,618 may be used to meet government's ongoing obligations to citizens and creditors (unrestricted net position).
- ◆ The City of St. Joseph's total net position increased by \$4,412,571 from 2018 to 2019. Half of the increase represents unspent bond proceeds for the industrial park and street overlay projects. Other funds with the largest increase in net position include the water, sewer and storm water funds. All three enterprise funds received developer capital contributions totaling \$1,973,043 amounting to 71% of the increase in net position in the proprietary funds.
- ◆ As of the close of the current fiscal year, the City of St. Joseph's governmental funds reported combined ending fund balances of \$9,153,995, an increase of \$2,751,026. Of this amount \$1,622,111 is unassigned for spending at the City's discretion. The remaining balance of \$7,531,884 is set aside for specific future expenditures.
- ◆ At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,631,900 or 47% of the total general fund expenditures (\$1,641,091 or 48% excluding the fire and PEG access funds).
- ◆ The City of St. Joseph's total long-term debt increased by \$1,917,938 during the current fiscal year. The City had four debts paid in full, issued two larger debts, and added to the draw for the St. Cloud biosolids Public Facilities Authority (PFA) loan in 2019. The new debts issued paid for industrial park improvements, street overlay improvements, and St. Joseph's portion of the St. Cloud biosolids improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of St. Joseph's basic financial statements. The City of St. Joseph's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broader overview of the City of St. Joseph's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City of St. Joseph's assets and liabilities, with the difference between the two 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 of St. Joseph is improving or deteriorating.

City of St. Joseph Management's Discussion and Analysis

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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the government-wide financial statements distinguish functions of the City of St. Joseph that are principally supported by taxes and intergovernmental revenues (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 of St. Joseph include general government, public safety, public works, economic development, culture and recreation, and interest on long-term debt. The business-type activities of the City of St. Joseph include water, sanitary sewer, refuse, storm water and street light utility services.

The government-wide financial statements include not only the City of St. Joseph itself (known as the primary government), but also a legally separate Economic Development Authority. Financial information for this component unit is blended in the financial information.

The government-wide financial statements can be found on pages 24-25 of this report.

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 of St. Joseph, like other state and local governments, utilize fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of St. Joseph can be divided into one of the following two categories: governmental funds and proprietary funds.

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 evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and government-wide governmental activities.

City of St. Joseph Management's Discussion and Analysis

The City of St. Joseph maintains forty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and state collected sales tax special revenue fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of St. Joseph adopts an annual appropriated budget for its general and state collected sales tax funds. A budgetary comparison statement has been provided for these funds (pages 33-35) to demonstrate compliance with the budgets.

The basic governmental fund financial statements can be found on pages 26 -31 of this report.

Proprietary Funds. The City of St. Joseph maintains proprietary funds that are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of St. Joseph uses proprietary funds to account for its water, sanitary sewer, refuse, storm water and street light utility activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sanitary sewer, refuse, storm water and street light utility, all of which are considered to be major funds of the City of St. Joseph.

The basic proprietary fund financial statements can be found on pages 36-43 of this report.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 45-80 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds can be found on pages 96-107 of this report.

Comparative Data. While comparative data is not illustrated in this report, comments throughout this narrative and overview will discuss significant changes from the prior year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of St. Joseph, assets exceeded liabilities by \$38,854,716 at the close of the most recent fiscal year.

**City of St. Joseph
Management's Discussion and Analysis**

By far the largest portion of the City of St. Joseph's net position reflects its investment in capital assets (e.g. land, buildings, machinery and equipment) net accumulated depreciation, less any related debt used to acquire those assets that is still outstanding. The City of St. Joseph utilizes these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of St. Joseph's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 11,569,653	\$ 8,168,281	\$ 2,682,064	\$ 2,361,022	\$ 14,251,717	\$ 10,529,303
Capital assets, net	17,991,864	16,315,154	34,070,689	32,961,780	52,062,553	49,276,934
Total assets	<u>29,561,517</u>	<u>24,483,435</u>	<u>36,752,753</u>	<u>35,322,802</u>	<u>66,314,270</u>	<u>59,806,237</u>
Deferred Outflows of Resources						
Deferred outflows of resources related to pensions	719,067	1,091,570	23,234	49,921	742,301	1,141,491
Total deferred outflows	<u>719,067</u>	<u>1,091,570</u>	<u>23,234</u>	<u>49,921</u>	<u>742,301</u>	<u>1,141,491</u>
Liabilities						
Current liabilities	2,035,423	1,416,169	1,303,001	1,571,829	3,338,424	2,987,998
Long-term liabilities	13,922,151	11,182,087	9,717,387	10,814,010	23,639,538	21,996,097
Total liabilities	<u>15,957,574</u>	<u>12,598,256</u>	<u>11,020,388</u>	<u>12,385,839</u>	<u>26,977,962</u>	<u>24,984,095</u>
Deferred Inflows of Resources						
Deferred inflows of resources related to lease receivables	89,817	132,460	-	-	89,817	132,460
Deferred inflows of resources related to pensions	1,079,913	1,325,459	54,163	63,569	1,134,076	1,389,028
Total deferred inflows	<u>1,169,730</u>	<u>1,457,919</u>	<u>54,163</u>	<u>63,569</u>	<u>1,223,893</u>	<u>1,521,488</u>
Net Position						
Invested in capital assets, net related debt	7,568,790	7,223,470	23,627,091	21,249,153	28,318,026	26,880,985
Restricted	4,371,072	3,857,499	-	-	4,371,072	3,857,499
Unrestricted	1,213,418	437,861	2,074,345	1,674,162	6,165,618	3,703,661
Total net position	<u>\$ 13,153,280</u>	<u>\$ 11,518,830</u>	<u>\$ 25,701,436</u>	<u>\$ 22,923,315</u>	<u>\$ 38,854,716</u>	<u>\$ 34,442,145</u>

City of St. Joseph Management's Discussion and Analysis

An additional portion of the City of St. Joseph's net position (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a surplus of \$6,165,618, or a surplus of \$3,287,763 after removing the unrestricted portion of governmental debt for enterprise assets. The surplus is largely the result of the change in St. Joseph's realized portion of the Minnesota employee's pension liability. The liability fluctuates significantly with changes in amortization assumptions such as the rate of return. Without the net pension liability, the unrestricted net position would be a surplus of \$7,891,344.

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

Governmental Activities. The governmental activities change in net position balance increased \$1,634,450. The City's governmental operational activity was strong with development activity, increase in interest earnings, conduit debt fees received, and unspent bond proceeds. Contributed assets were received from a developer project and recorded as a capital grant, increasing the governmental activities net position.

Business-Type Activities. There was a \$2,778,121 or 12% increase in the total net position for the business-type activities. The increase is due to paying down bonds, raising utility rates and significant development fees collected. The full value of the assets is netted against the bonds payable. Also, plant and lines increased with developer contributions increasing the business-type net position.

The graph and charts on the following pages summarize and graphically depict the changes in net position for the governmental and business-type activities.

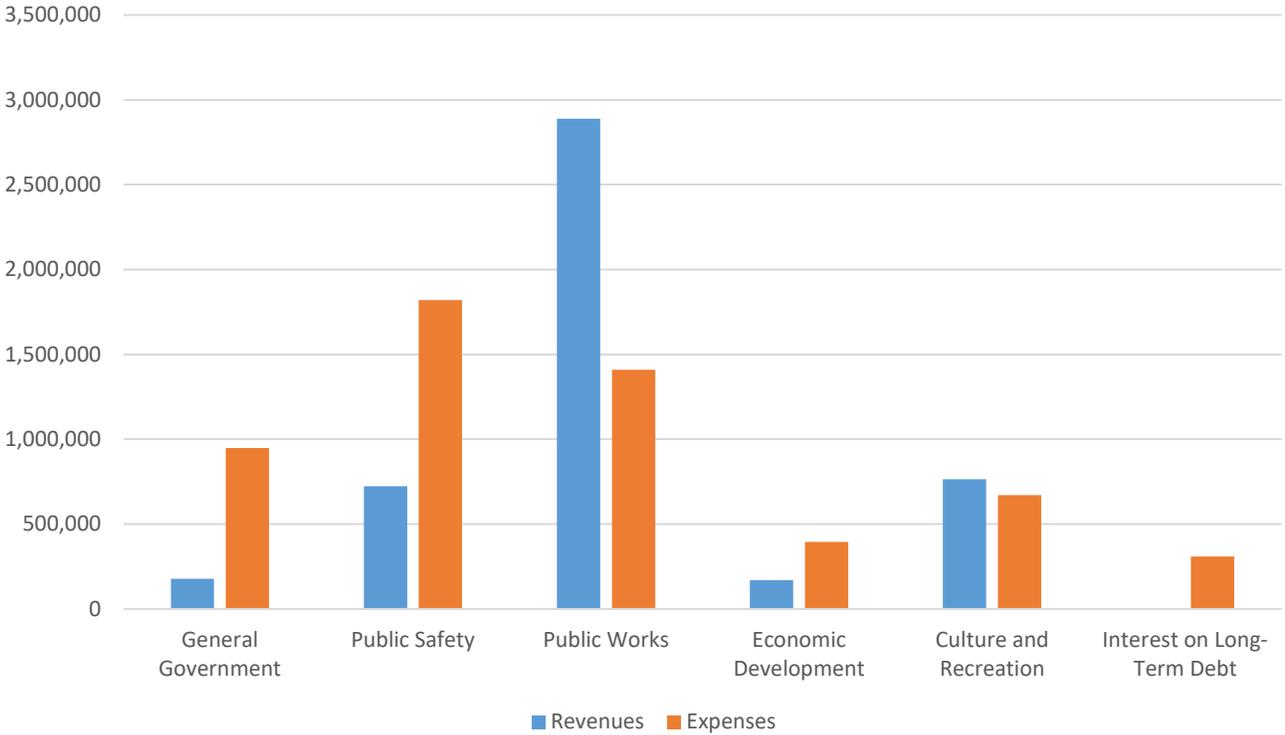
City of St. Joseph
Management's Discussion and Analysis

CHANGE IN NET POSITION

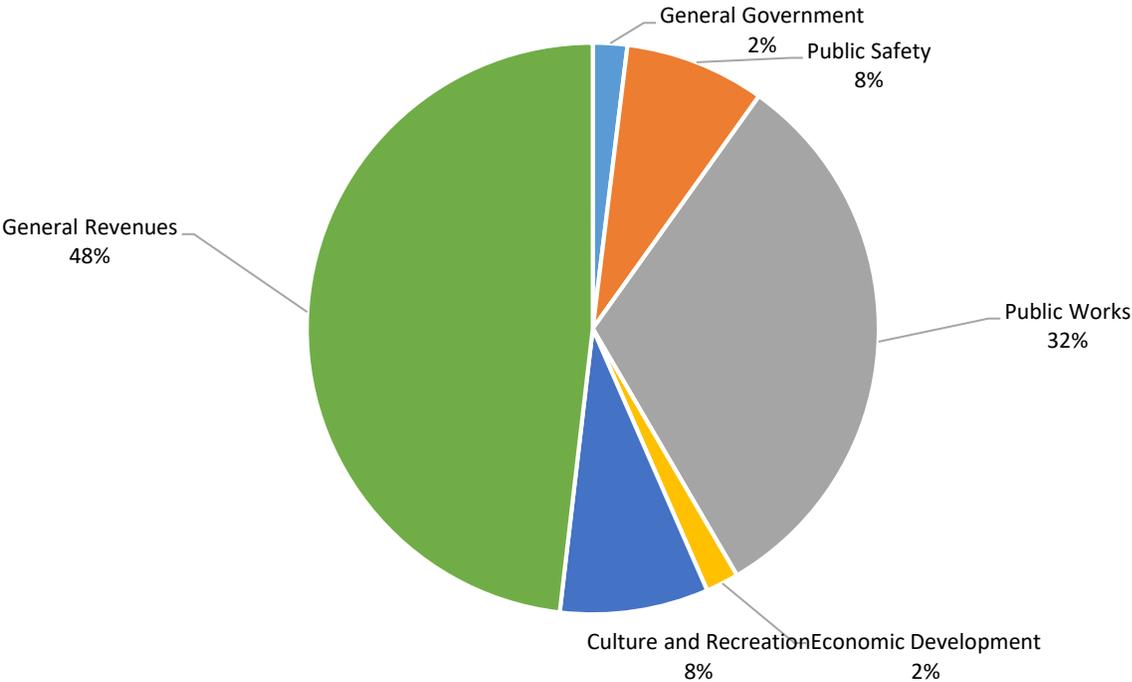
Revenues	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program Revenues						
Charges for services	\$ 903,089	\$ 1,195,623	\$ 3,371,497	\$ 3,420,138	\$ 4,274,586	\$ 4,615,761
Operating grants and contributions	265,382	176,940	1,335	(35,337)	266,717	141,603
Capital grants and contributions	3,554,879	210,562	-	84,109	3,554,879	294,671
General Revenues						
Property taxes	2,340,046	2,183,051	22,356	22,554	2,362,402	2,205,605
Tax increments	140,321	118,903	-	-	140,321	118,903
Sales taxes	498,304	442,677	-	-	498,304	442,677
Franchise fees	134,704	131,212	-	-	134,704	131,212
Lodging taxes	15,584	15,930	-	-	15,584	15,930
Miscellaneous taxes	10,276	-	-	-	10,276	-
State aids	1,005,897	1,001,501	-	-	1,005,897	1,001,501
Unrestricted investment earnings	238,224	33,638	109,852	22,551	348,076	56,189
Gain on disposal of assets	4,000	-	236	473	4,236	473
Total revenues	9,110,706	5,510,037	3,505,276	3,514,488	12,615,982	9,024,525
Expenses						
General government	948,716	1,206,414	-	-	948,716	1,206,414
Public safety	1,820,630	1,886,542	-	-	1,820,630	1,886,542
Public works	1,409,166	1,415,942	-	-	1,409,166	1,415,942
Economic development	394,944	187,355	-	-	394,944	187,355
Culture and recreation	671,149	532,681	-	-	671,149	532,681
Interest on long-term debt	309,733	283,649	-	-	309,733	283,649
Water	-	-	947,461	1,044,241	947,461	1,044,241
Sanitary sewer	-	-	1,127,772	1,086,230	1,127,772	1,086,230
Storm water	-	-	319,085	307,941	319,085	307,941
Refuse	-	-	198,628	210,349	198,628	210,349
Street light utility	-	-	56,127	70,890	56,127	70,890
Total expenses	5,554,338	5,512,583	2,649,073	2,719,651	8,203,411	8,232,234
Increase (decrease) in net position						
before transfers	3,556,368	(2,546)	856,203	794,837	4,412,571	792,291
Transfers	(1,921,918)	(32,270)	1,921,918	32,270	-	-
Change in net position	1,634,450	(34,816)	2,778,121	827,107	4,412,571	792,291
Net Position						
Net position - beginning	11,518,830	11,553,646	22,923,315	22,096,208	34,442,145	33,649,854
Net position - ending	\$ 13,153,280	\$ 11,518,830	\$ 25,701,436	\$ 22,923,315	\$ 38,854,716	\$ 34,442,145

**City of St. Joseph
Management's Discussion and Analysis**

**PROGRAM REVENUES AND EXPENSES
GOVERNMENTAL ACTIVITIES**

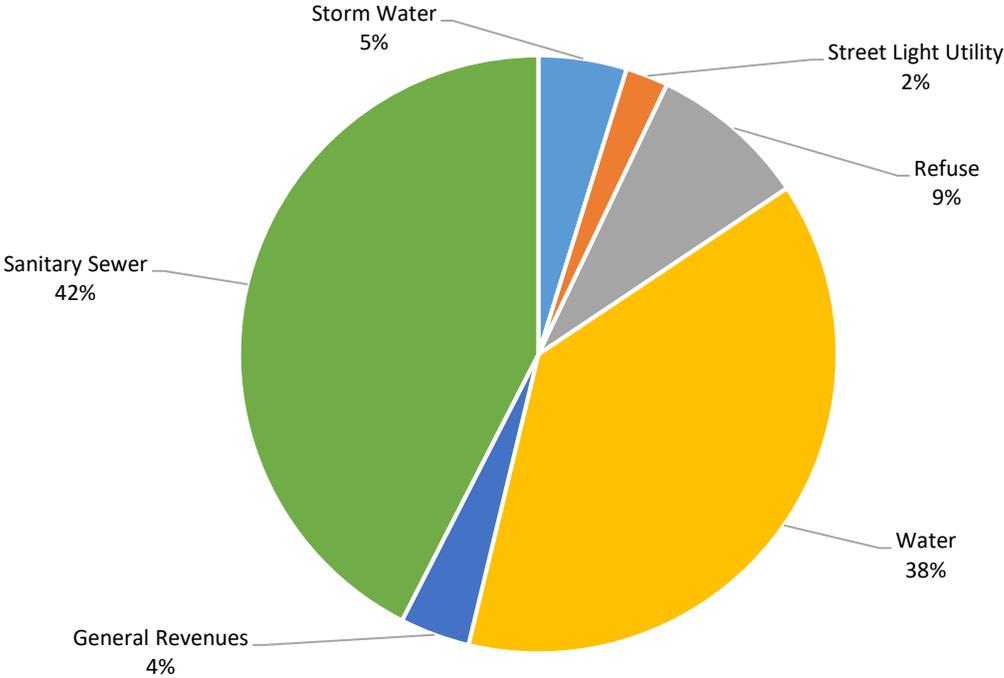


REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES

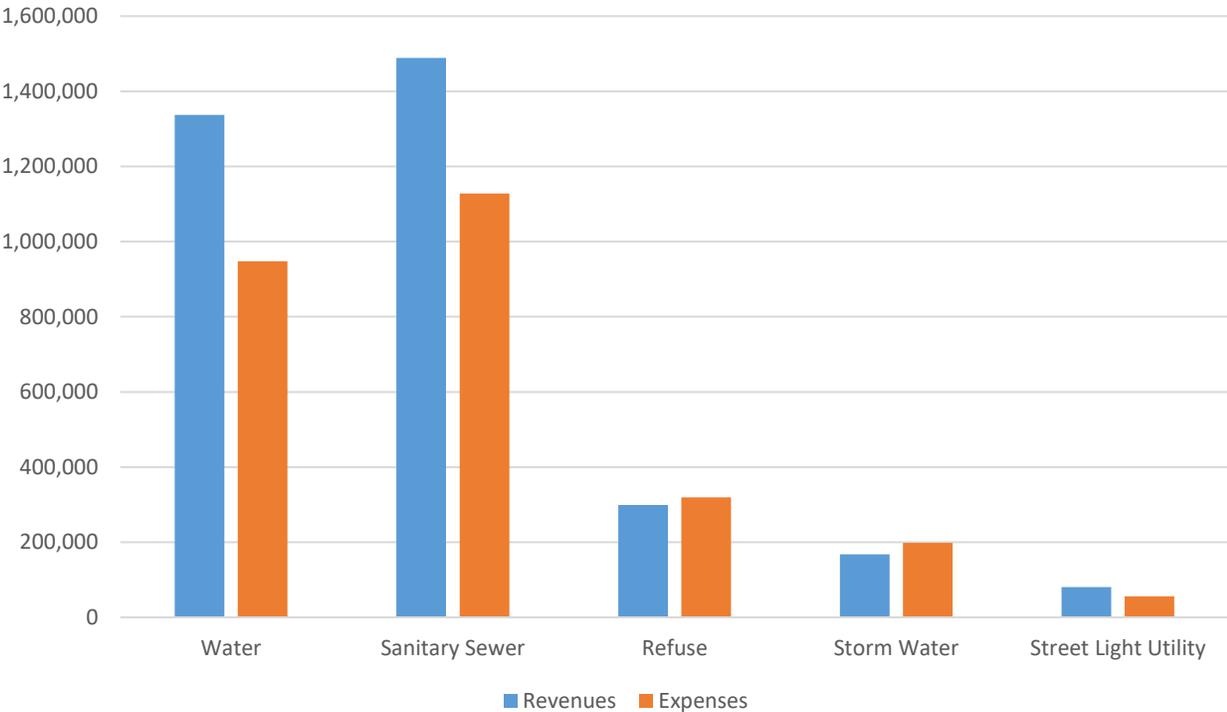


**City of St. Joseph
Management's Discussion and Analysis**

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



**PROGRAM REVENUES AND EXPENSES
BUSINESS-TYPE ACTIVITIES**



City of St. Joseph Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE CITY'S FUNDS AT THE FUND LEVEL

Governmental Funds. The financial performance of the City of St. Joseph as a whole is reflected in its governmental funds as well. As the City completed the fiscal year 2019, its governmental funds reported a combined fund balance of \$9,153,995, an increase of \$2,751,026 from 2018. Revenues for the City's governmental funds were \$8,932,769, while expenditures were \$10,207,674. The excess of expenditures over revenues is largely attributed to construction costs for the industrial park and street overlay improvements. The improvements are paid mainly from bond proceeds that are reported as other financing sources. After adding other financing sources and uses, the net change in fund balance is an increase of \$2,751,026. By removing the two construction project funds, governmental revenues exceeded expenditures by \$898,073. The major funds will be discussed further below. Other governmental non-major funds ended the year \$390,952 increase in fund balances. Two non-major funds to recognize are the Field Street improvement bonds of 2016 and the EDA fund. The Field Street improvements bonds received a reimbursement from the City's municipal state aid funds in the amount of \$213,607. The EDA fund did not fully expend capital that was budgeted with property tax proceeds. The EDA budgets capital programming over a five-year period. Some years will have higher expenditures as other years. The EDA levy is stabilized with the five-year capital plan.

A summary of financial highlights for each major governmental fund follows.

General Fund

The general fund is the chief operating fund of the City of St. Joseph. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,631,900. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance to total fund expenditures. Unassigned fund balance represents 47%, (just under six months) working capital. The City Council has adopted a financial policy which includes a goal to maintain the general fund working capital fund balance equal to 4-6 months of expenditures. The excess unassigned fund balance can be attributed to development related revenue, interest earnings, a one-time conduit debt fee, increased lease revenue and under spending salaries and wages. Salaries and wages were less due to the retirement of a long-term administrator, postponing the hire of a finance technician until late in the year, delaying the replacement hire of the police sergeant and implementing the compensation study in 2020 versus 2019. General fund revenues exceeded budgeted amounts by \$189,400 (5% over budget).

General fund expenditures were less than budgeted by \$95,238. The City of St. Joseph sets funds aside for the street maintenance plan. The street maintenance plan expenditures fluctuate each year, increasing in 2019 by \$19,081. In addition to the general street maintenance, improvement projects are planned over a five-year period. General government expenditures were under budgeted amounts mainly due to the retirement of the administrator and postponing the hire of the finance technician. General government wages and benefits were less than budget by \$16,100. This budget item fluctuates with the maintenance needs of the government center versus other departments. Police expenditures were \$84,255 under budget due to the sergeant replacement delayed to 2020. Ice and snow removal reported \$33,931 over budget. The City of St. Joseph annexed a portion of the St. Joseph Township in February 2019. Per the agreement, the City took over snow removal immediately. Spring 2019 was one of the snowiest seasons in Minnesota causing the expenditures to go over-budget. The fire capital outlay includes annual funding for the 5-year capital equipment plan where actual expenditures will occur in a future year.

**City of St. Joseph
Management's Discussion and Analysis**

As a result of the prudent financial policies of the City, the general fund remained stable.

The schedule below presents a summary of general fund revenues and expenditures.

Revenues	December 31, 2019	December 31, 2018	Increase (Decrease)	Percent Change
Taxes	\$ 1,566,070	\$ 1,422,970	\$ 143,100	10%
Special assessment	3,558	5,341	(1,783)	-33%
Licenses and permits	255,953	357,138	(101,185)	-28%
Intergovernmental	1,230,507	1,227,716	2,791	0%
Charges for services	406,047	396,183	9,864	2%
Fines and forfeitures	52,289	58,620	(6,331)	-11%
Miscellaneous	197,176	59,377	137,799	232%
Total General fund revenue	\$ 3,711,600	\$ 3,527,345	\$ 184,255	5%

Expenditures	December 31, 2019	December 31, 2018	Increase (Decrease)	Percent Change
General government	\$ 835,169	\$ 746,022	\$ 89,147	12%
Public safety	1,627,582	1,636,585	(9,003)	-1%
Public works	567,271	502,660	64,611	13%
Culture and recreation	399,140	335,306	63,834	19%
Total General fund expenditures	\$ 3,429,162	\$ 3,220,573	\$ 208,589	6%

General Fund Budgetary Highlights

Over the course of the year, the City of St. Joseph did not amend the annual operating budget. Historically, the City has minimal budget amendments during the budget year.

- Actual revenues were \$189,400 more than expected mainly due to development related charges, interest earnings and conduit debt issuance fee. In addition, state aids came in higher than budgeted. The City budgets conservatively for revenues not known at the time the budget is set.
- Actual expenditures were \$95,238 less than budget. A couple points on the expenditure budget:
 - To help minimize fluctuations in the budget, the City budgets family insurance coverage for the majority of the employees even though some elect single or no coverage. The City will be faced with a number of retirees in the next five (5) years. Along with that comes the payment of unused accumulated benefit hours. Therefore, health insurance savings between budget and actual is transferred into a retirement reserve account for payment of unused benefit hours. In addition, budgeting for the highest insurance cost alleviates budget spikes when employees change their insurance election and when new hires are made.

City of St. Joseph Management's Discussion and Analysis

- The City manages a five-year capital equipment plan (CEP) and capital improvement plan (CIP). During the budget process each year the plans are reviewed and the council prioritizes which projects/equipment will be funded. The funds are set aside for future purchases as the useful life of equipment and infrastructure are depleted, or as new equipment needs are warranted. Due to the large costs associated with some of the needed equipment (such as a street sweeper), setting funds aside minimizes the fluctuations in the capital outlay budget.
- Staff changes in both the Police Department and Administration had a significant impact on the expenditures for 2019. The position of sergeant has remained vacant and is expected to be filled in 2020. The retirement of the long-term administrator and replacement with a new person reduced the costs. In addition, the finance technician was budgeted with an anticipated start the beginning of 2019, but wasn't hired until November 2019. Finally, the compensation study that began in 2017 was expected to be implemented in 2019. The study was delayed until 2020. The result reflected in salaries and benefit savings in 2019.
- Culture and recreational expenditures ended 2019 over budget. In 2015 the City of St. Joseph purchased the former Kennedy Elementary (Colts Academy) from Independent School District 742. The building is leased to a church and a child care center. It is also used for the St. Joseph Food Shelf and Historical Society. The gym is open to the public on limited hours. The costs to maintain the building is higher than anticipated.
- Streets and highways realized expenditures over budget mainly due to snow and ice removal as discussed earlier.

State Collected Sales Tax Fund

The state collected sales tax fund began in 2006. The State of Minnesota and voters in the St. Cloud area approved a 0.5% local option sales tax to fund regional projects such as a community facilities, transportation needs, and parks and trails. As of December 31, 2019, the City of St. Joseph collected \$4,761,975; \$939,221 more than originally budgeted when legislative authority was granted. The City spent \$6,395,099 since its inception. The fund received bond proceeds, a federal grant and other revenues totaling \$2,527,509. The fund balance at the end of the year was \$973,112. In 2018 the City authorized the construction of phase II/III of the CR2 trail. The trail extends adjacent to MN St W starting at 4th Avenue NW to CR 2 and then south along CR 2 to CR 51. The funding for the trail includes a combination of federal funds administered through the St. Cloud Area Planning Organization and sales tax revenue. Construction is anticipated to be completed in August 2020.

State Collected Sales Tax Fund Budgetary Highlights

The city council adopts a budget for the state collected sales tax fund through the 5-year capital improvement plan. Budgets were not amended during the year. The fund ended the year \$656,422 over budget. Sales tax revenues were \$58,304 over budgeted amount and capital outlay was \$8,002 under budget. The federal highway grant received for the trail project was \$559,394 over budget. The City anticipated partial collections in 2019 with the balance in 2020. The entire grant was received in 2019. Sales tax revenues continue to exceed original expectations when the State approved the St. Cloud area local option collection. The City budgets conservatively to avoid over-committing available funds for project planning.

City of St. Joseph Management's Discussion and Analysis

Proprietary Funds. The City of St. Joseph's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position of the proprietary funds increased \$2,774,809 overall. The following five paragraphs provide a brief financial overview of each major proprietary fund.

Water Enterprise Fund

The water fund is used to account for the operations of the city's water utility. In 2019, the water fund's net position increased \$1,188,443. Before transfers and capital contributions, the operating income reported a \$173,119 surplus. The net position includes depreciation of \$432,706. The water operating revenues are covering over 100% of the depreciation, both operationally and when adding non-operational revenues and expenses. Bonded debt payments in the water fund totaled \$691,873. Debt payments are covered by water rates, debt levy, water connection and trunk fees, and transfers from the sewer fund. Water rates have been incrementally increased over the past few years to cover operational costs as well as water related debt. The current rates are sufficient for the water fund operations and debt costs. Water revenues are set aside for future improvements such as required maintenance on the current water tower and adding a second water tower to the utility system. Water connections can dip in trying economic times. Having water reserves can level rate adjustments and help weather difficult economic times. Rates are reviewed annually as part of the budget adoption.

Sanitary Sewer Enterprise Fund

The sanitary sewer fund is used to account for the operations of the city's sanitary sewer utility. In 2019, the sanitary sewer fund's net position increased \$808,599 and realized \$401,010 in operating income. User fees are covering 100% of the depreciation, and non-operating revenues and expenses. As a contract user of the St. Cloud Wastewater Treatment Facility, St. Joseph is obligated to pay a portion of the costs to maintain the plant and conveyance system. St. Joseph issued four notes with the City of St. Cloud for various facility and conveyance projects. In addition, St. Joseph issued one bond for improvement projects within the City's sanitary sewer system. In 2019, the City paid four sewer debts in full, three of the debts were paid off early. The debt costs are partially paid with reserved Sewer Access Charges (SAC), trunk fees and sewer usage rates. The development fees in 2019 greatly assisted in covering debt costs. As a result, rate increases have slowed down to a more average increase (1-3%) after a few years of significant user rate increases. Rates are reviewed annually as part of the budget adoption.

Refuse Enterprise Fund

The refuse fund is used to account for the contract services to provide residential refuse, recycling and compost services. The refuse fund ended 2019 with a net position of \$239,856. City council opted to under-fund the costs to operate the refuse and compost programs by using unused net position to cover the difference. For 2019, the City expected to reduce the net position \$20,000. Investment income came in better than expected resulting in a \$12,031 decrease in net position. The overall net position is healthy and able to manage the decrease.

City of St. Joseph Management's Discussion and Analysis

Storm Water Enterprise Fund

The storm water fund is used to account for the operations of the city's storm water utility. In 2019, the storm water fund's net position increased \$763,531; a decrease of \$19,799 before capital contributions and transfers. The storm water fund realized an operating loss of \$31,172, covering 71% depreciation. In 2018 the city council opted to reduce the storm water usage rates by half in order to accommodate increases in other utilities. The rates are being stepped up to get closer to covering costs. The operating loss was anticipated and the storm water fund could absorb with the healthy net position balance. In addition, the storm water fund collected \$80,013 in development fees to assist in operational activities of the fund.

Street Light Utility Enterprise Fund

The street light utility fund is used to account for the operations of the city's street lighting. As of December 31, 2019 the street light utility fund's change in net position increased \$26,267, and an operating income of \$24,407. The city council increased rates slightly to ensure expenses are covered by fees. The street light utility fund also covers expenses for holiday lights on the street lights and other utility poles along Minnesota Street and College Avenue. Overall, the net position of the street light utility fund has grown to \$60,959 since splitting from the general fund in 2013.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The capital assets include land, intangible assets, buildings, improvements, machinery and equipment, infrastructure, easements, plant and lines, sewer rights, and construction in progress. The City of St. Joseph's net capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$52,062,553 (net of accumulated depreciation), an increase of \$2,785,619. The increase in net capital assets was attributable to the developer infrastructure contribution of Jasmine Court. In addition, construction in progress increased \$14,908,809. Construction in progress is not depreciated and increases the net capital assets. Net investment in capital assets increased \$1,437,041. The contributed assets aided in the increase due to no offsetting debt when the assets were acquired.

The table on the following page is a summary of the City of St. Joseph's capital assets.

Additional information on the City of St. Joseph's capital assets can be found in Note 5 beginning on page 58 of this report. Total depreciation expense for 2019 was \$2,513,580.

**City of St. Joseph
Management's Discussion and Analysis**

CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 763,197	\$ 763,197	\$ 377,882	\$ 377,882	\$ 1,141,079	\$ 1,141,079
Easements	200,085	200,085	67,915	67,915	268,000	268,000
Construction in progress	3,637,903	764,136	3,769,371	1,860,536	7,407,274	2,624,672
Improvements	1,365,946	1,353,806	289,760	289,760	1,655,706	1,643,566
Infrastructure	20,551,930	20,389,483	-	-	20,551,930	20,389,483
Buildings	8,735,795	8,735,795	8,797,686	8,797,686	17,533,481	17,533,481
Intangible assets	200,000	200,000	-	-	200,000	200,000
Plant and lines	-	-	24,430,657	24,190,729	24,430,657	24,190,729
Sewer rights	-	-	9,068,746	9,068,746	9,068,746	9,068,746
Machinery and equipment	3,950,112	3,860,682	867,104	865,445	4,817,216	4,726,127
Less: accumulated depreciation	(21,413,104)	(19,952,030)	(13,598,432)	(12,556,919)	(35,011,536)	(32,508,949)
Total net capital assets	\$ 17,991,864	\$ 16,315,154	\$ 34,070,689	\$ 32,961,780	\$ 52,062,553	\$ 49,276,934

Long-Term Liabilities

The City of St. Joseph's long-term liabilities includes bonded debt (including notes payables), compensated absences and net pension liability. Overall the long-term liabilities totaled \$24,469,890 as of December 31, 2019, an increase of \$1,854,380.

The City of St. Joseph issued two debts, added to a St. Cloud PFA loan draw and paid four debts in full (three called early). The debt issuance amounts were higher than the amounts paid in full. The bonds and notes liabilities increased \$1.9 million.

At the end of the current fiscal year, the City of St. Joseph had total net bonded debt outstanding of \$24,379,143, an increase of \$1,917,938. Of this amount, \$13,935,545 comprises debt backed by the full faith and credit of the government. The remainder of the City of St. Joseph's debt represents bonds and notes secured by specified revenue sources (i.e. utility bonds). Other long-term debt includes compensated absences payable and net pension liabilities.

Compensated absences increased \$4,306 in 2019. The general increase in wages including step increases and the relatively low turnover rate caused the compensated absences liability to increase. A long time employed city administrator retired in 2019. Although wages increased and accruals increased with low turnover, the reduction of compensated absences from the one retiree kept the increase in compensated absences relatively flat.

Net pension liability accounts for the City's portion of the Public Employees Retirement Association of Minnesota (PERA). As per Minnesota Statutes, the City is required to participate in the PERA program. The City's share of the liability fluctuates each year based on law changes and funding levels. For 2019, the net pension liability decreased \$67,864.

An illustration of the city's long-term liabilities is included in the table on the following page.

**City of St. Joseph
Management's Discussion and Analysis**

OUTSTANDING LONG-TERM LIABILITIES

	2019	2018	Increase (Decrease)	Percent Change
Governmental Activities				
General obligation bonds	\$ 4,367,978	\$ 4,719,469	\$ (351,491)	-7%
General obligation special assessment bonds	8,146,149	4,490,835	3,655,314	81%
General obligation abatement bonds	1,421,418	1,538,274	(116,856)	-8%
Compensated absences payable	449,588	455,241	(5,653)	-1%
Net pension liability	1,099,030	1,150,594	(51,564)	-4%
	<u>\$ 15,484,163</u>	<u>\$ 12,354,413</u>	<u>\$ 3,129,750</u>	25%
Business-Type Activities				
General obligation revenue bonds	\$ 5,281,450	\$ 6,194,866	\$ (913,416)	-15%
Notes payable	5,162,148	5,517,761	(355,613)	-6%
Compensated absences payable	161,588	151,629	9,959	7%
Net pension liability	234,921	251,221	(16,300)	-6%
	<u>\$ 10,840,107</u>	<u>\$ 12,115,477</u>	<u>\$ (1,275,370)</u>	-11%

The City of St. Joseph issued \$3,705,000 general obligation improvement bonds, series 2019A in August 2019. The bonds paid for the 2019 street improvements and industrial park expansion.

In addition, the City of St. Joseph added to the public facilities authority (PFA) note with the City of St. Cloud for wastewater biosolids treatment improvements in the amount of \$175,721. The City of St. Joseph is a part of the St. Cloud Area Wastewater Advisory Commission (SCAWAC). Wastewater treatment is provided by the City of St. Cloud to six area cities. Each city purchases sewer treatment rights in the wastewater treatment facility. Also part of the agreement, the area cities participate in conveyance costs to transport the wastewater to the facility. At the end of 2019, the City of St. Joseph has four notes outstanding with the City of St. Cloud for treatment facility and conveyance projects.

As stated earlier, the City of St. Joseph increased bonded indebtedness by \$1,917,938. After the two bond issues and addition to the PFA note stated above, the City paid four debts in full in 2019. New debt issues exceeded bond payments during the year.

The City of St. Joseph maintained their bond rating AA-/Stable from Standards and Poor's. The report stated the City had adequate economy, strong management and budgetary performance and very strong liquidity. The debt and contingent liabilities of the City were rated weak.

Minnesota Statutes limit the amount of net general obligation debt a governmental entity may issue to 3% of its taxable market value. Net general obligation debt is debt solely paid for, with limited exceptions, by ad valorem taxes. The current debt limitation for the City of St. Joseph is \$11,050,299 which significantly exceeds the outstanding pure general obligation debt of \$4,674,000.

City of St. Joseph Management's Discussion and Analysis

Additional information on the City's long-term liabilities can be found in Note 6 beginning on page 60 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The past few years have been exciting in the City of St. Joseph after several years of contracting economies from the 2008 Great Recession. After several years of declining market values and slow development the City's taxable market value increased 19.65% the past five years and development has been encouraging. As a result of improved conditions, the City has been able to keep a stable tax rate while maintaining service levels.

In the development market the City added 7 new single-family homes and a market rate multi-family facility for residential living units. New development on the commercial side included 87 remodels and additions. For commercial new construction, Strack Construction completed an 8,854 square foot building for office and warehouse facilities in the industrial park. Total market value additions in the building department added \$12,114,568 in value. In the past three years, new construction as well as remodels/additions and repairs added over \$67.8 million in market value for the City of St. Joseph.

In addition to new construction, current structures have impacted the net tax capacity. The sale prices have increased along with the assessors estimated market values for existing properties. To stay in compliance with Minnesota Statutes, the sales price ration indicated the need to increase existing market values. This combined with the new buildings; market values increased 8.04% for the 2019 property values.

As stated, single family residential construction included 7 new homes built in 2019. Nationally and in Minnesota the housing market is improving. In the City of St. Joseph, two developers expanded their developments to provide 34 lots in three subdivisions. In addition, the Country Manor senior development began construction of single family homes in their first phase development. The first phase includes twelve detached patio homes; three were constructed. St. Joseph is fortunate to have a very low foreclosure rate. In fact, homes that become available for sale do not stay on the market for an extended period of time.

Other new construction in 2019 included the completion of residential units in the 24 North Lofts on College Ave and the start of the build out of the restaurant suite. The 24 North Lofts project includes 17 residential lofts and restaurant space that will be occupied by a New Orleans restaurant named Krewe. The facility will also include a separate building that will house New Orleans bakery named Flour and Flower Bakery. The restaurant and bakery will both open in spring 2020. Also under construction are two 35 unit market rate apartments. The first complex will open summer 2020, the second in late 2020 or early 2021. The College of St. Benedict's completed construction of their artisan studios/administrative offices/welcome center buildings. The College also completed several remodel and updates to existing dorms and educational facilities.

City of St. Joseph Management's Discussion and Analysis

The City of St. Joseph anticipates commercial/industrial development with the expansion of the Industrial Park that began in 2019. The City was awarded a \$1,245,000 BDPI development grant from the Minnesota Department of Employment and Economic Development department (MN DEED) to assist with costs for public streets and utilities to create shovel ready industrial lots. Phase one of the project began fall 2019 and includes 26 lots. The plat was designed with the majority of lots one acre in size. Since it is easier to combine lots that it would be to split large lots, the small lots allow for flexibility when selling lots and will be attractive to both small and large industries. The industrial park project is a combined City and private partnership. The City secured the grant for the public improvements and the private developer, CLC Partners LLC, own the property and will cover all costs exceeding the grant amount.

The City Council approved an application with the Central MN Housing Partnership to secure funding through the Minnesota Small Cities Development Program Grant (SCDP) in the amount of \$178,624 in 2018. The grant provides funding to eligible property owners to complete major repairs on their homes. Participants must meet income level eligibility requirements to receive a loan that is forgivable incrementally over a seven-year period. The rehabilitation projects are anticipated to be completed in 2020.

Besides developments and rehabilitation projects, the City added to their property market value with the annexation of a large portion of the St. Joseph Township. The City of St. Joseph and St. Joseph Township entered into an orderly annexation (OAA) agreement in 1997. In December 2017 the City notified St. Joseph Township of the intent to exercise their right to annex all the properties included in the OAA agreement. After negotiations with the Township, the City agreed to annex a portion of the properties included in the OAA and retain land use controls over the properties not annexed to the City but included in the OAA. The properties that were not annexed included property east of Ridgewood Road to the Sauk River and properties east of the proposed 20th Avenue Extension to the Sauk River. The annexation included approximately 230 properties area with a taxable market value of \$55.6 million. The annexation of the properties will have varied impacts to the City. The City agreed to create a Rural Tax rate which would be equal to the Township Tax rate and be adjusted annually in the same apportion as the City rate is adjusted. Properties zoned Rural Residential qualify for this tax rate. The agreement includes conditions as to when the full city tax rate applies. Therefore, all properties taxed at the Rural Tax rate will receive minimal services, equal to the services received while under the jurisdiction of St. Joseph Township. All commercial and Industrial developed property annexed will be phased into the City tax rate over a six year period in equal increments. The annexation was approved and finalized by the State of Minnesota in January 2019.

City of St. Joseph Management's Discussion and Analysis

The City of St. Joseph submitted three bonding requests for State Legislative consideration in 2019. The projects include: pedestrian crossing under CSAH 75 (\$1.5 million); Jacob Wetterling Recreation Center (\$2.5 million); and development of the East Park canoe and picnic area (\$300,000). To help facilitate the bonding process the City hired a lobbyist. The City has received hearings on the East Park and Jacob Wetterling Recreation Center projects in the 2019 legislative session. The 2019 State bonding bill was smaller with anticipation of funding a larger amount in 2020. St. Joseph re-submitted bonding requests for the Jacob Wetterling Recreation (\$4M) and East Park phase I development (\$300,000). As part of the bonding request, the City agrees to at least match the bonding request. In addition to the bonding requests, the City of St. Joseph hired Four Winds Consulting to conduct a feasibility study on raising funds for the Jacob Wetterling Recreation Center. If State bonding is awarded for the Recreation Center, the City will begin a fundraising campaign and design phase.

The CR 2 Trail phase II/III was substantially completed in 2019. The project was awarded federal transportation funds to assist with construction costs. The City of St. Joseph received \$650,954 for the project. Other projects that began in 2019 and will complete in 2020 include the industrial park expansion and street overlay improvements. In addition, Minnesota Housing approved tax funding for a 46-unit multi-family affordable housing. The project will begin construction in 2020 with move-in early in 2021. The housing project will be constructed on a foreclosed property purchased by the City of St. Joseph.

With a busy year completed, 2020 is expected to be eventful as well. Along with completing 2019 projects and a couple new smaller projects in 2020, planning for 2021 and 2022 projects will be commissioned.

REQUESTS FOR INFORMATION

The audited financial report is designed to provide a general overview of the City of St. Joseph's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 75 Callaway Street East, St. Joseph, MN 56374.

BASIC FINANCIAL STATEMENTS

**City of St. Joseph
Statement of Net Position
December 31, 2019**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 7,350,090	\$ 2,190,724	\$ 9,540,814
Property tax receivable	39,940	416	40,356
Accounts receivable	34,205	456,024	490,229
Interest receivable	22,028	10,058	32,086
Due from other governments	1,638,150	200	1,638,350
Notes receivable	314,663	-	314,663
Lease receivable	89,817	-	89,817
Special assessments receivable			
Delinquent	5,134	-	5,134
Deferred	1,800,420	24,642	1,825,062
Prepaid items	9	-	9
Net pension asset	275,197	-	275,197
Capital assets			
Land	763,197	377,882	1,141,079
Easements	200,085	67,915	268,000
Construction in progress	3,637,903	3,769,371	7,407,274
Buildings	8,735,795	8,797,686	17,533,481
Infrastructure	20,551,930	-	20,551,930
Improvements	1,365,946	289,760	1,655,706
Intangible asset	200,000	-	200,000
Plant and lines	-	24,430,657	24,430,657
Machinery and equipment	3,950,112	867,104	4,817,216
Sewer rights	-	9,068,746	9,068,746
Less accumulated depreciation	(21,413,104)	(13,598,432)	(35,011,536)
Capital assets (net of accumulated depreciation)	<u>17,991,864</u>	<u>34,070,689</u>	<u>52,062,553</u>
Total assets	<u>29,561,517</u>	<u>36,752,753</u>	<u>66,314,270</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	719,067	23,234	742,301
Total assets and deferred outflows of resources	<u>\$ 30,280,584</u>	<u>\$ 36,775,987</u>	<u>\$ 67,056,571</u>
Liabilities			
Accounts payable	\$ 87,925	\$ 51,019	\$ 138,944
Contracts payable	224,069	-	224,069
Due to other governments	13,956	74,583	88,539
Salaries and benefits payable	75,879	7,446	83,325
Interest payable	70,582	47,233	117,815
Unearned revenue	1,000	-	1,000
Bond principal payable (net)			
Payable within one year	1,479,000	701,000	2,180,000
Payable after one year	12,456,545	4,580,450	17,036,995
Notes payable (net)			
Payable within one year	-	400,903	400,903
Payable after one year	-	4,761,245	4,761,245
Compensated absences payable			
Payable within one year	83,012	20,817	103,829
Payable after one year	366,576	140,771	507,347
Net pension liability	1,099,030	234,921	1,333,951
Total liabilities	<u>15,957,574</u>	<u>11,020,388</u>	<u>26,977,962</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to lease receivables	89,817	-	89,817
Deferred inflows of resources related to pensions	1,079,913	54,163	1,134,076
Total deferred inflows of resources	<u>1,169,730</u>	<u>54,163</u>	<u>1,223,893</u>
Net Position			
Net investment in capital assets	7,568,790	23,627,091	28,318,026
Restricted for			
Debt service	3,151,732	-	3,151,732
Other purposes	1,219,340	-	1,219,340
Unrestricted	1,213,418	2,074,345	6,165,618
Total net position	<u>13,153,280</u>	<u>25,701,436</u>	<u>38,854,716</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 30,280,584</u>	<u>\$ 36,775,987</u>	<u>\$ 67,056,571</u>

City of St. Joseph
Statement of Activities
Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 948,716	\$ 172,080	\$ 1,032	\$ 4,000	\$ (771,604)	\$ -	\$ (771,604)
Public safety	1,820,630	532,558	164,103	26,002	(1,097,967)	-	(1,097,967)
Public works	1,409,166	44,930	-	2,844,046	1,479,810	-	1,479,810
Economic development	394,944	69,552	100,247	-	(225,145)	-	(225,145)
Culture and recreation	671,149	83,969	-	680,831	93,651	-	93,651
Interest on long-term debt	309,733	-	-	-	(309,733)	-	(309,733)
Total governmental activities	<u>5,554,338</u>	<u>903,089</u>	<u>265,382</u>	<u>3,554,879</u>	<u>(830,988)</u>	<u>-</u>	<u>(830,988)</u>
Business-type activities							
Water	947,461	1,335,784	1,043	-	-	389,366	389,366
Sanitary sewer	1,127,772	1,488,418	206	-	-	360,852	360,852
Refuse	319,085	299,305	26	-	-	(19,754)	(19,754)
Storm water	198,628	167,456	50	-	-	(31,122)	(31,122)
Street light utility	56,127	80,534	10	-	-	24,417	24,417
Total business-type activities	<u>2,649,073</u>	<u>3,371,497</u>	<u>1,335</u>	<u>-</u>	<u>-</u>	<u>723,759</u>	<u>723,759</u>
Total governmental and business-type activities	<u>\$ 8,203,411</u>	<u>\$ 4,274,586</u>	<u>\$ 266,717</u>	<u>\$ 3,554,879</u>	<u>(830,988)</u>	<u>723,759</u>	<u>(107,229)</u>
General revenues							
Property taxes					2,340,046	22,356	2,362,402
Tax increments					140,321	-	140,321
Sales taxes					498,304	-	498,304
Lodging taxes					15,584	-	15,584
Miscellaneous taxes					10,276	-	10,276
Franchise fees					134,704	-	134,704
State aids					1,005,897	-	1,005,897
Unrestricted investment earnings					238,224	109,852	348,076
Gain on sale of assets					4,000	236	4,236
Transfers					(1,921,918)	1,921,918	-
Total general revenues and transfers					<u>2,465,438</u>	<u>2,054,362</u>	<u>4,519,800</u>
Change in net position					<u>1,634,450</u>	<u>2,778,121</u>	<u>4,412,571</u>
Net position - beginning					<u>11,518,830</u>	<u>22,923,315</u>	<u>34,442,145</u>
Net position - ending					<u>\$ 13,153,280</u>	<u>\$ 25,701,436</u>	<u>\$ 38,854,716</u>

City of St. Joseph
Balance Sheet - Governmental Funds
December 31, 2019

	General Fund (101, 102, 105, 108)	Special Revenue State Collected Sales Tax (200)	Capital Projects 2019 Street Overlay Project (407)
Assets			
Cash and investments	\$ 2,676,103	\$ 903,870	\$ 521,515
Taxes receivable - delinquent	24,253	-	-
Special assessments receivable			
Delinquent	-	-	-
Deferred	9,066	-	-
Accounts receivable	32,400	-	-
Interest receivable	9,249	2,481	-
Due from other funds	550	-	-
Due from other governments	15,991	100,589	415,000
Notes receivable	-	-	-
Lease receivable	89,817	-	-
Prepaid items	9	-	-
	<u>9</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,857,438</u>	<u>\$ 1,006,940</u>	<u>\$ 936,515</u>
Liabilities			
Accounts payable	\$ 65,581	\$ 828	\$ 7,348
Contracts payable	-	33,000	64,911
Due to other funds	-	-	-
Due to other governments	13,619	-	337
Salaries and benefits payable	75,674	-	-
Unearned revenue	1,000	-	-
	<u>155,874</u>	<u>33,828</u>	<u>72,596</u>
Total liabilities			
Deferred Inflows of Resources			
Unavailable revenue - property taxes	24,253	-	-
Unavailable revenue - special assessments	9,066	-	-
Unavailable revenue - notes receivable	-	-	-
Unavailable revenue - leases receivable	89,817	-	-
	<u>123,136</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources			
Fund Balances			
Nonspendable	9	-	-
Restricted	-	973,112	-
Committed	-	-	-
Assigned	946,519	-	863,919
Unassigned	1,631,900	-	-
	<u>2,578,428</u>	<u>973,112</u>	<u>863,919</u>
Total fund balances			
	<u>\$ 2,857,438</u>	<u>\$ 1,006,940</u>	<u>\$ 936,515</u>
Total liabilities, deferred inflows of resources, and fund balances			

<u>Capital Projects</u>		
<u>2019 Industrial Park Project (408)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 278,857	\$ 3,477,253	\$ 7,857,598
-	15,687	39,940
-	5,134	5,134
-	1,791,354	1,800,420
-	1,805	34,205
-	12,807	24,537
-	10,300	10,850
1,089,713	16,857	1,638,150
-	314,663	314,663
-	-	89,817
-	-	9
<u>\$ 1,368,570</u>	<u>\$ 5,645,860</u>	<u>\$ 11,815,323</u>
\$ 5,185	\$ 8,983	\$ 87,925
126,158	-	224,069
-	10,850	10,850
-	-	13,956
-	205	75,879
-	-	1,000
<u>131,343</u>	<u>20,038</u>	<u>413,679</u>
-	15,687	39,940
-	1,796,488	1,805,554
-	312,338	312,338
-	-	89,817
-	<u>2,124,513</u>	<u>2,247,649</u>
-	-	9
-	1,511,854	2,484,966
-	228,884	228,884
1,237,227	1,770,360	4,818,025
-	(9,789)	1,622,111
<u>1,237,227</u>	<u>3,501,309</u>	<u>9,153,995</u>
<u>\$ 1,368,570</u>	<u>\$ 5,645,860</u>	<u>\$ 11,815,323</u>

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City of St. Joseph
Reconciliation of the Balance Sheet to
The Statement of Net Position - Governmental Funds
Year Ended December 31, 2019

Total fund balances - governmental funds	\$ 9,153,995
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	39,404,968
Less accumulated depreciation	(21,413,104)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Bond principal payable, net of premiums and discounts	(13,935,545)
Compensated absences payable	(449,588)
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
Property taxes	39,940
Special assessments	5,134
Other long-term assets are not available to pay for current expenditures and, therefore, are deferred in the funds.	
Deferred special assessments	1,800,420
Notes receivable	312,338
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred inflows of resources related to pensions	(1,079,913)
Deferred outflows of resources related to pensions	719,067
Fire relief net pension asset	275,197
Net pension liability	(1,099,030)
The water access capital project fund is proprietary in nature and, therefore, included in the business-type activities in the Statement of Net Position.	(481,313)
The sewer access capital project fund is proprietary in nature and, therefore, included in the business-type activities in the Statement of Net Position.	(28,704)
Governmental funds do not report a liability for accrued interest due and payable.	<u>(70,582)</u>
Total net position - governmental activities	<u><u>\$ 13,153,280</u></u>

City of St. Joseph
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2019

	General Fund (101, 102, 105, 108)	Special Revenue State Collected Sales Tax (200)	Capital Projects 2019 Street Overlay Project (407)
Revenues			
Property taxes	\$ 1,421,090	\$ -	\$ -
Tax increments	-	-	-
Sales taxes	-	498,304	-
Lodging taxes	-	-	-
Miscellaneous taxes	10,276	-	-
Special assessments	3,558	-	224,107
Franchise fees	134,704	-	-
Licenses and permits	255,953	-	-
Intergovernmental	1,230,507	659,394	415,000
Charges for services	406,047	-	-
Fines and forfeitures	52,289	-	-
Miscellaneous			
Investment income	101,017	27,097	-
Contributions and donations	4,632	-	-
Revolving loan repayments	-	-	-
Other	91,527	3,625	-
Total revenues	<u>3,711,600</u>	<u>1,188,420</u>	<u>639,107</u>
Expenditures			
Current			
General government	815,401	-	-
Public safety	1,625,599	-	-
Public works	486,341	-	-
Culture and recreation	397,204	-	-
Economic development	-	-	-
Debt service			
Principal	-	-	-
Interest and other charges	-	-	12,422
Capital outlay			
General government	19,768	-	-
Public safety	1,983	-	-
Public works	80,930	-	1,511,035
Culture and recreation	1,936	941,998	-
Economic development	-	-	-
Total expenditures	<u>3,429,162</u>	<u>941,998</u>	<u>1,523,457</u>
Excess of revenues over (under) expenditures	282,438	246,422	(884,350)
Other Financing Sources (Uses)			
Insurance recoveries	3,428	-	-
Sale of property	-	-	-
Bonds issued	-	-	1,515,812
Bond premium	-	-	269,222
Transfers in	56,640	-	-
Transfers out	(150,000)	(180,000)	(36,765)
Total other financing sources (uses)	<u>(89,932)</u>	<u>(180,000)</u>	<u>1,748,269</u>
Net change in fund balances	192,506	66,422	863,919
Fund Balances			
Beginning of year	<u>2,385,922</u>	<u>906,690</u>	<u>-</u>
End of year	<u>\$ 2,578,428</u>	<u>\$ 973,112</u>	<u>\$ 863,919</u>

Capital Projects 2019 Industrial Park Project (408)	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 898,295	\$ 2,319,385
-	140,321	140,321
-	-	498,304
-	15,584	15,584
-	-	10,276
-	325,440	553,105
-	-	134,704
-	-	255,953
1,089,713	313,854	3,708,468
-	401,750	807,797
-	-	52,289
-	133,727	261,841
-	11,850	16,482
-	1,387	1,387
-	61,721	156,873
<u>1,089,713</u>	<u>2,303,929</u>	<u>8,932,769</u>
-	-	815,401
-	1,398	1,626,997
-	-	486,341
-	25,035	422,239
-	392,001	392,001
-	1,087,000	1,087,000
17,562	308,989	338,973
-	10,698	30,466
-	37,663	39,646
2,360,779	11,157	3,963,901
-	60,401	1,004,335
-	374	374
<u>2,378,341</u>	<u>1,934,716</u>	<u>10,207,674</u>
(1,288,628)	369,213	(1,274,905)
-	-	3,428
-	4,000	4,000
2,142,875	46,313	3,705,000
380,156	-	649,378
14,313	427,718	498,671
(11,489)	(456,292)	(834,546)
<u>2,525,855</u>	<u>21,739</u>	<u>4,025,931</u>
1,237,227	390,952	2,751,026
-	3,110,357	6,402,969
<u>\$ 1,237,227</u>	<u>\$ 3,501,309</u>	<u>\$ 9,153,995</u>

City of St. Joseph
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement
of Activities - Governmental Funds
Year Ended December 31, 2019

Total net change in fund balances - governmental funds \$ 2,751,026

Amounts reported for governmental activities in the Statement of Activities are different because

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays	5,009,267
Capital contributions	112,791
Depreciation expense	(1,472,067)
Loss on disposal	(238)
Transferred to proprietary funds	(1,973,043)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in net position in the Statement of Activities.

1,087,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest payable	(51,171)
Amortization of bond discounts, premiums and issuance charges	80,411

Proceeds from long-term debt are recognized as an other financing source in the governmental funds but as a decrease in net position in the Statement of Activities.

(3,705,000)

The governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

(649,378)

Compensated absence payments are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.

5,653

Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are not revenues in the funds.

Delinquent special assessments	(6,604)
Delinquent property taxes	20,661

Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred special assessments	403,429
Notes receivable	21,809

Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.

Pension expense	3,216
-----------------	-------

The water access capital project fund is proprietary in nature and, therefore, is reported with business-type activities.

(65,884)

The sewer access capital project fund is proprietary in nature and, therefore, is reported with business-type activities.

62,572

Change in net position - governmental activities

\$ 1,634,450

City of St. Joseph
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2019

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 1,424,710	\$ 1,421,090	\$ (3,620)
Miscellaneous taxes	14,170	10,276	(3,894)
Special assessments	4,000	3,558	(442)
Franchise fees	137,725	134,704	(3,021)
Licenses and permits	223,840	255,953	32,113
Intergovernmental	1,207,675	1,230,507	22,832
Charges for services	382,030	406,047	24,017
Fines and forfeitures	60,000	52,289	(7,711)
Miscellaneous revenues			
Investment income	25,000	101,017	76,017
Contributions and donations	3,850	4,632	782
Other	39,200	91,527	52,327
Total revenues	3,522,200	3,711,600	189,400
Expenditures			
Current			
General government	860,225	815,401	(44,824)
Public safety	1,695,700	1,625,599	(70,101)
Public works	436,315	486,341	50,026
Culture and recreation	354,750	397,204	42,454
Capital outlay			
General government	12,110	19,768	7,658
Public safety	72,050	1,983	(70,067)
Public works	93,250	80,930	(12,320)
Culture and recreation	-	1,936	1,936
Total expenditures	3,524,400	3,429,162	(95,238)
Excess of revenues over (under) expenditures	(2,200)	282,438	284,638
Other Financing Sources (Uses)			
Insurance recoveries	2,000	3,428	1,428
Sale of property	200	-	(200)
Transfers in	56,705	56,640	(65)
Transfers out	-	(150,000)	(150,000)
Total other financing sources (uses)	58,905	(89,932)	(148,837)
Net change in fund balances	\$ 56,705	192,506	\$ 135,801
Fund Balances			
Beginning of year		2,385,922	
End of year		\$ 2,578,428	

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City of St. Joseph
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - State Collected Sales Tax
Year Ended December 31, 2019

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Sales taxes	\$ 440,000	\$ 498,304	\$ 58,304
Intergovernmental	100,000	659,394	559,394
Miscellaneous revenues			
Investment income	-	27,097	27,097
Other	-	3,625	3,625
Total revenues	540,000	1,188,420	648,420
Expenditures			
Capital outlay			
Culture and recreation	950,000	941,998	(8,002)
Excess of revenues over (under) expenditures	(410,000)	246,422	656,422
Other Financing Sources (Uses)			
Transfers out	(180,000)	(180,000)	-
Net change in fund balances	\$ (590,000)	66,422	\$ 656,422
Fund Balances			
Beginning of year		906,690	
End of year		\$ 973,112	

City of St. Joseph
Statement of Net Position - Proprietary Funds
December 31, 2019

	Water (601)	Sanitary Sewer (602)	Refuse (603)
Assets			
Current assets			
Cash and investments	\$ 821,108	\$ 247,584	\$ 235,896
Taxes receivable - delinquent	416	-	-
Special assessments receivable			
Deferred	24,642	-	-
Accounts receivable	142,554	237,709	47,933
Interest receivable	2,768	2,743	854
Due from other governments	200	-	-
Total current assets	<u>991,688</u>	<u>488,036</u>	<u>284,683</u>
Noncurrent assets			
Capital assets			
Land	372,941	4,941	-
Easements	-	-	-
Construction in progress	805,281	2,188,720	-
Buildings	7,502,432	1,295,254	-
Improvements	289,760	-	-
Plants and lines	10,332,895	8,727,703	-
Machinery and equipment	216,495	602,773	45,842
Sewer rights	-	9,068,746	-
Total capital assets	<u>19,519,804</u>	<u>21,888,137</u>	<u>45,842</u>
Less accumulated depreciation	<u>(6,072,652)</u>	<u>(5,848,792)</u>	<u>(45,842)</u>
Net capital assets	<u>13,447,152</u>	<u>16,039,345</u>	<u>-</u>
Total noncurrent assets	<u>13,447,152</u>	<u>16,039,345</u>	<u>-</u>
Total assets	<u>14,438,840</u>	<u>16,527,381</u>	<u>284,683</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	<u>10,820</u>	<u>8,775</u>	<u>1,087</u>
Total assets and deferred outflows of resources	<u>\$ 14,449,660</u>	<u>\$ 16,536,156</u>	<u>\$ 285,770</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 8,099	\$ 17,362	\$ 21,158
Due to other governments	2,229	70,486	1,868
Salaries and benefits payable	3,698	2,676	413
Interest payable	8,005	39,228	-
Long-term liabilities due			
Within one year	589,062	528,965	983
Total current liabilities	<u>611,093</u>	<u>658,717</u>	<u>24,422</u>
Noncurrent liabilities			
Compensated absences	63,797	63,797	8,951
Notes payable, net	-	5,162,148	-
Bonds payable, net	4,079,640	1,201,810	-
Net pension liability	109,405	88,729	10,990
Less amounts due within one year	<u>(589,062)</u>	<u>(528,965)</u>	<u>(983)</u>
Total noncurrent liabilities	<u>3,663,780</u>	<u>5,987,519</u>	<u>18,958</u>
Total liabilities	<u>4,274,873</u>	<u>6,646,236</u>	<u>43,380</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	<u>25,224</u>	<u>20,457</u>	<u>2,534</u>
Net Position			
Net investment in capital assets	9,367,512	9,675,387	-
Unrestricted	782,051	194,076	239,856
Total net position	<u>10,149,563</u>	<u>9,869,463</u>	<u>239,856</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 14,449,660</u>	<u>\$ 16,536,156</u>	<u>\$ 285,770</u>

Storm Water (651)	Street Light Utility (652)	Total
\$ 318,239	\$ 60,389	\$ 1,683,216
-	-	416
-	-	24,642
14,494	13,334	456,024
1,018	166	7,549
-	-	200
<u>333,751</u>	<u>73,889</u>	<u>2,172,047</u>
-	-	377,882
67,915	-	67,915
775,370	-	3,769,371
-	-	8,797,686
-	-	289,760
5,370,059	-	24,430,657
1,994	-	867,104
-	-	9,068,746
<u>6,215,338</u>	<u>-</u>	<u>47,669,121</u>
<u>(1,631,146)</u>	<u>-</u>	<u>(13,598,432)</u>
<u>4,584,192</u>	<u>-</u>	<u>34,070,689</u>
<u>4,584,192</u>	<u>-</u>	<u>34,070,689</u>
<u>4,917,943</u>	<u>73,889</u>	<u>36,242,736</u>
<u>2,117</u>	<u>435</u>	<u>23,234</u>
<u>\$ 4,920,060</u>	<u>\$ 74,324</u>	<u>\$ 36,265,970</u>
\$ 163	\$ 4,237	\$ 51,019
-	-	74,583
521	138	7,446
-	-	47,233
<u>3,317</u>	<u>393</u>	<u>1,122,720</u>
<u>4,001</u>	<u>4,768</u>	<u>1,303,001</u>
21,463	3,580	161,588
-	-	5,162,148
-	-	5,281,450
21,401	4,396	234,921
<u>(3,317)</u>	<u>(393)</u>	<u>(1,122,720)</u>
<u>39,547</u>	<u>7,583</u>	<u>9,717,387</u>
<u>43,548</u>	<u>12,351</u>	<u>11,020,388</u>
<u>4,934</u>	<u>1,014</u>	<u>54,163</u>
4,584,192	-	23,627,091
<u>287,386</u>	<u>60,959</u>	<u>1,564,328</u>
<u>4,871,578</u>	<u>60,959</u>	<u>25,191,419</u>
<u>\$ 4,920,060</u>	<u>\$ 74,324</u>	<u>\$ 36,265,970</u>

**City of St. Joseph
Reconciliation of the Statement
of Net Position - Business-Type Activities
December 31, 2019**

Total net position - proprietary funds	\$ 25,191,419
Amounts reported for business-type activities in the Statement of Net Position are different because:	
The water access capital project fund is proprietary in nature and relates to water improvements for the applicable funds. Therefore, it is included as a business-type activity.	481,313
The sewer access capital project fund is proprietary in nature and relates to sewer improvements for the applicable funds. Therefore, it is included as a business-type activity.	<u>28,704</u>
Total net position - business-type activities	<u><u>\$ 25,701,436</u></u>

City of St. Joseph
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2019

	Water (601)	Sanitary Sewer (602)	Refuse (603)	Storm Water (651)	Street Light Utility (652)	Total
Operating revenues						
Charges for services	\$ 1,001,282	\$ 1,393,095	\$ 297,500	\$ 167,456	\$ 80,534	\$ 2,939,867
Operating expenses						
Wages and salaries	194,506	129,679	25,938	53,504	8,643	412,270
Materials and supplies	47,846	34,536	3,026	240	-	85,648
Repairs and maintenance	52,199	20,370	3,135	19,628	1,135	96,467
Professional services	24,963	32,560	4,570	12,258	-	74,351
Insurance	11,983	9,064	-	-	-	21,047
Utilities	68,247	18,531	455	192	46,116	133,541
Depreciation	432,706	493,433	6,506	108,868	-	1,041,513
Contracted services	-	252,526	274,917	-	-	527,443
Equipment	501	501	-	1,270	-	2,272
Miscellaneous	10,316	885	538	2,668	233	14,640
Total operating expenses	843,267	992,085	319,085	198,628	56,127	2,409,192
Operating income (loss)	158,015	401,010	(21,585)	(31,172)	24,407	530,675
Nonoperating revenues						
(expenses)						
Investment income	30,232	29,956	9,323	11,123	1,814	82,448
Special assessments	789	-	-	-	-	789
Gain on disposal of asset	-	-	-	200	36	236
Property taxes	22,356	-	-	-	-	22,356
Interest expense	(109,952)	(138,137)	-	-	-	(248,089)
Amortization of bond premium	5,758	2,450	-	-	-	8,208
Other income	65,921	1,456	1,831	50	10	69,268
Total nonoperating revenues (expenses)	15,104	(104,275)	11,154	11,373	1,860	(64,784)
Income (loss) before capital contributions and transfers	173,119	296,735	(10,431)	(19,799)	26,267	465,891
Capital contributions	796,049	369,434	-	807,560	-	1,973,043
Transfers in	232,000	162,000	-	-	-	394,000
Transfers out	(12,725)	(19,570)	(1,600)	(24,230)	-	(58,125)
Change in net position	1,188,443	808,599	(12,031)	763,531	26,267	2,774,809
Net position						
Beginning of year	8,961,120	9,060,864	251,887	4,108,047	34,692	22,416,610
End of year	<u>\$ 10,149,563</u>	<u>\$ 9,869,463</u>	<u>\$ 239,856</u>	<u>\$ 4,871,578</u>	<u>\$ 60,959</u>	<u>\$ 25,191,419</u>

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City of St. Joseph
Reconciliation of the Statement of Revenues, Expenses,
and Changes in Net Position - Business-Type Activities
Year Ended December 31, 2019

Total net change in fund net position - proprietary funds	\$ 2,774,809
Amounts reported for business-type activities in the Statement of Activities are different because:	
Recognized current year activity from the water access capital project fund with the business-type activities.	65,884
Recognized current year activity from the sewer access capital project fund with the business-type activities.	(62,572)
Capital contributions from governmental activities	(1,973,043)
Transfers in of capital assets from governmental activities	<u>1,973,043</u>
Change in net position - business-type activities	<u><u>\$ 2,778,121</u></u>

City of St. Joseph
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2019

	Water (601)	Sanitary Sewer (602)	Refuse (603)
Cash Flows - Operating Activities			
Receipts from customers and users	\$ 1,003,602	\$ 1,394,927	\$ 295,584
Payments to suppliers	(234,019)	(425,504)	(287,459)
Payments to employees	(197,081)	(132,080)	(26,415)
Other miscellaneous receipts	89,782	1,551	1,907
Net cash flows - operating activities	<u>662,284</u>	<u>838,894</u>	<u>(16,383)</u>
Cash Flows - Noncapital Financing Activities			
Transfer from other funds	232,000	162,000	-
Transfer to other funds	(12,725)	(19,570)	(1,600)
Net cash flows - noncapital financing Activities	<u>219,275</u>	<u>142,430</u>	<u>(1,600)</u>
Cash Flows - Capital and Related Financing Activities			
Principal paid on debt	(581,000)	(855,542)	-
Interest paid on debt	(110,873)	(143,145)	-
Proceeds from disposal of capital assets	-	-	-
Acquisition of capital assets	(553)	(553)	-
Net cash flows - capital and related Financing activities	<u>(692,426)</u>	<u>(999,240)</u>	<u>-</u>
Cash Flows - Investing Activities			
Interest and dividends received	29,956	32,510	9,391
Net change in cash and cash equivalents	219,089	14,594	(8,592)
Cash and Cash Equivalents			
Beginning of year	602,019	232,990	244,488
End of year	<u>\$ 821,108</u>	<u>\$ 247,584</u>	<u>\$ 235,896</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities			
Operating income (loss)	\$ 158,015	\$ 401,010	\$ (21,585)
Adjustments to reconcile operating income (loss) to net cash flows - operating activities			
Depreciation expense	432,706	493,433	6,506
Pension expense	419	613	(85)
Other miscellaneous receipts	89,782	1,551	1,907
Accounts receivable	2,366	1,832	(1,916)
Due from other governments	(46)	-	-
Accounts payable	(17,860)	4,255	328
Due to other governmental units	(104)	(60,786)	(1,146)
Salaries payable	(3,554)	(3,574)	(551)
Compensated absences payable	560	560	159
Total adjustments	<u>504,269</u>	<u>437,884</u>	<u>5,202</u>
Net cash flows - operating activities	<u>\$ 662,284</u>	<u>\$ 838,894</u>	<u>\$ (16,383)</u>
Non-Cash Capital and Financing Activities			
Capital asset contributions from governmental funds	\$ 796,049	\$ 369,434	\$ -
Capital asset contributions from other governments	-	175,721	-
Bond issued through other governments	-	175,721	-

See notes to financial statements.

Storm Water (651)	Street Light Utility (652)	Total
\$ 161,823	\$ 79,724	\$ 2,935,660
(36,287)	(47,376)	(1,030,645)
(45,859)	(8,811)	(410,246)
57	20	93,317
<u>79,734</u>	<u>23,557</u>	<u>1,588,086</u>

-	-	394,000
<u>(24,230)</u>	<u>-</u>	<u>(58,125)</u>
<u>(24,230)</u>	<u>-</u>	<u>335,875</u>

-	-	(1,436,542)
-	-	(254,018)
200	36	236
<u>(552)</u>	<u>-</u>	<u>(1,658)</u>
<u>(352)</u>	<u>36</u>	<u>(1,691,982)</u>

<u>11,094</u>	<u>1,753</u>	<u>84,704</u>
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66,246	25,346	316,683
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<u>251,993</u>	<u>35,043</u>	<u>1,366,533</u>
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<u>\$ 318,239</u>	<u>\$ 60,389</u>	<u>\$ 1,683,216</u>
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<u>\$ (31,172)</u>	<u>\$ 24,407</u>	<u>\$ 530,675</u>
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108,868	-	1,041,513
68	(34)	981

57	20	93,317
(5,633)	(810)	(4,161)

-	-	(46)
---	---	------

(31)	108	(13,200)
------	-----	----------

-	-	(62,036)
---	---	----------

(1,039)	(198)	(8,916)
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8,616	64	9,959
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<u>110,906</u>	<u>(850)</u>	<u>1,057,411</u>
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<u>\$ 79,734</u>	<u>\$ 23,557</u>	<u>\$ 1,588,086</u>
------------------	------------------	---------------------

\$ 807,560	\$ -	\$ 1,973,043
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-	-	175,721
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-	-	175,721
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City of St. Joseph
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of St. Joseph (the "City") is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is financially accountable.

The financial statements present the City and its component units. The City includes all funds, account groups, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, certain organizations have been defined and are presented in this report as follows:

Blended Component Unit – Reported as if they were part of the City.

Joint Ventures – The relationship of the City with the entity is disclosed.

For the categories above, the specific entities are identified as follows:

1. Blended Component Unit

The St. Joseph Economic Development Authority (EDA) was organized for the purpose of preserving and creating jobs, enhancing the tax base, and promoting the general welfare of the people of the City. The St. Joseph EDA is governed by a five member board appointed by the City Council, two members of which are City Council Members. The St. Joseph EDA is included as a blended component unit of the City because the St. Joseph EDA is financially accountable to the City, as the City Council approves the budget. The St. Joseph EDA provides services almost entirely for the City. The St. Joseph EDA is presented as the Economic Development Authority Special Revenue Fund. Separate financial statements are not prepared for the St. Joseph EDA.

2. Joint Ventures

The Central Minnesota Major Crime Investigation Unit is a group of local law enforcement officers within the four county surrounding areas that will be available to assist any of the participating entities in the investigation and solution of major crimes. During 2019, the City contributed \$10,857 to the organization. It is reported as a special revenue fund of the City of Sartell. Complete financial statements can be obtained from: City of Sartell, 125 Pine Cone Road North, Sartell, Minnesota 56377.

City of St. Joseph
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

2. Joint Ventures (Continued)

The City of St. Cloud Human Rights Office is a joint venture between the cities of St. Cloud, St. Joseph, Sauk Rapids, and Sartell, which works to enhance the lives of the citizens of the communities. During 2019, the City contributed \$0 to the organization. It is reported as an agency fund of the City of St. Cloud. Complete financial statements can be obtained from: City of St. Cloud, 400 2nd Street South, St. Cloud, Minnesota 56301.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

City of St. Joseph
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Description of Funds:

Major Governmental Funds:

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

State Collected Sales Tax – This fund accounts for the collection of state approved local option sales tax.

2019 Street Overlay Project – This fund accounts for the bond proceeds and related project costs for the 2019 Street Overlay Project.

2019 Industrial Park Project – This fund accounts for the bond proceeds and related project costs for the 2019 Industrial Park Project.

Proprietary Funds:

Water Fund – This fund accounts for the operations of the City's water utility.

Sanitary Sewer Fund – This fund accounts for the operations of the City's sanitary sewer utility.

Refuse Fund – This fund accounts for the operations of the City's refuse and compost utility.

Storm Water Fund – This fund accounts for the operations of the City's storm water utility.

Street Light Utility Fund – This fund accounts for the operations of the City's street light utility.

City of St. Joseph
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water, sanitary sewer, refuse, storm water, and street light utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water, Sanitary Sewer, Refuse, Storm Water, and Street Light Utility Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Outflows/ Inflows of Resources, and Net Position or Equity

1. Cash and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

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

Minnesota Statutes authorizes the City to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

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

City of St. Joseph
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/ Inflows of Resources, and Net Position or Equity
(Continued)**

1. Cash and Investments (Continued)

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

2. Receivables and Payables

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Stearns County is the collecting agency for the levy and remits the collections to the City four times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures at the time of consumption.

City of St. Joseph
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/ Inflows of Resources, and Net Position or Equity
(Continued)**

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the City are depreciated using the straight-line full year convention method over the following estimated useful lives:

Assets	Years
Land improvements	5-20
Buildings	30-40
Building improvements	15
Infrastructure	10-50
Sewer rights	20-50
Furniture and fixtures	5-10
Vehicles	5-20
Equipment	3-7
Machinery	5-7

5. Deferred Outflows/ Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City presents deferred outflows of resources on the Statements of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

City of St. Joseph
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/ Inflows of Resources, and Net Position or Equity
(Continued)**

5. Deferred Outflows/ Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position and fund financial statements 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 so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from four sources: property taxes, special assessments, notes receivable, and leases receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statements of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years. The City presents deferred inflows of resources related to lease receivables that will be recognized in future years.

6. Compensated Absences

The City compensates employees who leave City service in good standing for all earned, unused vacation. Employees can accrue up to 200 hours of vacation depending on years of service. The maximum amount of carryover from year-to-year is 100 hours or the amount of the current vacation accrual rate. In addition, employees are compensated for unused sick leave (up to a maximum of 720 hours or 960 hours for LELS and AFSCME employees) at various rates depending on the employee type and years of service, provided the City's notice of termination policy has been complied with.

7. Long-Term Obligations

In the government-wide financial statements and 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

City of St. Joseph
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/ Inflows of Resources, and Net Position or Equity
(Continued)

8. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the relief association and additions to/deductions from PERA's and the relief association's fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Fund Equity

a) Classification

In the fund financial statements, governmental funds report fund classifications that comprise a Hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balance** – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include amounts set aside for prepaid items.
- **Restricted Fund Balance** – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through enabling legislation.
- **Committed Fund Balance** – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution. The City Council must also pass a resolution to remove the constraint of committed resources.
- **Assigned Fund Balance** – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City's Finance Director based on the City Council's direction.
- **Unassigned Fund Balance** – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, committed, and assigned fund balances exceed the total net resources of that fund.

City of St. Joseph
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/ Inflows of Resources, and Net Position or Equity
(Continued)**

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned, and unassigned resources are available for use, it is the City's policy to use resources in the following order: committed, assigned, and unassigned.

b) Minimum Fund Balance

The City's target General Fund balance is to maintain working capital, a portion of the unassigned balance, in the amount of four to six months of the next year's budgeted expenditures of the General Fund, excluding the fire department and PEG Access Fees.

10. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. A reclassification of \$2,877,855 between this net position and unrestricted net position on the total column in the Statement of Net Position to recognize the portion of debt attributable to capital assets donated from governmental activities to business-type activities. Net position is reported as restricted in the government-wide financial statement when there are limitations on use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The restricted for other purposes restriction of net position for governmental activities of \$1,219,340 includes \$39,734 for tax incrementing financing, \$973,112 in state collected sales tax restricted by enabling legislation, \$34,786 restricted for lodging tax, \$102,888 in park dedication fees, \$2,189 restricted by donors for future projects, \$33,060 DEED Funds, and \$33,571 in revolving loan funds restricted for EDA projects.

11. 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. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

City of St. Joseph
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

1. In August of each year, City staff submits to the City Council, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General Fund and the Economic Development Authority, State Collected Sales Tax and Park Dedication special revenue funds and debt service funds. Budgetary control for the remaining special revenue fund is done through the use of project controls when the council authorizes the project. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted.
7. Budgeted amounts are as originally adopted by the City Council. Budgeted expenditure appropriations lapse at year-end.

Encumbrances outstanding at year-end expire and outstanding purchase orders are canceled and not reported in the financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balance

The following fund had a deficit fund balance at December 31, 2019.

Nonmajor governmental funds	
Special Revenue	
TIF 2-3 Bayou Blues/Alley Flat	\$ 9,394
Debt Service	
G.O. Certificates of Indebtedness of 2011A	395

This deficit will be eliminated with future tax increment revenues and future debt levies.

City of St. Joseph
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool (or pools) is displayed in the financial statements as "cash and cash equivalents" or "investments." For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized below.

A. Deposits

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy that requires the City's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of December 31, 2019, the City's bank balance was not exposed to custodial credit risk because it was fully insured through the FDIC or NCUA and fully collateralized with securities held by the pledging financial institutions trust department or agent and in the City's name. As of December 31, 2019, the City's deposits had a carrying value as shown on the following page.

Certificates of deposit	\$ 8,174,841
Checking	247,054
Savings	<u>53,016</u>
Total	<u><u>\$ 8,474,911</u></u>

B. Investments

As of December 31, 2019, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)	Moody's Rating
Brokered money market	\$ 25,236	N/A	N/A
4M Fund	<u>1,040,442</u>	N/A	N/A
Total	<u><u>\$ 1,065,678</u></u>		

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* 118A.04 and 118A.05 limit investments that are in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy limits the allowable investments in accordance with these statutes. As of December 31, 2019, the City's investments were rated as listed in the table above.

City of St. Joseph
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk: The City should try to minimize the risk that arises from over investing in specific instruments, individual financial institutions, or maturities. The City's investment policy states the investment portfolio will be structured so that securities mature to meet cash flow requirements and avoiding the need to sell securities prior to maturity, investing in short-term securities, investing in long-term securities if the market rate is favorable.

Concentration of Credit Risk: Investments should be diversified to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The City's investment policy states the City will attempt to diversify its investments according to type, issuer, and maturity. The portfolio, as much as possible, will contain both short-term and long-term investments. The City will attempt to match its investments with anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields. No more than 20% of the total investments should extend beyond five years and the weighted average maturity of the portfolio shall never exceed five years. As of December 31, 2019, the City does not have any investments subject to concentration of credit risk.

Custodial Credit Risk – Investments: For an investment, this 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 addresses this risk and states the City will permit investments only to the extent that there is Securities Investor Protection Corporation (SIPC) and excess SIPC coverage available.

C. Deposits and Investments

The following is a summary of deposits and investments as of December 31, 2019:

Deposits (Note 3.A.)	\$ 8,474,911
Investments (Note 3.B.)	1,065,678
Petty cash	<u>225</u>
Total	<u><u>\$ 9,540,814</u></u>

Deposits and investments are presented in the December 31, 2019, basic financial statements as follows:

Statement of Net Position	
Cash and investments	<u><u>\$ 9,540,814</u></u>

City of St. Joseph
Notes to Financial Statements

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

The composition of interfund balances as of December 31, 2019, is as follows:

Amounts Due from Other Funds	Amounts Due to Other Governmental Funds
General Fund	\$ 550
Other Governmental Funds	10,300
Total	\$ 10,850

The due from/due to other funds balances represent loans made to cover tax increment financing (TIF) consulting costs to establish the TIF districts and contract revenue reductions.

B. Transfers

The composition of interfund transfers as of December 31, 2019, is as follows:

Transfer In	Transfer Out	Description	Amount
General Fund	Water	Transfer retirement reserve funding	\$ 6,725
General Fund	Sanitary Sewer	Transfer retirement reserve funding	6,570
General Fund	Refuse	Transfer retirement reserve funding	1,600
General Fund	Storm Water	Transfer retirement reserve funding	4,980
General Fund	2019 Street Overlay Project	Reimburse General Fund for feasibility study	36,765
2019 Industrial Park	Other Governmental Funds	Transfer to reimburse engineering fees	14,313
Other Governmental Funds	General Fund	Transfer of residual funds for future debt payments	150,000
Other Governmental Funds	State Collected Sales Tax	Transfer sales tax revenue committed for bond payment	20,000
Other Governmental Funds	State Collected Sales Tax	Transfer sales tax revenue committed for bond payment	160,000
Other Governmental Funds	2019 Industrial Park Project	Reimburse for engineering and legal costs	11,489
Other Governmental Funds	Other Governmental Funds	Transfer to reimburse for costs	2,139
Other Governmental Funds	Other Governmental Funds	Transfer of residual funds for future debt payments	52,840
Other Governmental Funds	Water	Annual transfer for bond payment	6,000
Other Governmental Funds	Sanitary Sewer	Annual transfer for bond payment	6,000
Other Governmental Funds	Storm Water	Annual transfer for bond payment	6,000
Other Governmental Funds	Storm Water	Annual transfer for bond payment	13,250
Water	Other Governmental Funds	Annual transfer of WAC fees for debt payments	225,000
Water	Sanitary Sewer	Annual transfer for bond payment	7,000
Sanitary Sewer	Other Governmental Funds	Annual transfer for debt payments	162,000
			\$ 892,671

City of St. Joseph
Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 763,197	\$ -	\$ -	\$ 763,197
Easements	200,085	-	-	200,085
Construction in progress	764,136	3,036,214	162,447	3,637,903
Total capital assets not being depreciated	<u>1,727,418</u>	<u>3,036,214</u>	<u>162,447</u>	<u>4,601,185</u>
Capital assets being depreciated				
Buildings	8,735,795	-	-	8,735,795
Infrastructure	20,389,483	162,447	-	20,551,930
Improvements	1,353,806	12,140	-	1,365,946
Intangible assets	200,000	-	-	200,000
Machinery and equipment	3,860,682	100,661	11,231	3,950,112
Total capital assets being depreciated	<u>34,539,766</u>	<u>275,248</u>	<u>11,231</u>	<u>34,803,783</u>
Less accumulated depreciation for				
Buildings	1,427,962	232,062	-	1,660,024
Infrastructure	15,230,935	883,148	-	16,114,083
Improvements	628,232	54,203	-	682,435
Intangible assets	20,000	10,000	-	30,000
Machinery and equipment	2,644,901	292,654	10,993	2,926,562
Total accumulated depreciation	<u>19,952,030</u>	<u>1,472,067</u>	<u>10,993</u>	<u>21,413,104</u>
Total capital assets being depreciated, net	<u>14,587,736</u>	<u>(1,196,819)</u>	<u>238</u>	<u>13,390,679</u>
Governmental activities capital assets, net	<u>\$ 16,315,154</u>	<u>\$ 1,839,395</u>	<u>\$ 162,685</u>	<u>\$ 17,991,864</u>

City of St. Joseph
Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 377,882	\$ -	\$ -	\$ 377,882
Easements	67,915	-	-	67,915
Construction in progress	1,860,536	2,148,763	239,928	3,769,371
Total capital assets not being depreciated	<u>2,306,333</u>	<u>2,148,763</u>	<u>239,928</u>	<u>4,215,168</u>
Capital assets being depreciated				
Buildings	8,797,686	-	-	8,797,686
Improvements other than buildings	289,760	-	-	289,760
Plant and lines	24,190,729	239,928	-	24,430,657
Machinery and equipment	865,445	1,659	-	867,104
Sewer rights	9,068,746	-	-	9,068,746
Total capital assets being depreciated	<u>43,212,366</u>	<u>241,587</u>	<u>-</u>	<u>43,453,953</u>
Less accumulated depreciation for				
Buildings	2,396,395	214,141	-	2,610,536
Improvements other than buildings	14,488	14,488	-	28,976
Plant and lines	7,325,781	505,319	-	7,831,100
Machinery and equipment	588,708	53,745	-	642,453
Sewer rights	2,231,547	253,820	-	2,485,367
Total accumulated depreciation	<u>12,556,919</u>	<u>1,041,513</u>	<u>-</u>	<u>13,598,432</u>
Total capital assets being depreciated, net	<u>30,655,447</u>	<u>(799,926)</u>	<u>-</u>	<u>29,855,521</u>
Business-type activities capital assets, net	<u>\$ 32,961,780</u>	<u>\$ 1,348,837</u>	<u>\$ 239,928</u>	<u>\$ 34,070,689</u>

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

Governmental activities	
General government	\$ 151,385
Public safety	170,901
Public works	942,979
Culture and recreation	206,802
Total depreciation expense - governmental activities	<u>\$ 1,472,067</u>
Business-type activities	
Water	\$ 432,706
Sanitary sewer	493,433
Refuse	6,506
Storm sewer	108,868
Total depreciation expense - business-type activities	<u>\$ 1,041,513</u>

City of St. Joseph
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT

A. General Obligation Bonds

The City issues General Obligation (G.O.) bonds to provide for financing improvement, development, and street improvement projects.

G.O. bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 5 to 20 year serial bonds with equal debt service payments each year.

Revenue bonds are issued by the City where the City pledges income derived from the acquired or constructed assets to pay debt service including access and trunk charges and utility user fees.

B. Components of Long-Term Liabilities

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Governmental Activities						
G.O. Bonds, including Refunding Bonds						
G.O. Certificates of Indebtedness						
of 2011A	11/10/11	2.00%-2.40%	\$ 390,000	10/01/21	\$ 85,000	\$ 40,000
G.O. Certificates of Indebtedness 2015A	08/13/15	1.20%-2.00%	165,000	12/01/20	35,000	35,000
G.O. Certificates of Indebtedness 2016A	07/07/16	2.00%-2.875%	4,275,000	12/15/36	3,740,000	185,000
G.O. Certificates of Indebtedness 2017A	08/30/17	2.75%	337,000	12/15/25	252,000	42,000
G.O. Certificates of Indebtedness 2018A	02/28/18	2.50%	265,000	12/15/23	215,000	52,000
Total G.O. Bonds					<u>4,327,000</u>	<u>354,000</u>
G.O. Special Assessment Bonds						
G.O. Improvement Refunding Bonds of 2010B	09/28/10	2.00%-3.25%	1,035,000	12/01/20	135,000	135,000
G.O. Improvement Bonds of 2010B	09/28/10	2.00%-3.25%	790,000	12/01/25	350,000	55,000
G.O. Improvement Crossover						
Refunding Bonds of 2011A	11/10/11	2.00%-2.40%	1,040,000	10/01/21	275,000	135,000
G.O. Improvement Bonds of 2013A	09/01/13	2.00%-3.00%	405,000	12/01/24	235,000	45,000
G.O. Improvement Bonds of 2014A	06/15/14	2.00%-3.40%	2,010,000	12/01/30	1,560,000	120,000
G.O. Improvement Bonds of 2015A	08/13/15	1.20%-3.00%	595,000	12/01/25	365,000	60,000
G.O. Improvement Bonds of 2016B	11/03/16	1.00%-3.00%	740,000	12/15/32	640,000	50,000
G.O. Improvement Bonds of 2017B	08/30/17	2.25%-3.00%	344,000	12/15/27	274,000	35,000
G.O. Improvement Bonds of 2019A	09/12/19	4.00%-5.00%	3,705,000	12/15/29	3,705,000	375,000
Total G.O. Special Assessment Bonds					7,539,000	1,010,000
G.O. Abatement Bonds						
G.O. Tax Abatement Bonds of 2015B	08/13/15	2.00%-3.05%	1,840,000	12/01/30	1,410,000	115,000
Unamortized premiums/discounts						
					659,545	-
Compensated absences						
					449,588	83,012
Total long-term liabilities, governmental activities						
					<u>\$ 14,385,133</u>	<u>\$ 1,562,012</u>

City of St. Joseph
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT (CONTINUED)

B. Components of Long-Term Liabilities (Continued)

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Business-type activities						
G.O. Revenue Bonds						
G.O. Water Revenue Crossover Refunding Bonds of 2012A	04/19/12	1.00-2.85%	\$ 4,860,000	12/01/28	\$ 3,350,000	\$ 475,000
G.O. Sewer Revenue Bonds of 2013A	09/01/13	2.00-3.70%	1,875,000	12/01/28	1,195,000	120,000
G.O. Utility Improvement Bonds of 2014A	06/15/14	2.00%-3.40%	660,000	12/01/32	495,000	35,000
G.O. Water Improvement Bonds of 2017B	08/30/17	2.25%	353,000	12/15/22	211,000	71,000
Total G.O. Revenue Bonds					<u>5,251,000</u>	<u>701,000</u>
Utility Revenue Notes Payable						
City of St. Cloud SIS Phase 4 (2013B Bonds)	11/01/13	3.00%-4.00%	650,000	02/01/29	475,000	40,000
City of St. Cloud RUE Project PFA Loan	08/01/10	1.77%	4,527,703	08/20/30	2,759,728	229,526
City of St. Cloud Lift Station Improvements	08/24/16	1.00%	469,263	08/20/26	355,740	49,319
City of St. Cloud NR2 Biosolids	10/09/17	1.10%	1,693,101	08/20/37	1,571,680	82,058
Total notes payable					<u>5,162,148</u>	<u>400,903</u>
Unamortized premium					30,450	-
Compensated absences					161,588	20,817
Total business-type activities					<u>10,605,186</u>	<u>1,122,720</u>
Total all long-term liabilities					<u>\$ 24,990,319</u>	<u>\$ 2,684,732</u>

Long-term bonded indebtedness listed on the previous page and above were issued to finance acquisition and construction of capital assets or to refinance (refund) previous bond issues.

City of St. Joseph
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities				
Bonds payable				
General obligation	\$ 4,674,000	\$ -	\$ 347,000	\$ 4,327,000
G.O. special assessment bonds	4,459,000	3,705,000	625,000	7,539,000
G.O. abatement bonds	1,525,000	-	115,000	1,410,000
Total bonds payable	<u>10,658,000</u>	<u>3,705,000</u>	<u>1,087,000</u>	<u>13,276,000</u>
Unamortized premiums/discounts	90,578	649,378	80,411	659,545
Compensated absences	455,241	293,539	299,192	449,588
Total governmental activities	<u>11,203,819</u>	<u>4,647,917</u>	<u>1,466,603</u>	<u>14,385,133</u>
Business-type activities				
Bonds payable				
G.O. utility revenue bonds	6,157,000	-	906,000	5,251,000
Notes payable				
City of St. Cloud notes	5,516,969	175,721	530,542	5,162,148
Unamortized premiums	38,658	-	8,208	30,450
Compensated absences	151,629	78,760	68,801	161,588
Total business-type activities	<u>11,864,256</u>	<u>254,481</u>	<u>1,513,551</u>	<u>10,605,186</u>
Total long-term liabilities	<u>\$ 23,068,075</u>	<u>\$ 4,902,398</u>	<u>\$ 2,980,154</u>	<u>\$ 24,990,319</u>

For governmental activities, the General Fund typically liquidates the liability related to compensated absences. For Business-Type Activities, the Water, Sanitary Sewer, Refuse, Storm Water, and Street Light Utility Funds typically liquidates the liability related to the compensated absences.

City of St. Joseph
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT (CONTINUED)

D. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term liabilities:

<u>Year Ended</u> <u>December 31,</u>	Governmental Activities			
	G.O. Government Activities		G.O. Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 354,000	\$ 101,008	\$ 1,010,000	\$ 324,403
2021	330,000	93,272	885,000	246,150
2022	291,000	85,913	749,000	216,190
2023	293,000	79,507	764,000	188,763
2024	242,000	70,743	759,000	159,327
2025-2029	1,107,000	291,812	3,067,000	387,702
2030-2034	1,190,000	168,932	305,000	13,860
2035-2036	520,000	22,569	-	-
Total	<u>\$ 4,327,000</u>	<u>\$ 913,756</u>	<u>\$ 7,539,000</u>	<u>\$ 1,536,395</u>

<u>Year Ended</u> <u>December 31,</u>	Governmental Activities		
	Abatement Bonds		
	Principal	Interest	Total
2020	\$ 115,000	\$ 37,635	\$ 1,942,046
2021	120,000	35,335	1,709,757
2022	120,000	32,935	1,495,038
2023	125,000	30,535	1,480,805
2024	125,000	27,410	1,383,480
2025-2029	670,000	81,525	5,605,039
2030-2034	135,000	4,118	1,816,910
2035-2036	-	-	542,569
Total	<u>\$ 1,410,000</u>	<u>\$ 249,493</u>	<u>\$ 15,975,644</u>

City of St. Joseph
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT (CONTINUED)

D. Minimum Debt Payments (Continued)

Year Ended December 31,	Business-Type Activities				
	Utility Revenue Bonds		Notes Payable		Total
	Principal	Interest	Principal	Interest	
2020	\$ 701,000	\$ 134,813	\$ 400,903	\$ 85,777	\$ 1,322,493
2021	710,000	120,495	406,256	79,301	1,316,052
2022	725,000	105,340	416,950	72,059	1,319,349
2023	670,000	88,688	422,538	64,628	1,245,854
2024	690,000	71,877	428,004	57,331	1,247,212
2025-2029	1,625,000	134,725	2,104,718	175,272	4,039,715
2030-2034	130,000	9,010	741,260	36,373	916,643
2035-2037	-	-	293,155	6,443	299,598
Total	\$ 5,251,000	\$ 664,948	\$ 5,213,784 *	\$ 577,184	\$ 11,706,916

* Balance does not agree to amounts listed in Note 6.C. due to payment schedule including estimated PFA draw that is scheduled to occur in 2020.

E. Conduit Debt

Conduit debt obligations are certain limited obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued various revenue bonds to provide funding to private sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

At December 31, 2019, the City's outstanding conduit debt balances consisted of the following:

\$21,195,000 Senior Housing and Healthcare Revenue Bonds, Series 2019A	\$ 21,195,000
\$450,000 Taxable Senior Housing and Healthcare Revenue Bonds, Series 2019A-T	<u>450,000</u>
Total	<u>\$ 21,645,000</u>

City of St. Joseph
Notes to Financial Statements

NOTE 7 – FUND BALANCE

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General	State Collected Sales Tax	2019 Street Improvements	2019 Industrial Park	Nonmajor Governmental Fund	Total
Nonspendable						
Prepaid items	\$ 9	\$ -	\$ -	\$ -	\$ -	\$ 9
Restricted						
Debt service	-	-	-	-	1,265,626	1,265,626
Tax increments	-	-	-	-	39,734	39,734
State collected sales tax projects	-	973,112	-	-	-	973,112
Park dedication fees	-	-	-	-	102,888	102,888
Charitable gambling	-	-	-	-	2,189	2,189
Lodging tax	-	-	-	-	34,786	34,786
DEED CDAP	-	-	-	-	33,060	33,060
Revolving loan	-	-	-	-	33,571	33,571
Total restricted	<u>-</u>	<u>973,112</u>	<u>-</u>	<u>-</u>	<u>1,511,854</u>	<u>2,484,966</u>
Committed						
Economic development	-	-	-	-	228,884	228,884
Assigned						
Elections	5,326	-	-	-	-	5,326
Street seal coating /crack filling	163,901	-	-	-	-	163,901
Loader tires	7,889	-	-	-	-	7,889
Fire operations	20,000	-	-	-	-	20,000
Fire debt service	64,176	-	-	-	-	64,176
Fire capital	541,252	-	-	-	-	541,252
Police forfeiture	7,830	-	-	-	-	7,830
Severance pay	136,145	-	-	-	-	136,145
Capital outlay reserves	-	-	863,919	1,237,227	1,082,269	3,183,415
Debt service relief	-	-	-	-	688,091	688,091
Total assigned	<u>946,519</u>	<u>-</u>	<u>863,919</u>	<u>1,237,227</u>	<u>1,770,360</u>	<u>4,818,025</u>
Unassigned	<u>1,631,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,789)</u>	<u>1,622,111</u>
Total	<u>\$ 2,578,428</u>	<u>\$ 973,112</u>	<u>\$ 863,919</u>	<u>\$ 1,237,227</u>	<u>\$ 3,501,309</u>	<u>\$ 9,153,995</u>

NOTE 8 – RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state, which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

City of St. Joseph
Notes to Financial Statements

NOTE 8 – RISK MANAGEMENT (CONTINUED)

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2019 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2019, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 9 – PENSION PLANS

The City participates in various pension plans, total pension expense for the year ended December 31, 2019, was \$191,971. The components of pension expense are noted in the following plan summaries.

For governmental activities, the General Fund typically liquidates the liability related to pensions. For Business-Type Activities, the Water, Sanitary Sewer, Refuse, Storm Water, and Street Light Utility Funds typically liquidate the liability related to pensions.

Public Employees' Retirement Association

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

City of St. Joseph
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated member is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after 5 years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

City of St. Joseph
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

Police and Fire Plan Benefits (Continued)

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in calendar year 2019 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019, were \$76,798. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8% of pay to 11.3% and employer rates increased from 16.2% to 16.95% on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$106,850. The City's contributions were equal to the required contributions as set by state statute.

City of St. Joseph
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$746,385 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$23,166. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0135%, which was a decrease of 0.0007% from its proportionate share measured as of June 30, 2018.

City's proportionate share of the net pension liability	\$ 746,385
State of Minnesota's proportionate share of the net pension liability associated with the City	23,166
Total	\$ 769,551

For the year ended December 31, 2019, the City recognized pension expense of \$92,626 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional \$1,735 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

City of St. Joseph
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 21,207	\$ -
Changes in actuarial assumptions	-	61,078
Difference between projected and actual investment earnings	-	81,880
Changes in proportion	14,209	29,124
Contributions paid to PERA subsequent to the measurement date	<u>38,399</u>	<u>-</u>
Total	<u><u>\$ 73,815</u></u>	<u><u>\$ 172,082</u></u>

\$38,399 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ (39,470)
2021	(72,939)
2022	(25,460)
2023	<u>1,203</u>
Total	<u><u>\$ (136,666)</u></u>

City of St. Joseph
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$587,566 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0559%, which was a decrease of 0.0022% from its proportionate share measured as of June 30, 2018. The City also recognized \$7,546 for the year ended December 31, 2019 as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90% funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$85,307 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 25,233	\$ 88,609
Changes in actuarial assumptions	477,064	646,903
Difference between projected and actual investment earnings	-	125,108
Changes in proportion	36,904	30,902
Contributions paid to PERA subsequent to the measurement date	<u>53,425</u>	<u>-</u>
Total	<u>\$ 592,626</u>	<u>\$ 891,522</u>

**City of St. Joseph
Notes to Financial Statements**

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

The \$53,425 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2020	\$ (42,726)
2021	(84,353)
2022	(225,567)
2023	4,736
2024	(4,411)
Total	\$ (352,321)

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 % Per year
Active member payroll growth	3.25 Per year
Investment rate of return	7.50

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan and 1.0% per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019, valuation was based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

**City of St. Joseph
Notes to Financial Statements**

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- There have been no changes since the prior valuation

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	35.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
International Equity	17.5	5.90
Cash Equivalents	2.0	0.00
Total	<u>100 %</u>	

City of St. Joseph
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
	<hr/>	<hr/>	<hr/>
City's proportionate share of the General Employees Fund net pension liability	\$ 1,227,016	\$ 746,385	\$ 349,528
	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
	<hr/>	<hr/>	<hr/>
City's proportionate share of the Police and Fire Fund net pension liability (asset)	\$ 1,293,258	\$ 587,566	\$ (7,534)

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Public Employees Defined Contribution Plan (Defined Contribution Plan)

All of the City's council members are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

City of St. Joseph
Notes to Financial Statements

NOTE 9 –PENSION PLANS (CONTINUED)

Public Employees Defined Contribution Plan (Defined Contribution Plan) (Continued)

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses; therefore, there is not future liability to the City. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

Pension expense for the year is equal to the contributions made. Total contributions made by the City during fiscal year 2019 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,278	\$ 1,278	5%	5%	5%

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association

A. Plan Description

The City of St. Joseph Volunteer Fire Department Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Relief Association per *Minnesota State Statutes*.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the St. Joseph Volunteer Fire Department Relief Association, 75 Callaway St E, St. Joseph, MN 56374.

B. Benefits Provided

Volunteer firefighters of the City are member of Joseph Volunteer Fire Department Relief Association. Full retirement benefits are payable to members who have reached age 50 and have completed 20 years of service for lump sum service pension. Partial benefits are payable to members who have reached 50 years and have completed 10 years of service. Disability benefits and widow and children's survivor benefits are also payable to members or their beneficiaries based upon requirements set forth in the bylaws. These benefit provisions and all other requirements are consistent with enabling state statutes.

**City of St. Joseph
Notes to Financial Statements**

NOTE 9 –PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association

C. Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees entitled to but not yet receiving benefits	2
Active employees	29
	29
Total	31

D. Contributions.

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers: therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$55,653 made by the State of Minnesota for the Relief Association.

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Salary increase	0 %, average, including inflation
Investment rate of return	5.25 %, net of pensions plan investment expense including inflation

The value of death benefits is similar to the value of the retirement pension. Because of low retirement ages, the plan assumes no pre-retirement mortality. Post-retirement mortality does not apply as the benefit structure and form of payment do not reflect lifetime benefits.

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date are summarized in the table on the following page.

City of St. Joseph
Notes to Financial Statements

NOTE 9 –PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

E. Net Pension Liability (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	10.00 %	0.74 %
Fixed Income	40.00	2.01
Real Estate and Alternatives	0.00	4.53
Domestic Equity	40.00	4.76
International Equity	10.00	5.41
Total	<u>100 %</u>	

The discount rate used to measure the total pension liability was 5.25%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

F. Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2019	\$ 587,503	\$ 784,091	\$ (196,588)
Changes for the year			
Service cost	28,180	-	28,180
Interest cost	32,323	-	32,323
Change in assumptions, changes in benefit terms	28,541	-	28,541
Contributions - state and local	-	58,653	(58,653)
Net investment income	-	118,020	(118,020)
Administrative expense	-	(9,020)	9,020
Net charges	<u>89,044</u>	<u>167,653</u>	<u>(78,609)</u>
Balances at December 31, 2019	<u>\$ 676,547</u>	<u>\$ 951,744</u>	<u>\$ (275,197)</u>

**City of St. Joseph
Notes to Financial Statements**

NOTE 9 –PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

F. Changes in the Net Pension Liability (Continued)

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 5.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25%) or 1-percentage-point higher (6.25%) than the current rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
City's net pension liability	\$ (255,912)	\$ (275,197)	\$ (294,060)

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

G. Pension Expense and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2019, the City recognized pension expense of \$12,761. At December 31, 2019, 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
Differences between expected and actual experience	\$ -	\$ 47,579
Changes of assumptions	75,860	-
Net difference between projected and actual earnings on pension plan investments	-	22,893
Total	\$ 75,860	\$ 70,472

City of St. Joseph
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

**G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

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

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ (2,771)
2021	2,043
2022	8,680
2023	(10,113)
2024	5,183
Therafter	<u>2,366</u>
Total	<u><u>\$ 5,388</u></u>

NOTE 10 – COMMITMENTS

The City has entered into contracts for construction as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Expended through 12/31/19</u>	<u>Commitment</u>
CR2 Trail, Phase II/III	\$ 1,176,167	\$ 1,062,668	\$ 113,499
East Park Development, Phase I	23,200	19,957	3,243
Industrial Park East Improvements	3,082,855	2,036,417	1,046,438
2019 Bituminous Street Improvements	1,991,762	1,298,227	<u>693,535</u>
Total			<u><u>\$ 1,856,715</u></u>

City of St. Joseph
Notes to Financial Statements

NOTE 11 TAX INCREMENT FINANCING

The City has entered into five Tax Increment Financing agreements which meet the criteria for disclosure under *Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures*. The City's authority to enter into these agreements comes from *Minnesota Statute 469*. The City entered into these agreements for the purpose of economic development.

Under each agreement, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City through tax revenues from the additional taxable value of the property generated by the development (tax increment). A "pay-as-you-go" note is established for this amount, on which the City makes payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs.

During the year ended December 31, 2019, the City generated \$140,321 in tax increment revenue and made \$126,494 in payments to developers.

In addition, the City had an abatement of \$26,453 relating to a development agreement.

NOTE 12 – SUBSEQUENT EVENTS

On March 5, 2020, the City issued equipment certificates of indebtedness for \$220,000 to finance the purchase of various equipment for the City.

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the City may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effects on the City's financial statements at December 31, 2019 cannot be determined at this time.

NOTE 13 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2020.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. This statement will be effective for the year ending December 31, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

City of St. Joseph
Schedule of City's Proportionate Share
of Net Pension Liability
General Employees Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0138%	\$ 715,188	\$ -	\$ 715,188	\$ 799,773	89.42%	78.19%
2016	0.0135%	1,096,133	14,341	1,110,474	839,240	130.61%	68.91%
2017	0.0142%	906,519	11,418	917,937	916,373	98.92%	75.90%
2018	0.0142%	787,758	25,900	813,658	955,440	82.45%	79.53%
2019	0.0135%	746,385	23,166	769,551	956,520	78.03%	80.23%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of City's Proportionate Share
of Net Pension Liability
Public Employees Police and Fire Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0570%	\$ 647,653	\$ 505,160	128.21%	86.61%
2016	0.0540%	2,167,114	518,580	417.89%	63.88%
2017	0.0540%	729,064	554,975	131.37%	85.43%
2018	0.0581%	614,057	612,154	100.31%	88.84%
2019	0.0559%	587,566	576,684	101.89%	89.26%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

City of St. Joseph
Schedule of City Contributions -
General Employees Retirement Fund
Last Ten Years

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 57,804	\$ 57,804	\$ -	\$ 770,720	7.50%
2016	66,294	66,294	-	883,920	7.50%
2017	69,820	69,820	-	930,933	7.50%
2018	71,452	71,452	-	952,693	7.50%
2019	76,798	76,798	-	1,023,973	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of City Contributions -
Public Employees Police and Fire Retirement Fund
Last Ten Years

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 85,925	\$ 85,925	\$ -	\$ 530,401	16.20%
2016	89,587	89,587	-	553,006	16.20%
2017	93,325	93,325	-	576,080	16.20%
2018	97,377	97,377	-	601,093	16.20%
2019	106,850	106,850	-	630,383	16.95%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

City of St. Joseph
Schedule of Changes in Net Pension Liability
and Related Ratios - Fire Relief Association

	Measurement Date	
	2015	2016
Total Pension Liability (TPL)		
Service cost	\$ 20,898	\$ 25,691
Interest	29,709	35,786
Differenced between expected and actual experience	-	(29,935)
Changes of assumptions	55,033	56,691
Changes of benefit terms	31,883	-
Benefit payments, including refunds, or member contributions	(41,168)	(49,000)
Net change in total pension liability	<u>96,355</u>	<u>39,233</u>
Beginning of year	<u>475,033</u>	<u>571,388</u>
End of Year	<u>\$ 571,388</u>	<u>\$ 610,621</u>
Plan Fiduciary Net Pension (FNP)		
Contributions - employer	\$ 52,164	\$ 63,111
Net investment income	(41,979)	68,585
Benefit payments, including refunds of member contributions	(41,168)	(49,000)
Administrative expense	(8,121)	(7,724)
Net change in plan fiduciary net position	<u>(39,104)</u>	<u>74,972</u>
Beginning of year	<u>740,099</u>	<u>700,995</u>
End of year	<u>\$ 700,995</u>	<u>\$ 775,967</u>
Net pension liability (NPL)	<u>\$ (129,607)</u>	<u>\$ (165,346)</u>
Plan fiduciary net position as a percentage of the total pension liability	122.7%	127.1%
Covered employee payroll	n/a	n/a
Net pension liability as a percentage of covered payroll	n/a	n/a

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section required a ten year presentation, but does not require retroactive reporting. Information prior to 2015 is not available. Additional years will be reported as they become available.

Measurement Date		
2017	2018	2019
\$ 25,641	\$ 27,172	\$ 28,180
33,188	32,052	32,323
-	(35,760)	-
4,299	8,441	-
-	-	28,541
(118,151)	-	-
<u>(55,023)</u>	<u>31,905</u>	<u>89,044</u>
<u>610,621</u>	<u>555,598</u>	<u>587,503</u>
<u>\$ 555,598</u>	<u>\$ 587,503</u>	<u>\$ 676,547</u>
\$ 58,310	\$ 56,565	\$ 58,653
77,946	(50,418)	118,020
(118,151)	-	-
(8,546)	(7,582)	(9,020)
<u>9,559</u>	<u>(1,435)</u>	<u>167,653</u>
<u>775,967</u>	<u>785,526</u>	<u>784,091</u>
<u>\$ 785,526</u>	<u>\$ 784,091</u>	<u>\$ 951,744</u>
<u>\$ (229,928)</u>	<u>\$ (196,588)</u>	<u>\$ (275,197)</u>
141.4%	133.5%	140.7%
n/a	n/a	n/a
n/a	n/a	n/a

City of St. Joseph
Schedule of Employer Contributions
and Non-Employer Contributing
Entities - Fire Relief Association

	2015	2016
Employer		
Statutorily determined contribution (SDC)	\$ -	\$ -
Contribution in relation to the SDC	3,000	3,000
Contribution deficiency (excess)	\$ (3,000)	\$ (3,000)
Non-employer		
2% aid	\$ 52,164	\$ 60,111
Covered employee payroll	n/a	n/a
Contributions as a percentage of covered employee payroll	n/a	n/a

The Association implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section required a ten year presentation, but does not require retroactive reporting. Information prior to 2015 is not available. Additional years will be reported as they become available.

<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ -	\$ -	\$ -
<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
<u><u>\$ (3,000)</u></u>	<u><u>\$ (3,000)</u></u>	<u><u>\$ (3,000)</u></u>
<u><u>\$ 55,310</u></u>	<u><u>\$ 53,565</u></u>	<u><u>\$ 55,653</u></u>
n/a	n/a	n/a
n/a	n/a	n/a

City of St. Joseph
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND

2019 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.

City of St. Joseph
Notes to Required Supplementary Information

2017 Changes (Continued)

Changes in Plan Provisions (Continued)

- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

City of St. Joseph
Notes to Required Supplementary Information

POLICE AND FIRE FUND

2019 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019 and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.

City of St. Joseph
Notes to Required Supplementary Information

POLICE AND FIRE FUND (CONTINUED)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

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SUPPLEMENTARY INFORMATION

City of St. Joseph
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2019

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 1,424,710	\$ 1,421,090	\$ (3,620)
Miscellaneous taxes	14,170	10,276	(3,894)
Special assessments	4,000	3,558	(442)
Franchise fees	137,725	134,704	(3,021)
Licenses and permits	223,840	255,953	32,113
Intergovernmental revenue			
Local government aid	994,435	994,435	-
PERA aid	1,540	1,541	1
Fire aid	52,000	58,303	6,303
Police aid	68,500	88,076	19,576
Federal grants	8,000	2,392	(5,608)
State grants	56,900	61,175	4,275
Other grants and aids	26,300	24,585	(1,715)
Total intergovernmental revenue	<u>1,207,675</u>	<u>1,230,507</u>	<u>22,832</u>
Charges for services			
General government	35,725	40,044	4,319
Public safety	274,580	278,011	3,431
Public works	4,170	4,023	(147)
Culture and recreation	67,555	83,969	16,414
Total charges for services	<u>382,030</u>	<u>406,047</u>	<u>24,017</u>
Fines and forfeitures	60,000	52,289	(7,711)
Miscellaneous revenues			
Investment income	25,000	101,017	76,017
Contributions and donations	3,850	4,632	782
Other	39,200	91,527	52,327
Total miscellaneous revenues	<u>68,050</u>	<u>197,176</u>	<u>129,126</u>
Total revenues	<u>3,522,200</u>	<u>3,711,600</u>	<u>189,400</u>
Expenditures			
General government			
Mayor and council	85,610	78,726	(6,884)
Administrative and finance	550,655	530,056	(20,599)
Other general government	223,960	206,619	(17,341)
Capital outlay	12,110	19,768	7,658
Total general government	<u>872,335</u>	<u>835,169</u>	<u>(37,166)</u>

City of St. Joseph
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2019

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures			
Public safety			
Police			
Current	\$ 1,209,280	\$ 1,125,025	\$ (84,255)
Fire			
Current	388,130	402,422	14,292
Capital outlay	72,050	1,983	(70,067)
Total fire	460,180	404,405	(55,775)
Other			
Current	98,290	98,152	(138)
Total public safety	1,767,750	1,627,582	(140,168)
Public works			
Streets and highways			
Street maintenance and storm sewers	274,680	286,892	12,212
Snow and ice removal	126,635	160,566	33,931
Street engineering	35,000	38,883	3,883
Capital outlay	93,250	80,930	(12,320)
Total public works	529,565	567,271	37,706
Culture and recreation			
Current	354,750	397,204	42,454
Capital outlay	-	1,936	1,936
Total culture and recreation	354,750	399,140	44,390
Total expenditures	3,524,400	3,429,162	(95,238)
Excess of revenues over (under) expenditures	(2,200)	282,438	284,638
Other Financing Sources (Uses)			
Insurance recoveries	2,000	3,428	1,428
Sale of property	200	-	(200)
Transfers in	56,705	56,640	(65)
Transfers out	-	(150,000)	(150,000)
Total other financing sources (uses)	58,905	(89,932)	(148,837)
Net change in fund balances	\$ 56,705	192,506	\$ 135,801
Fund Balances			
Beginning of year		2,385,922	
End of year		\$ 2,578,428	

**City of St. Joseph
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2019**

	Special Revenue			
	Economic Development Authority (150)	TIF 2-1 Millstream Shops and Lofts (157)	TIF 2-2 St. Joseph Meat Market (158)	TIF 2-3 Bayou Blues/Alley Flat (159)
Assets				
Cash and investments	\$ 29,584	\$ 30,040	\$ 702	\$ 363
Taxes receivable - delinquent	2,090	-	-	-
Special assessments receivable				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Accounts receivable	-	-	-	-
Interest receivable	160	102	3	2
Due from other funds	10,300	-	-	-
Due from other governments	5,589	-	-	41
Notes receivable	-	-	-	-
Total assets	\$ 47,723	\$ 30,142	\$ 705	\$ 406
Liabilities				
Accounts payable	\$ 4,728	\$ -	\$ -	\$ -
Due to other funds	-	-	500	9,800
Salaries and benefits payable	205	-	-	-
Total liabilities	4,933	-	500	9,800
Deferred Inflows of Resources				
Unavailable revenue - property taxes	2,090	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Unavailable revenue - notes receivable	-	-	-	-
Total deferred inflows of resources	2,090	-	-	-
Fund Balances				
Restricted	-	30,142	205	-
Committed	40,700	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	(9,394)
Total fund balances	40,700	30,142	205	(9,394)
Total liabilities, deferred inflows of resources, and fund balances	\$ 47,723	\$ 30,142	\$ 705	\$ 406

Special Revenue

TIF 3-1 Central Minnesota Credit Union (152)	TIF 4-1 Fortitude Senior Housing (153)	Park Dedication (205)	Charitable Gambling (215)	Lodging Tax (220)	Revolving Loan (250)	Deed Housing (225)
\$ 3,131	\$ 6,229	\$ 102,282	\$ 2,181	\$ 34,283	\$ 219,626	\$ 32,938
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	29	-	382	-	-
7	20	416	8	121	1,003	122
-	-	-	-	-	-	-
-	-	161	-	-	-	-
-	-	-	-	-	52,500	-
<u>\$ 3,138</u>	<u>\$ 6,249</u>	<u>\$ 102,888</u>	<u>\$ 2,189</u>	<u>\$ 34,786</u>	<u>\$ 273,129</u>	<u>\$ 33,060</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	51,374	-
-	-	-	-	-	51,374	-
3,138	6,249	102,888	2,189	34,786	33,571	33,060
-	-	-	-	-	188,184	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>3,138</u>	<u>6,249</u>	<u>102,888</u>	<u>2,189</u>	<u>34,786</u>	<u>221,755</u>	<u>33,060</u>
<u>\$ 3,138</u>	<u>\$ 6,249</u>	<u>\$ 102,888</u>	<u>\$ 2,189</u>	<u>\$ 34,786</u>	<u>\$ 273,129</u>	<u>\$ 33,060</u>

**City of St. Joseph
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2019**

	Debt Service			
	G.O. Improvement Bonds of 2005B/2010B (333)	G.O. Improvement Bonds of 2013A (348)	G.O. Improvement Bonds of 2011A/2006C (338)	G.O. Improvement Bonds of 2010B (345)
Assets				
Cash and investments	\$ 74,070	\$ 67,484	\$ 54,926	\$ 126,503
Taxes receivable - delinquent	670	247	939	108
Special assessments receivable				
Delinquent	-	-	1,564	775
Deferred	70,313	30,181	72,981	81,703
Accounts receivable	-	-	-	-
Interest receivable	503	317	249	542
Due from other funds	-	-	-	-
Due from other governments	356	285	491	54
Notes receivable	-	-	-	-
Total assets	<u>\$ 145,912</u>	<u>\$ 98,514</u>	<u>\$ 131,150</u>	<u>\$ 209,685</u>
Liabilities				
Accounts payable	\$ 77	\$ 77	\$ 77	\$ 77
Due to other funds	-	-	-	-
Salaries and benefits payable	-	-	-	-
Total liabilities	<u>77</u>	<u>77</u>	<u>77</u>	<u>77</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	670	247	939	108
Unavailable revenue - special assessments	70,313	30,181	74,545	82,478
Unavailable revenue - notes receivable	-	-	-	-
Total deferred inflows of resources	<u>70,983</u>	<u>30,428</u>	<u>75,484</u>	<u>82,586</u>
Fund Balances				
Restricted	74,852	68,009	55,589	127,022
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>74,852</u>	<u>68,009</u>	<u>55,589</u>	<u>127,022</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 145,912</u>	<u>\$ 98,514</u>	<u>\$ 131,150</u>	<u>\$ 209,685</u>

Debt Service

G.O. Certificates of Indebtedness of 2011A (346)	G.O. Improvement Bonds of 2014A (350)	G.O. Improvement Bonds of 2015A (351)	G.O. Certificates of Indebtedness 2015A (352)	G.O. Tax Abatement Bonds of 2015B (353)	G.O. Capital Improvement Plan Bonds of 2016A (301)	G.O. Improvement Bonds of 2016B (304)
\$ 16	\$ 164,910	\$ 115,334	\$ 810	\$ 37,504	\$ 48,607	\$ 266,661
335	1,547	1,213	2,489	-	4,594	72
-	1,993	-	-	-	-	-
-	88,645	110,256	-	-	-	608,136
-	-	-	-	-	-	-
34	790	576	187	393	261	530
-	-	-	-	-	-	-
182	801	552	1,326	-	2,404	45
-	-	-	-	-	-	-
<u>\$ 567</u>	<u>\$ 258,686</u>	<u>\$ 227,931</u>	<u>\$ 4,812</u>	<u>\$ 37,897</u>	<u>\$ 55,866</u>	<u>\$ 875,444</u>
\$ 77	\$ 77	\$ 77	\$ 77	\$ 77	\$ -	\$ 77
550	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>627</u>	<u>77</u>	<u>77</u>	<u>77</u>	<u>77</u>	<u>-</u>	<u>77</u>
335	1,547	1,213	2,489	-	4,594	72
-	90,638	110,256	-	-	-	608,136
-	-	-	-	-	-	-
<u>335</u>	<u>92,185</u>	<u>111,469</u>	<u>2,489</u>	<u>-</u>	<u>4,594</u>	<u>608,208</u>
-	166,424	116,385	2,246	37,820	51,272	267,159
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(395)	-	-	-	-	-	-
<u>(395)</u>	<u>166,424</u>	<u>116,385</u>	<u>2,246</u>	<u>37,820</u>	<u>51,272</u>	<u>267,159</u>
<u>\$ 567</u>	<u>\$ 258,686</u>	<u>\$ 227,931</u>	<u>\$ 4,812</u>	<u>\$ 37,897</u>	<u>\$ 55,866</u>	<u>\$ 875,444</u>

City of St. Joseph
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2019

	Debt Service				
	Capital Improvement Bonds of 2017A (303)	G.O. Improvement Bonds of 2017B (305)	2018A Equipment Certificate (306)	Debt Service Relief Fund (390)	G.O. Improvement Bonds of 2019A (307)
Assets					
Cash and investments	\$ 93,871	\$ 36,858	\$ 1,396	\$ 688,072	\$ 142,742
Taxes receivable - delinquent	-	233	821	329	-
Special assessments receivable					
Delinquent	-	725	-	77	-
Deferred	-	67,302	-	113,955	547,882
Accounts receivable	-	-	-	-	1,394
Interest receivable	716	191	240	-	1,501
Due from other funds	-	-	-	-	-
Due from other governments	-	1,192	507	19	1,732
Notes receivable	262,163	-	-	-	-
Total assets	<u>\$ 356,750</u>	<u>\$ 106,501</u>	<u>\$ 2,964</u>	<u>\$ 802,452</u>	<u>\$ 695,251</u>
Liabilities					
Accounts payable	\$ 77	\$ 77	\$ 77	\$ -	\$ 77
Due to other funds	-	-	-	-	-
Salaries and benefits payable	-	-	-	-	-
Total liabilities	<u>77</u>	<u>77</u>	<u>77</u>	<u>-</u>	<u>77</u>
Deferred Inflows of Resources					
Unavailable revenue - property taxes	-	233	821	329	-
Unavailable revenue - special assessments	-	68,027	-	114,032	547,882
Unavailable revenue - notes receivable	260,964	-	-	-	-
Total deferred inflows of resources	<u>260,964</u>	<u>68,260</u>	<u>821</u>	<u>114,361</u>	<u>547,882</u>
Fund Balances					
Restricted	95,709	38,164	2,066	-	147,292
Committed	-	-	-	-	-
Assigned	-	-	-	688,091	-
Unassigned	-	-	-	-	-
Total fund balances	<u>95,709</u>	<u>38,164</u>	<u>2,066</u>	<u>688,091</u>	<u>147,292</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 356,750</u>	<u>\$ 106,501</u>	<u>\$ 2,964</u>	<u>\$ 802,452</u>	<u>\$ 695,251</u>

Debt Service		Capital Projects					
G.O. Industrial Park Bonds of 2019A (308)	Jacob Wetterling Recreation Center (402)	2018 Equipment Certificate (406)	General Capital Outlay (490)	Water Access Fund (501)	Sewer Access Fund (502)	Total Governmental Funds	
\$ 14,401	\$ 3,094	\$ 41,283	\$ 529,844	\$ 479,294	\$ 28,214	\$ 3,477,253	
-	-	-	-	-	-	15,687	
-	-	-	-	-	-	5,134	
-	-	-	-	-	-	1,791,354	
-	-	-	-	-	-	1,805	
1,293	11	-	-	2,019	490	12,807	
-	-	-	-	-	-	10,300	
-	-	-	1,120	-	-	16,857	
-	-	-	-	-	-	314,663	
<u>\$ 15,694</u>	<u>\$ 3,105</u>	<u>\$ 41,283</u>	<u>\$ 530,964</u>	<u>\$ 481,313</u>	<u>\$ 28,704</u>	<u>\$ 5,645,860</u>	
\$ 77	\$ -	\$ 3,100	\$ -	\$ -	\$ -	\$ 8,983	
-	-	-	-	-	-	10,850	
-	-	-	-	-	-	205	
<u>77</u>	<u>-</u>	<u>3,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,038</u>	
-	-	-	-	-	-	15,687	
-	-	-	-	-	-	1,796,488	
-	-	-	-	-	-	312,338	
-	-	-	-	-	-	2,124,513	
15,617	-	-	-	-	-	1,511,854	
-	-	-	-	-	-	228,884	
-	3,105	38,183	530,964	481,313	28,704	1,770,360	
-	-	-	-	-	-	(9,789)	
<u>15,617</u>	<u>3,105</u>	<u>38,183</u>	<u>530,964</u>	<u>481,313</u>	<u>28,704</u>	<u>3,501,309</u>	
<u>\$ 15,694</u>	<u>\$ 3,105</u>	<u>\$ 41,283</u>	<u>\$ 530,964</u>	<u>\$ 481,313</u>	<u>\$ 28,704</u>	<u>\$ 5,645,860</u>	

City of St. Joseph
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2019

	Special Revenue			
	Economic Development Authority (150)	TIF 2-1 Millstream Shops and Lofts (157)	TIF 2-2 St. Joseph Meat Market (158)	TIF 2-3 Bayou Blues/Alley Flat (159)
Revenues				
Property taxes	\$ 106,971	\$ -	\$ -	\$ -
Tax increments	-	43,192	4,830	290
Lodging taxes	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	100,247	-	-	-
Charges for services	500	-	-	-
Miscellaneous				
Investment income	1,745	1,114	34	26
Contributions and donations	-	-	-	-
Revolving loan repayments	-	-	-	-
Other	-	-	-	-
Total revenues	<u>209,463</u>	<u>44,306</u>	<u>4,864</u>	<u>316</u>
Expenditures				
Current				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	175,755	39,931	4,657	1,188
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	374	-	-	-
Total expenditures	<u>176,129</u>	<u>39,931</u>	<u>4,657</u>	<u>1,188</u>
Excess of revenues over (under) expenditures	33,334	4,375	207	(872)
Other Financing Sources (Uses)				
Sale of property	-	-	-	-
Bonds issued	-	-	-	-
Transfers in	13,628	-	-	-
Transfers out	(67,153)	-	-	-
Total other financing sources (uses)	<u>(53,525)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(20,191)	4,375	207	(872)
Fund Balances				
Beginning of year	<u>60,891</u>	<u>25,767</u>	<u>(2)</u>	<u>(8,522)</u>
End of year	<u>\$ 40,700</u>	<u>\$ 30,142</u>	<u>\$ 205</u>	<u>\$ (9,394)</u>

Special Revenue

TIF 3-1 Central Minnesota Credit Union (152)	TIF 4-1 Fortitude Senior Housing (153)	Park Dedication (205)	Charitable Gambling (215)	Lodging Tax (220)	Revolving Loan (250)	Deed Housing (225)
\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -
44,162	47,847	-	-	-	-	-
-	-	-	-	15,584	-	-
-	-	-	-	-	-	-
-	-	16,585	-	-	-	-
81	215	4,544	85	1,317	8,103	1,335
-	-	159	-	-	-	-
-	-	-	-	-	1,387	-
-	-	-	-	825	-	15,466
<u>44,243</u>	<u>48,062</u>	<u>41,288</u>	<u>85</u>	<u>17,726</u>	<u>9,490</u>	<u>16,801</u>
-	-	-	-	-	-	-
-	-	5,767	-	-	-	-
40,804	44,214	-	-	13,992	52,710	18,750
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	44,390	-	-	-	-
-	-	-	-	-	-	-
<u>40,804</u>	<u>44,214</u>	<u>50,157</u>	<u>-</u>	<u>13,992</u>	<u>52,710</u>	<u>18,750</u>
3,439	3,848	(8,869)	85	3,734	(43,220)	(1,949)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	52,840	-
-	(2,139)	-	-	-	-	-
<u>-</u>	<u>(2,139)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,840</u>	<u>-</u>
3,439	1,709	(8,869)	85	3,734	9,620	(1,949)
(301)	4,540	111,757	2,104	31,052	212,135	35,009
<u>\$ 3,138</u>	<u>\$ 6,249</u>	<u>\$ 102,888</u>	<u>\$ 2,189</u>	<u>\$ 34,786</u>	<u>\$ 221,755</u>	<u>\$ 33,060</u>

City of St. Joseph
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2019

	Debt Service			
	G.O. Improvement Bonds of 2005B/2010B (333)	G.O. Improvement Bonds of 2013A (348)	G.O. Improvement Bonds of 2011A/2006C (338)	G.O. Improvement Bonds of 2010B (345)
Revenues				
Property taxes	\$ 39,591	\$ 14,833	\$ 54,496	\$ 5,955
Tax increments	-	-	-	-
Lodging taxes	-	-	-	-
Special assessments	38,269	9,599	41,756	17,470
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous				
Investment income	5,492	3,460	2,718	5,919
Contributions and donations	-	-	-	-
Revolving loan repayments	-	-	-	-
Other	-	-	-	-
Total revenues	<u>83,352</u>	<u>27,892</u>	<u>98,970</u>	<u>29,344</u>
Expenditures				
Current				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	135,000	40,000	135,000	55,000
Interest and other charges	6,490	7,146	9,107	11,683
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>141,490</u>	<u>47,146</u>	<u>144,107</u>	<u>66,683</u>
Excess of revenues over (under) expenditures	(58,138)	(19,254)	(45,137)	(37,339)
Other Financing Sources (Uses)				
Sale of property	-	-	-	-
Bonds issued	-	-	-	-
Transfers in	-	-	18,000	13,250
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>18,000</u>	<u>13,250</u>
Net change in fund balances	(58,138)	(19,254)	(27,137)	(24,089)
Fund Balances				
Beginning of year	<u>132,990</u>	<u>87,263</u>	<u>82,726</u>	<u>151,111</u>
End of year	<u>\$ 74,852</u>	<u>\$ 68,009</u>	<u>\$ 55,589</u>	<u>\$ 127,022</u>

Debt Service

G.O. Certificates of Indebtedness of 2011A (346)	G.O. Improvement Bonds of 2014A (350)	G.O. Improvement Bonds of 2015A (351)	G.O. Certificates of Indebtedness 2015A (352)	G.O. Tax Abatement Bonds of 2015B (353)	G.O. Capital Improvement Plan Bonds of 2016A (301)	G.O. Improvement Bonds of 2016B (304)
\$ 20,236	\$ 89,114	\$ 14,618	\$ 34,407	\$ -	\$ 267,177	\$ 4,928
-	-	-	-	-	-	-
-	16,856	28,474	-	-	-	22,344
-	-	-	-	-	-	213,607
21,757	-	-	-	-	-	-
371	8,632	6,286	2,037	4,290	2,851	5,789
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>42,364</u>	<u>114,602</u>	<u>49,378</u>	<u>36,444</u>	<u>4,290</u>	<u>270,028</u>	<u>246,668</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
40,000	115,000	60,000	35,000	115,000	180,000	50,000
2,837	47,212	10,127	1,302	40,012	89,643	13,426
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2,714
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>42,837</u>	<u>162,212</u>	<u>70,127</u>	<u>36,302</u>	<u>155,012</u>	<u>269,643</u>	<u>66,140</u>
(473)	(47,610)	(20,749)	142	(150,722)	385	180,528
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	160,000	-	20,000
-	-	-	-	-	-	-
-	-	-	-	<u>160,000</u>	<u>-</u>	<u>20,000</u>
(473)	(47,610)	(20,749)	142	9,278	385	200,528
78	214,034	137,134	2,104	28,542	50,887	66,631
<u>\$ (395)</u>	<u>\$ 166,424</u>	<u>\$ 116,385</u>	<u>\$ 2,246</u>	<u>\$ 37,820</u>	<u>\$ 51,272</u>	<u>\$ 267,159</u>

City of St. Joseph
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2019

	Debt Service				
	Capital Improvement Bonds of 2017A (303)	G.O. Improvement Bonds of 2017B (305)	2018A Equipment Certificate (306)	Debt Service Relief Fund (390)	G.O. Improvement Bonds of 2019A (307)
Revenues					
Property taxes	\$ -	\$ 14,812	\$ 56,179	\$ 1,053	\$ -
Tax increments	-	-	-	-	-
Lodging taxes	-	-	-	-	-
Special assessments	-	11,779	-	11,113	127,780
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Miscellaneous					
Investment income	4,543	2,085	2,621	-	16,390
Contributions and donations	-	-	-	11,180	-
Revolving loan repayments	-	-	-	-	-
Other	37,145	-	-	4,000	1,757
Total revenues	<u>41,688</u>	<u>28,676</u>	<u>58,800</u>	<u>27,346</u>	<u>145,927</u>
Expenditures					
Current					
Public safety	-	-	-	1,398	-
Culture and recreation	-	-	-	-	-
Economic development	-	-	-	-	-
Debt service					
Principal	42,000	35,000	50,000	-	-
Interest and other charges	8,588	8,306	7,127	-	17,823
Capital outlay					
General government	-	-	-	-	-
Public safety	-	-	-	28,004	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Economic development	-	-	-	-	-
Total expenditures	<u>50,588</u>	<u>43,306</u>	<u>57,127</u>	<u>29,402</u>	<u>17,823</u>
Excess of revenues over (under) expenditures	(8,900)	(14,630)	1,673	(2,056)	128,104
Other Financing Sources (uses)					
Sale of property	-	-	-	-	-
Bonds issued	-	-	-	-	19,188
Transfers in	-	-	-	150,000	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>19,188</u>
Net change in fund balances	(8,900)	(14,630)	1,673	147,944	147,292
Fund Balances					
Beginning of year	<u>104,609</u>	<u>52,794</u>	<u>393</u>	<u>540,147</u>	<u>-</u>
End of year	<u>\$ 95,709</u>	<u>\$ 38,164</u>	<u>\$ 2,066</u>	<u>\$ 688,091</u>	<u>\$ 147,292</u>

Debt Service		Capital Projects					
G.O. Industrial Park Bonds of 2019A (308)	Jacob Wetterling Recreation Center (402)	2018 Equipment Certificate (406)	General Capital Outlay (490)	Water Access Fund (501)	Sewer Access Fund (502)	Total Other Governmental Funds	
\$ -	\$ -	\$ -	\$ 153,925	\$ -	\$ -	\$ 898,295	
-	-	-	-	-	-	140,321	
-	-	-	-	-	-	15,584	
-	-	-	-	-	-	325,440	
-	-	-	-	-	-	313,854	
-	-	-	-	268,835	94,073	401,750	
14,124	116	-	-	22,049	5,355	133,727	
-	511	-	-	-	-	11,850	
-	-	-	-	-	-	1,387	
2,528	-	-	-	-	-	61,721	
<u>16,652</u>	<u>627</u>	<u>-</u>	<u>153,925</u>	<u>290,884</u>	<u>99,428</u>	<u>2,303,929</u>	
-	-	-	-	-	-	1,398	
-	-	-	19,268	-	-	25,035	
-	-	-	-	-	-	392,001	
-	-	-	-	-	-	1,087,000	
28,160	-	-	-	-	-	308,989	
-	-	9,123	1,575	-	-	10,698	
-	-	-	9,659	-	-	37,663	
-	-	5,191	3,252	-	-	11,157	
-	-	12,759	3,252	-	-	60,401	
-	-	-	-	-	-	374	
<u>28,160</u>	<u>-</u>	<u>27,073</u>	<u>37,006</u>	<u>-</u>	<u>-</u>	<u>1,934,716</u>	
(11,508)	627	(27,073)	116,919	290,884	99,428	369,213	
-	-	-	4,000	-	-	4,000	
27,125	-	-	-	-	-	46,313	
-	-	-	-	-	-	427,718	
-	-	-	-	(225,000)	(162,000)	(456,292)	
<u>27,125</u>	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>(225,000)</u>	<u>(162,000)</u>	<u>21,739</u>	
15,617	627	(27,073)	120,919	65,884	(62,572)	390,952	
-	2,478	65,256	410,045	415,429	91,276	3,110,357	
<u>\$ 15,617</u>	<u>\$ 3,105</u>	<u>\$ 38,183</u>	<u>\$ 530,964</u>	<u>\$ 481,313</u>	<u>\$ 28,704</u>	<u>\$ 3,501,309</u>	

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**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of St. Joseph
St. Joseph, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Joseph, Minnesota, as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 22, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, as described in the accompanying Schedule of Finding and Response on Internal Control that we consider to be a material weakness, listed as audit finding 2019-001.

Compliance and Other Matters

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

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying Schedule of Finding and Response on Internal Control. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bergan KDV, Ltd.

St. Cloud, Minnesota
April 22, 2020

Minnesota Legal Compliance

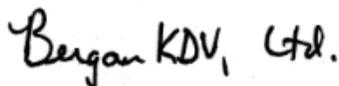
Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of St. Joseph
St. Joseph, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Joseph, Minnesota, as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 22, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "BergankDV, Ltd." in a cursive, slightly slanted script.

St. Cloud, Minnesota
April 22, 2020

**City of St. Joseph
Schedule of Finding and Response on
Internal Control**

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING

Material Weakness

Audit Finding 2019-001 – Improve Segregation of Accounting Duties

Adequate segregation of accounting duties is in place when the four areas of a transaction have been separated: authorization, custody, recording, and reconciliation.

As part of this year's audit, we reviewed the City's documentation of its internal control over significant areas including: cash receipts, cash disbursements, capital assets, payroll, and utility billing. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Some of the areas in which we noticed a lack of segregation or an overlap in duties are as follows:

Cash Receipts

The Deputy Clerk or City Administrator enters cash and checks into the point of sale system, reconciles the entries, and prepares the deposit. The Police Records Specialist records police receipts, receives payments, and reconciles the collections.

Cash Disbursements

The Finance Director is also an authorized signer and has access to the Mayor's electronic signature. The Administrator reviews and approves checks for payment. At year-end, the Finance Director reconciles and records accounts and contracts payable.

Capital Assets

The Finance Director records, processes, reconciles, and posts journal entries related to capital assets. The department heads review their listing for accuracy.

Payroll

The Finance Technician enters employees' time, processes, and posts payroll, generates a payroll report, distributes paystubs to employees, and posts the journal entries related to payroll. In addition, this same employee reconciles payroll accruals. The Finance Director does review payroll reports, time off balances, and calculated compensated absences balances for the audit.

Utility Billing

The Utility Billing Clerk enters new accounts into the utility billing system and uploads meter readings via interfacing with electronic readers. The Utility Billing Clerk enters any rate changes to the system and can enter manual adjustments. The Utility Billing Clerk calculates and enters final bills, prints, and mails utility bills, reconciles receipts to billed amounts, and enters receipts batches.

City of St. Joseph
Schedule of Finding and Response on
Internal Control

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING (CONTINUED)

Material Weakness (Continued)

Audit Finding 2019-001 – Improve Segregation of Accounting Duties (Continued)

Cash Reconciliation and Access

The Finance Director performs the above noted responsibilities, while also reconciling cash, and generating manual journal entries.

City's Response

The City Council and City staff are aware of the limited personnel handling the City's financial matters. The processes and internal controls are reviewed frequently to look for ways to improve internal controls. The department heads, City Administrator and City Council each have active roles in monitoring the financial matters of the City to provided additional oversight. It is unlikely complete segregation of accountings duties will be achieved due to the cost of hiring several additional staff.

City of St. Joseph
Communications Letter
December 31, 2019



**City of St. Joseph
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Report on Matters Identified as a Result of the Audit of the Financial Statements

Honorable Mayor, Members
of the City Council and Management
City of St. Joseph
St. Joseph, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Joseph, Minnesota, as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

The material weakness identified is stated within this letter.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated April 22, 2020, on such statements.

This communication is intended solely for the information and use of the City Council, management, others within the City and state oversight agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Bergan KDV, Ltd.

St. Cloud, Minnesota
April 22, 2020

City of St. Joseph Material Weakness

Improve Segregation of Accounting Duties

Adequate segregation of accounting duties is in place when the four areas of a transaction have been separated: authorization, custody, recording, and reconciliation.

As part of this year's audit, we reviewed the City's documentation of its internal control over significant areas including: cash receipts, cash disbursements, capital assets, payroll, and utility billing. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Some of the areas in which we noticed a lack of segregation or an overlap in duties are as follows:

Cash Receipts

The Deputy Clerk or City Administrator enter cash and checks into the point of sale system, reconcile the entries, and prepare the deposit. The Police Records Specialist records police receipts, receives payments, and reconciles the collections.

Cash Disbursements

The Finance Director also is an authorized signer and has access to the Mayor's electronic signature. The City Administrator reviews and approves checks for payment. At year-end, the Finance Director reconciles and records accounts and contracts payable.

Capital Assets

The Finance Director records, processes, reconciles, and posts journal entries related to capital assets. Department heads review their listing for accuracy.

Payroll

The Finance Technician enters employee's time, processes and posts payroll, generates a payroll report, distributes paystubs to employees, and posts the journal entries related to payroll. In addition, this same employee reconciles payroll accruals and time off balances. The Finance Director does review payroll reports, time off balances and the calculated compensated absences balances for the audit.

Utility Billing

The Utility Billing Clerk enters new accounts into the utility billing system and uploads meter readings via interfacing with electronic readers. The Utility Billing Clerk enters any rate changes to the system. The Utility Billing Clerk can enter manual adjustments, calculates, and enters final bills, prints, and mails utility bills, reconciles receipts to billed amounts, and enters receipts batches.

Cash Reconciliation and Access

The Finance Director performs the above noted responsibilities, while also reconciling cash and generating manual journal entries.

We recommend management and the City Council review the above deficiencies and improve segregation of accounting duties where possible to build upon the control environment. We also recommend the City closely follow its internal control plan and follow through with the control activities that have been designed.

City of St. Joseph Required Communication

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2019. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic audit financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

City of St. Joseph Required Communication

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the financial statements were:

Depreciation – The City is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

City of St. Joseph Required Communication

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

We identified the following uncorrected misstatement of the financial statements. Management has determined its effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

- Prepaid expenditures

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the City, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditor.

Other Information in Documents Containing Audited Financial Statements

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

**City of St. Joseph
Required Communication**

Other Information in Documents Containing Audited Financial Statements (Continued)

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

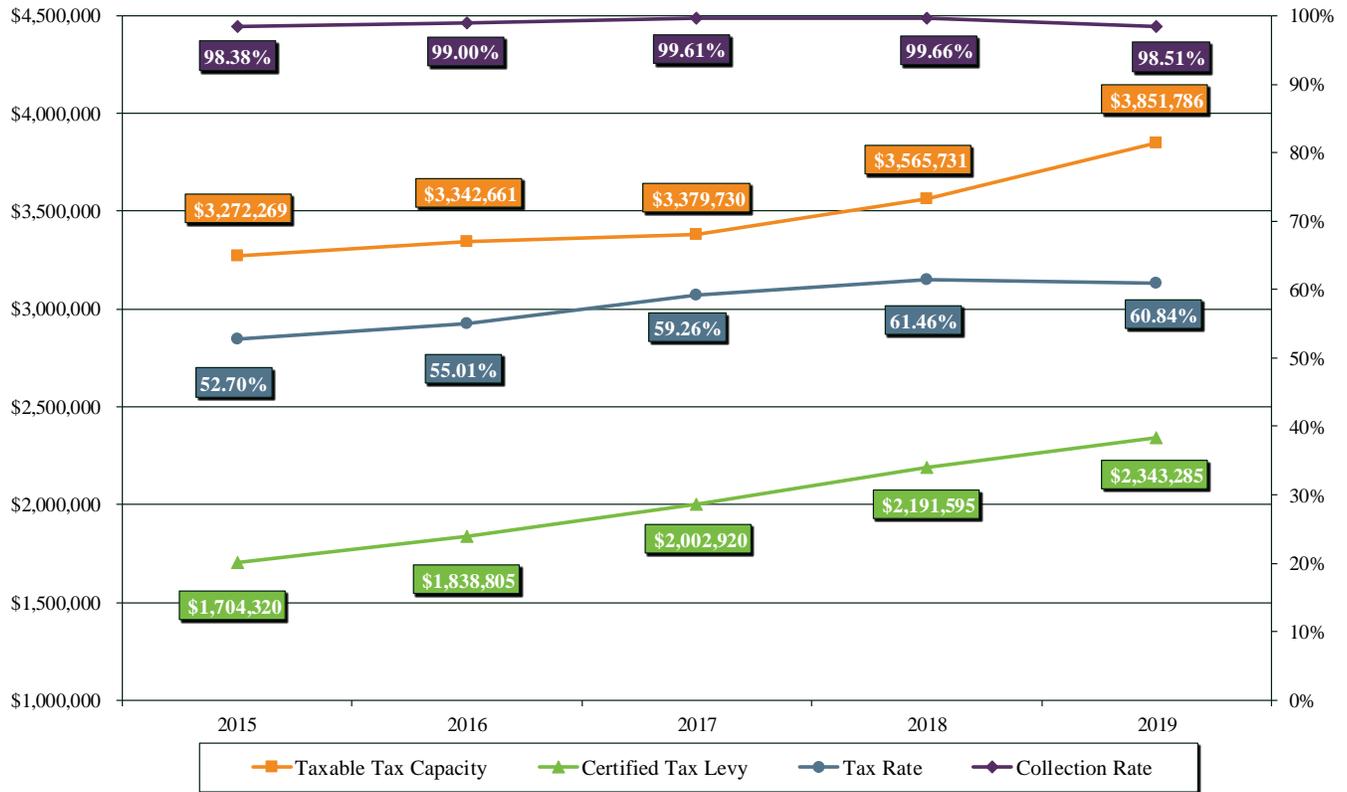
City of St. Joseph Financial Analysis

The following pages provide graphic representation of select data pertaining to the financial position and operations of the City for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours. A subsequent discussion of this information should be useful for planning purposes.

TAX CAPACITY, LEVY, AND RATES

The certified levy increased more than the taxable tax capacity increased in 2018 causing the tax rate to increase.

Tax Capacity, Levy, and Rates

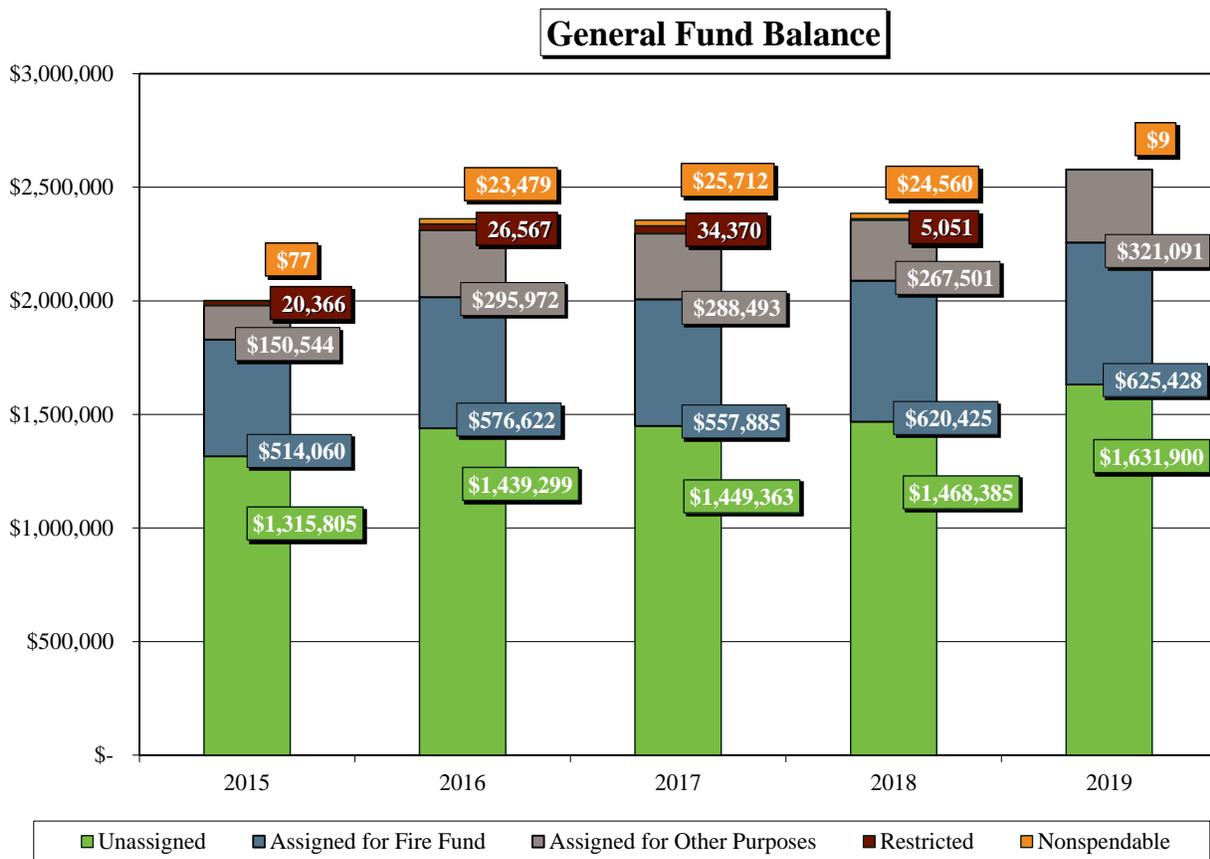


City of St. Joseph Financial Analysis

GENERAL FUND

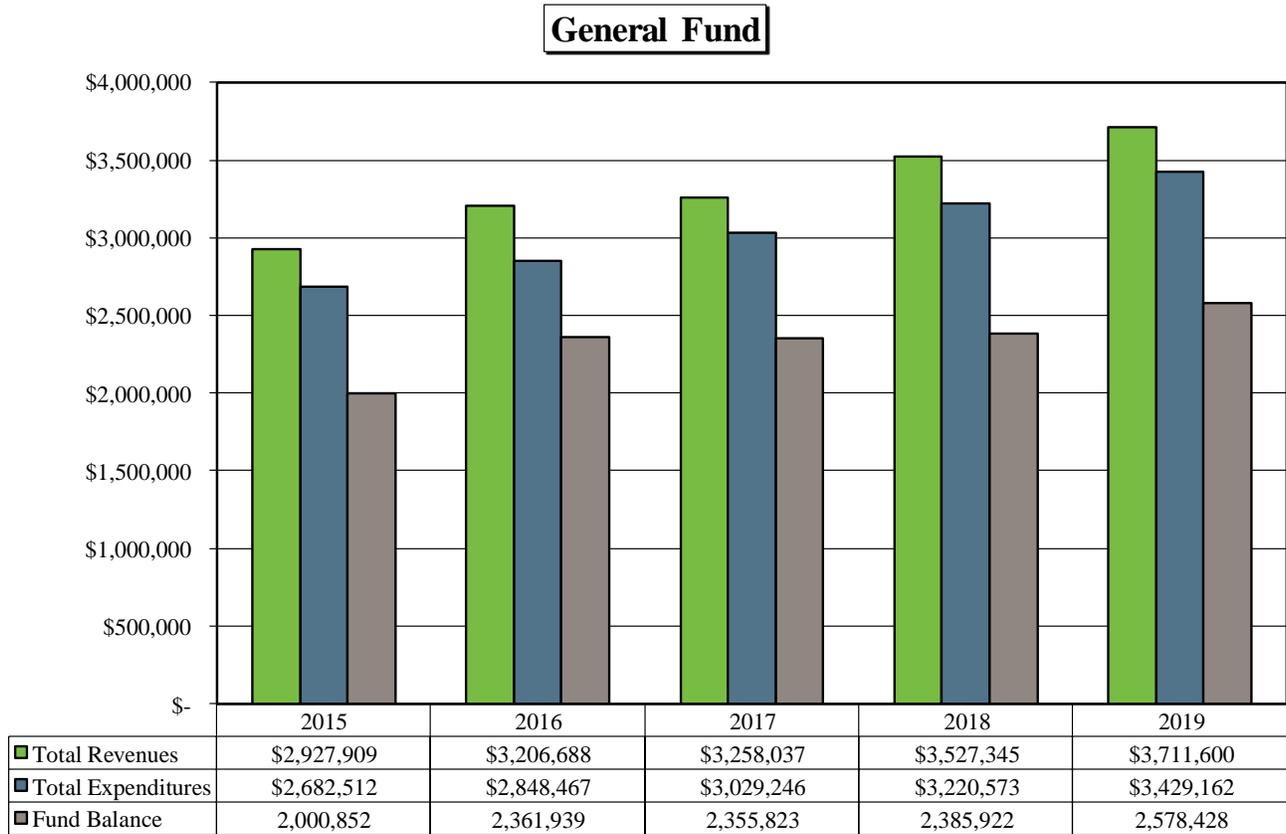
For the year ended December 31, 2019, General Fund revenues exceeded expenditures by \$282,438. In addition to this, \$3,428 of insurance recoveries, transfer out of \$150,000 to other funds and transfers in of \$56,640 from other funds resulted in an increase in the General Fund balance of \$192,506. Of the City's General Fund balance at December 31, 2019, \$946,519 was assigned for specific expenditures, such as the fire department, elections, and a City structure/facility study. The City also has \$9 of its fund balance in nonspendable form as the funds have already been spent on prepaid insurance. The unassigned portion of the fund balance, which includes monies set aside for working capital, totaled \$1,631,900 represents approximately five months of 2019 General Fund expenditures. The City's target General Fund balance is to maintain working capital, a portion of the unassigned balance, in the amount of four to six months of the next year's budgeted expenditures of the General Fund, excluding the fire department

The graphs below and on the following page show the City's General Fund balance and the General Fund revenues and expenditures for the last five years.



**City of St. Joseph
Financial Analysis**

GENERAL FUND (CONTINUED)



During the year ended December 31, 2019, the City's General Fund revenues increased \$184,255, or 5.2%, from 2018, while expenditures increased by \$208,589, or 6.5%. These changes in revenues and expenditures will be discussed by source and function, respectively, on the following pages.

As discussed earlier, fund balance did increase \$192,506 from 2018 to 2019. Fund balance has increased \$577,576 or 28.9% since 2015.

**City of St. Joseph
Financial Analysis**

GENERAL FUND REVENUES

	2015	2016	2017	2018	2019
Taxes	\$ 1,107,058	\$ 1,083,067	\$ 1,125,765	\$ 1,291,758	\$ 1,431,366
Special assessments	3,590	3,740	9,127	5,341	3,558
Franchise fees	124,283	126,817	129,242	131,212	134,704
Licenses and permits	152,158	270,780	356,990	357,138	255,953
Intergovernmental	1,107,840	1,212,746	1,133,362	1,227,716	1,230,507
Charges for services	270,508	345,321	376,946	396,183	406,047
Fines and forfeitures	50,489	46,747	55,474	58,620	52,289
Miscellaneous	111,983	117,470	71,131	59,377	197,176
Total Revenues	\$ 2,927,909	\$ 3,206,688	\$ 3,258,037	\$ 3,527,345	\$ 3,711,600

As discussed earlier, the City's revenue increased \$184,255 from 2018 to 2019. The most significant variance was an increase in miscellaneous revenues of \$137,799. This increase was due to an increase in investment income due to better market rate and receiving \$50,000 for a conduit debt issuance fee. Property tax revenues increased \$139,608 from 2018, due primarily to the City increasing the amount levied. Licenses and permits decreased \$101,185 from 2018 due to a decrease in overall building permits issued from 2018. Other revenues stayed consistent with the prior year.

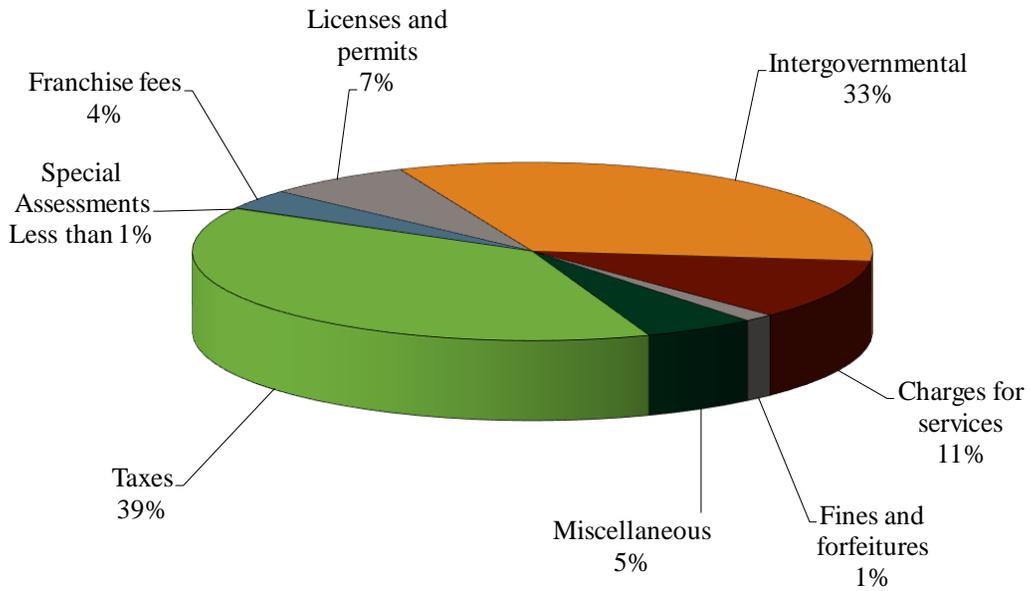
Total revenues have grown \$783,691 since 2015, an increase of 26.8%. The largest variances between the types of revenue over the five-year period have been the increases in property taxes, charges for services, intergovernmental revenues, and licenses and permits.

The pie charts on the following page show the General Fund sources of revenue for 2019 and 2018 as a percentage of total revenues. The allocation of sources of revenue fluctuates minimally from year-to-year. Intergovernmental revenue and Taxes account for the two largest components of revenues, each making up 33% and 38% of the total. The total of these two categories accounts for approximately 71% of General Fund revenues for both 2019 and 2018.

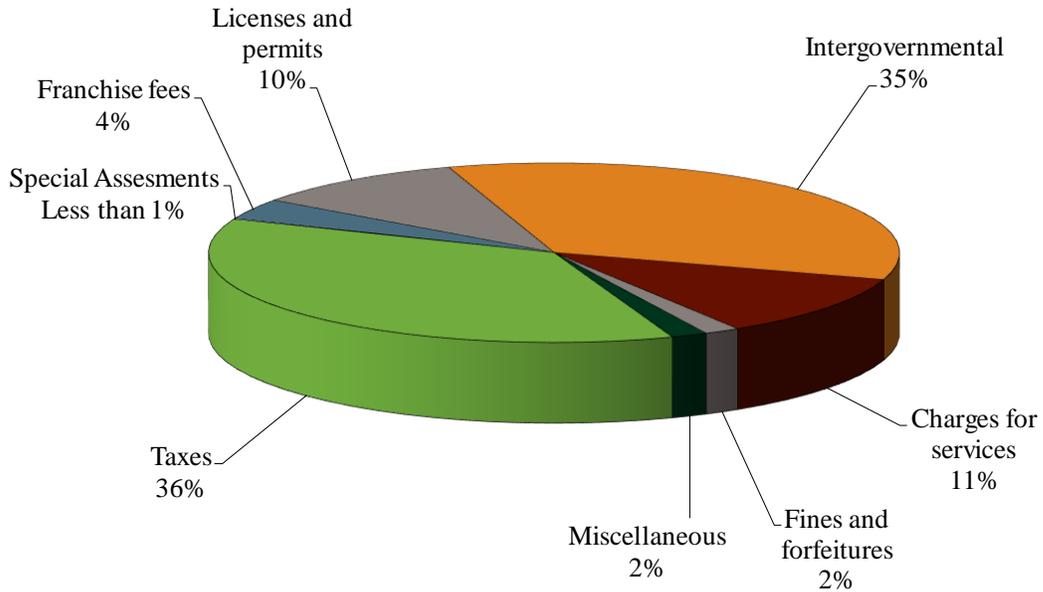
**City of St. Joseph
Financial Analysis**

GENERAL FUND REVENUES (CONTINUED)

2019 General Fund Revenues



2018 General Fund Revenues



**City of St. Joseph
Financial Analysis**

GENERAL FUND EXPENDITURES

	2015	2016	2017	2018	2019
General government	\$ 582,258	\$ 617,764	\$ 749,008	\$ 741,374	\$ 815,401
Public safety	1,376,624	1,459,196	1,537,183	1,606,132	1,625,599
Public works	329,004	353,421	342,806	440,811	486,341
Culture and recreation	264,168	317,839	270,555	331,861	397,204
Capital outlay	130,458	100,247	129,694	100,395	104,617
Total Expenditures	\$ 2,682,512	\$ 2,848,467	\$ 3,029,246	\$ 3,220,573	\$ 3,429,162

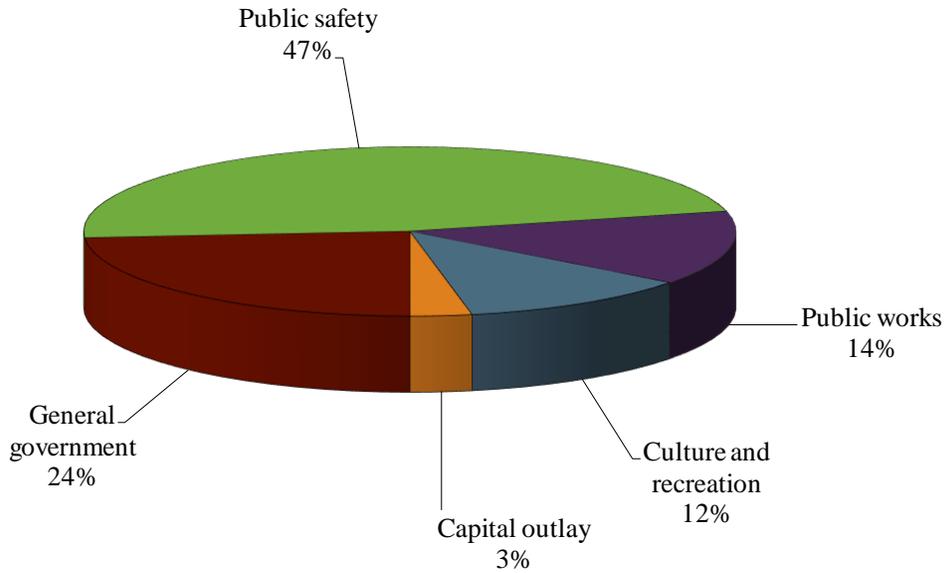
As discussed earlier, General Fund expenditures increased \$208,589, or 6.5%, from 2018 to 2019. The most significant increases in expenditures occurred in general government, public works, and culture and recreation. General government increased \$74,027 due to an increase in wages and the severance payment for the City Administrator who retired in 2019. Public works expenditures increased \$45,530, snow plowing made up the largest component of this increase, with the annexation of the township, there was more plowing to be done. Culture and recreation increased \$65,343 due to an increase in utility costs related to Millstream Park shelter and an increase in wages. All other expenses remained consistent with the prior year.

The pie charts on the following page show the General Fund expenditures by function for 2019 and 2018 as a percentage of total expenditures. The allocation of expenditures by function was fairly consistent from 2018 to 2019. Public safety remains the largest component of General Fund expenditures, representing 47% and 50% of total expenditures for 2019 and 2018, respectively.

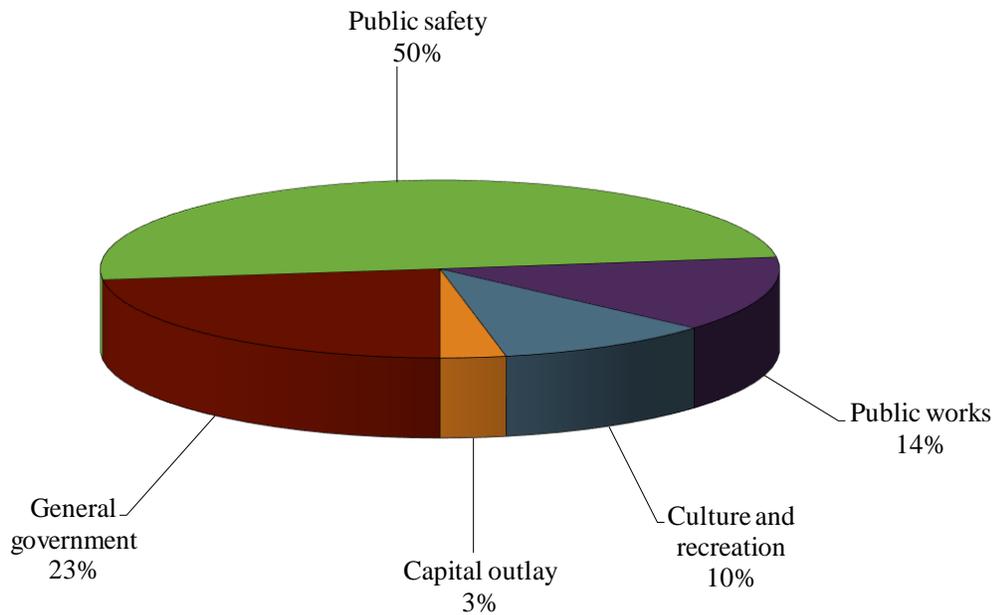
**City of St. Joseph
Financial Analysis**

GENERAL FUND EXPENDITURES (CONTINUED)

2019 General Fund Expenditures



2018 General Fund Expenditures



**City of St. Joseph
Financial Analysis**

GENERAL FUND BUDGET

The table below illustrates the General Fund budget and actual for 2019 revenues and expenditures by function.

	Original and Final Budget	Actual Amounts	Variance With Final Budget - Over (under)
Revenues			
Taxes	\$ 1,438,880	\$ 1,431,366	\$ (7,514)
Special assessments	4,000	3,558	(442)
Franchise fees	137,725	134,704	(3,021)
Licenses and permits	223,840	255,953	32,113
Intergovernmental	1,207,675	1,230,507	22,832
Charges for services	382,030	406,047	24,017
Fines and forfeitures	60,000	52,289	(7,711)
Miscellaneous	68,050	197,176	129,126
Total revenues	<u>3,522,200</u>	<u>3,711,600</u>	<u>189,400</u>
Expenditures			
General government	860,225	815,401	(44,824)
Public safety	1,695,700	1,625,599	(70,101)
Public works	436,315	486,341	50,026
Culture and recreation	354,750	397,204	42,454
Capital outlay	177,410	104,617	(72,793)
Total expenditures	<u>3,524,400</u>	<u>3,429,162</u>	<u>(95,238)</u>
Excess of receipts over (under) disbursements	(2,200)	282,438	284,638
Other Financing Sources (Uses)			
Insurance recoveries	2,000	3,428	1,428
Sale of property	200	-	(200)
Transfers in	56,705	56,640	(65)
Transfers out	-	(150,000)	(150,000)
Total other financing sources	<u>58,905</u>	<u>(89,932)</u>	<u>(148,837)</u>
Net change in fund balance	<u>\$ 56,705</u>	<u>\$ 192,506</u>	<u>\$ 135,801</u>

City of St. Joseph Financial Analysis

GENERAL FUND BUDGET (CONTINUED)

General Fund revenues were over budget by \$189,400 or 5.4% in 2019. The area with the largest budget variance was miscellaneous revenues, which exceeded budget by \$125,232. Miscellaneous revenues were over budget due to budgeting conservatively for investment income and not budgeting for the receipt of conduit debt fees. Other budgeted revenues were on budget.

Capital outlay expenditures were under budget by \$72,793. This was primarily due to the City setting aside funds for future equipment purchases. Public safety expenditures were under budget \$70,101. This budget variance was due to the City budgeting for the hiring of a sergeant and implementing a wage study, both of which did not happen in 2019. Additionally, health insurance was under budget due to conservative budgeting.

Public works was over budget by \$50,026, mainly due to an increase in snow removal costs. This budget variance was primarily due to the heavy snow fall in March and April, as well as being responsible for snow removal for recently annexed property.

ENTERPRISE FUNDS

Enterprise funds are used to account for operations financed and operated in a manner, similar to private business enterprises, where the City intends the cost of providing goods or services to the public be financed or recovered primarily through user charges. The City's Enterprise Funds include the Water, Sanitary Sewer, Refuse, Storm Water, and Street Light Utility Funds.

City of St. Joseph Financial Analysis

ENTERPRISE FUNDS

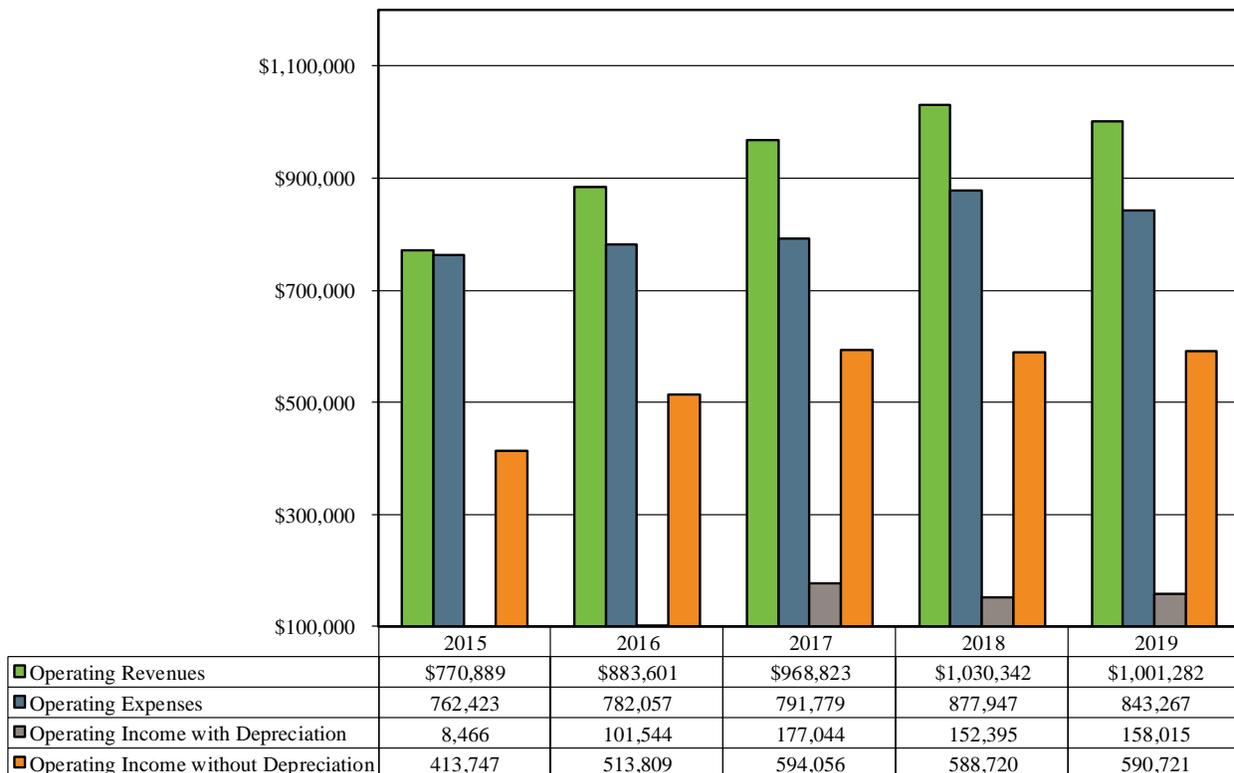
Water Fund

The Water Fund showed operating income in all five years presented. Operating revenues decreased \$29,060, or 2.8%, from 2018 due to a slight decrease in usage. Operating expenses decreased \$34,680, or 4.0%, from 2018 to 2019, due to less repairs and supplies needed in during the year.

Operations produced operating income of \$158,015, which is the second highest in the five years presented. With the exclusion of \$432,706 in depreciation expense, the Fund experienced operating income of \$590,721. However, depreciation should be considered as a true expense in operations, being that most equipment and facilities will eventually need upgrades or replacement. The operations of the Water Fund covered 100% of depreciation expense.

In addition to the operating revenues and expenses of the Water Fund, there were net non-operating income of \$15,104, which is comprised of property taxes and other income, offset by interest expense on the outstanding bond debt. The operating and non-operating activities netted with capital contributions and transfers resulted in an increase in net position of \$1,188,443 to \$10,149,563 at December 31, 2019. The cash and investments balance at December 31, 2019, totaled \$821,108, an increase of \$219,089. A large portion of this increase was attributed to transfers in from other funds.

Water Fund



**City of St. Joseph
Financial Analysis**

ENTERPRISE FUNDS (CONTINUED)

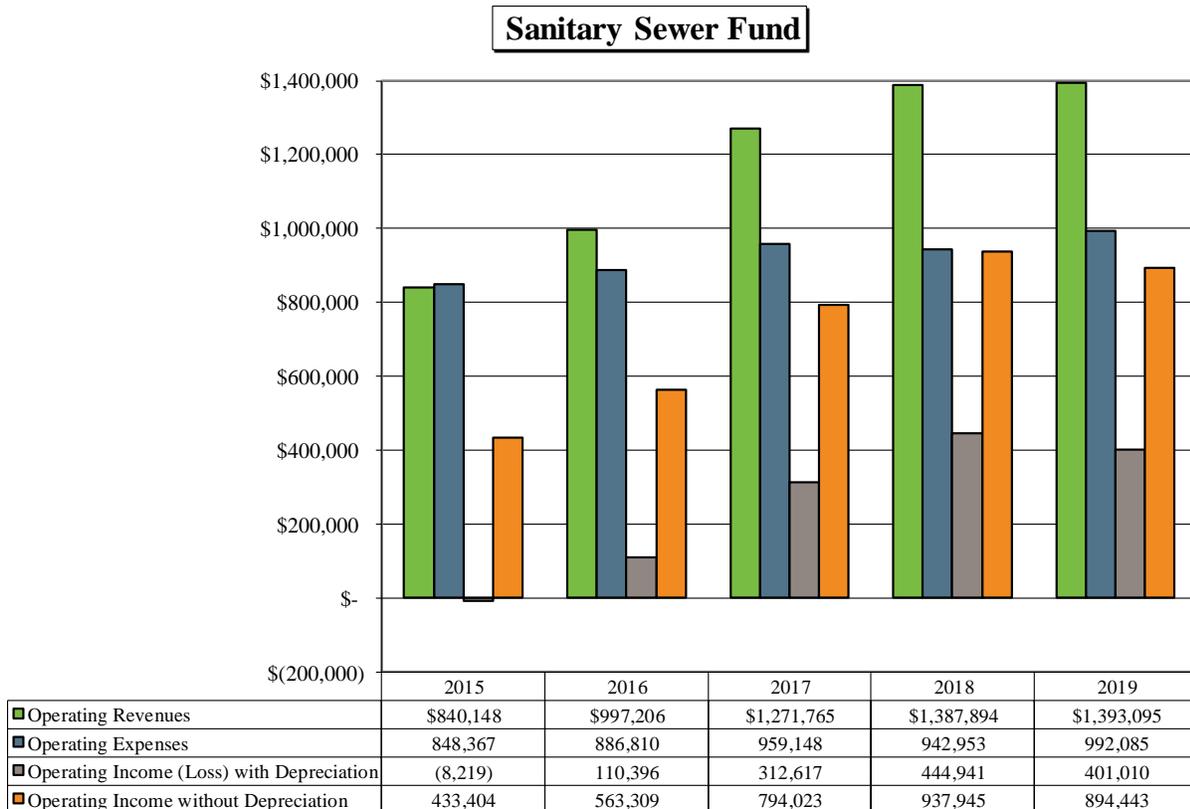
Sanitary Sewer Fund

Operating revenues increased \$5,201, or 0.4%, from 2018 to 2019, while operating expenses increased \$49,132, or 5.2%. Revenues were consistent with the prior year. Expenses on the other hand increased primarily due to an increase in contracted services with the City of St. Cloud. This increase was due to additional costs related to infiltration and inflow.

The Sewer Fund produced operating income for the fourth consecutive year. Due to the nature and cost of the Sewer Fund's assets, it is difficult to establish sewer rates sufficient to cover replacement of the assets represented by depreciation expense. Ideally, sewer revenues should cover all operating expenses, including depreciation. However, depreciation of Sewer Fund assets is a difficult cost to recover from system users since there are relatively few users in relation to the cost of asset replacement. The operations of the Sewer Fund covered 100% of depreciation expense for four consecutive years.

The graph below indicates the Sewer Fund did generate operating income each year when depreciation expense is not considered, indicated by the orange bar.

In addition to the operating revenues and expenses of the Sewer Fund, there were net non-operating expenses of \$104,275, which is mainly due to \$138,137 of interest expense paid on outstanding debt. Capital contributions and transfers along with the operating and non-operating activities resulted in an increase in net position of \$808,599 to \$9,869,463 at December 31, 2019. The cash balance at December 31, 2019, totaled \$247,584, an increase of \$14,594.



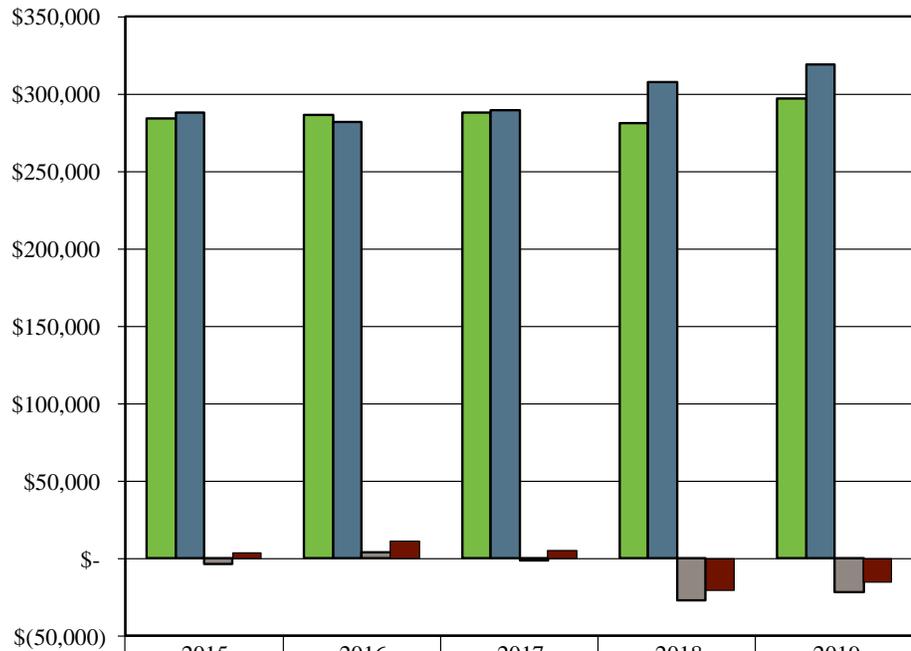
**City of St. Joseph
Financial Analysis**

ENTERPRISE FUNDS (CONTINUED)

Refuse Fund

The following graph displays selected financial data for the Refuse Fund for the past five years. The Fund consistently showed an operating loss each year, with the exception of 2016. Operating revenues increased \$16,519, or 5.9%, while operating expenses increased \$11,144, or 3.6%, from 2018 to 2019. The increase in revenues was due to an increase in rates and total customers in 2019. This increase in expenses was a result of an increase in refuse fees. These changes resulted in an operating loss of \$21,585 for 2019. The Fund produced an operating loss of \$15,079 when depreciation is not factored in. The cash balance decreased \$8,592 in 2019 and totaled \$235,896 at December 31, 2019.

Refuse Fund



	2015	2016	2017	2018	2019
Operating Revenues	\$284,585	\$286,603	\$288,151	\$280,981	\$297,500
Operating Expenses	287,877	282,280	289,557	307,941	319,085
Operating Income (Loss) with Depreciation	(3,292)	4,323	(1,406)	(26,960)	(21,585)
Operating Income (Loss) without Depreciation	3,314	10,929	5,200	(20,454)	(15,079)

**City of St. Joseph
Financial Analysis**

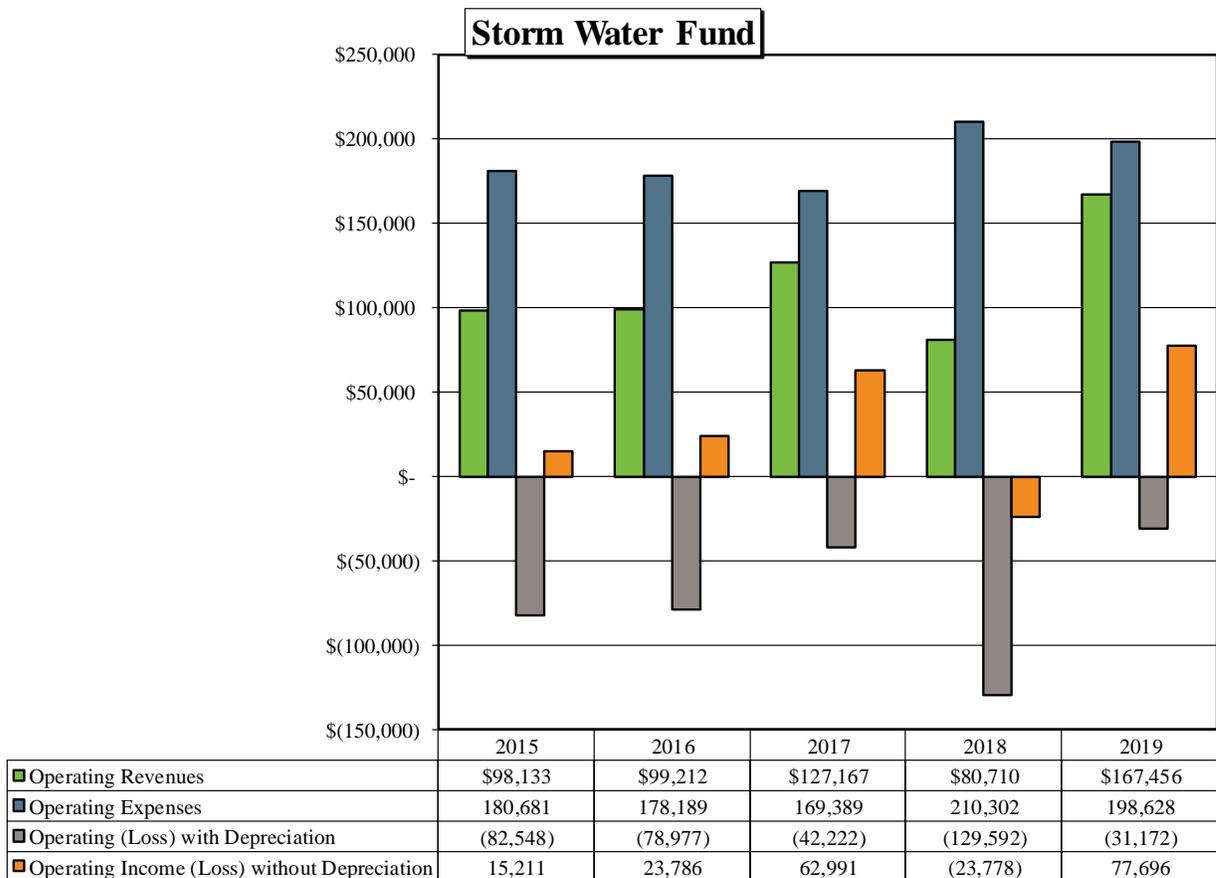
ENTERPRISE FUNDS (CONTINUED)

Storm Water Fund

The Storm Water Fund showed operating losses in all five years presented. Operating revenues increased \$86,746, or 107.5%, from 2018 to 2019, due to the City increasing rates. Operating expenses decreased \$11,684, or 5.6% due to less repairs needed during the year.

The Storm Water Fund produced an operating loss of \$31,172 with depreciation and an operating income of \$77,696 without depreciation expense. The operations of the Storm Water Fund did not cover the depreciation expense. The Storm Water Fund also had nonoperating revenues of \$11,373, capital contributions totaling \$807,560, and a transfer out totaling \$24,230. Fund activity resulted in an increase in net position of \$763,531. The cash balance increased \$66,246 in 2019 and totaled \$318,239 at December 31, 2019.

We recommend the City continue to monitor rates as well as operating expenses to ensure the Fund's profitability in the future.



**City of St. Joseph
Financial Analysis**

ENTERPRISE FUNDS (CONTINUED)

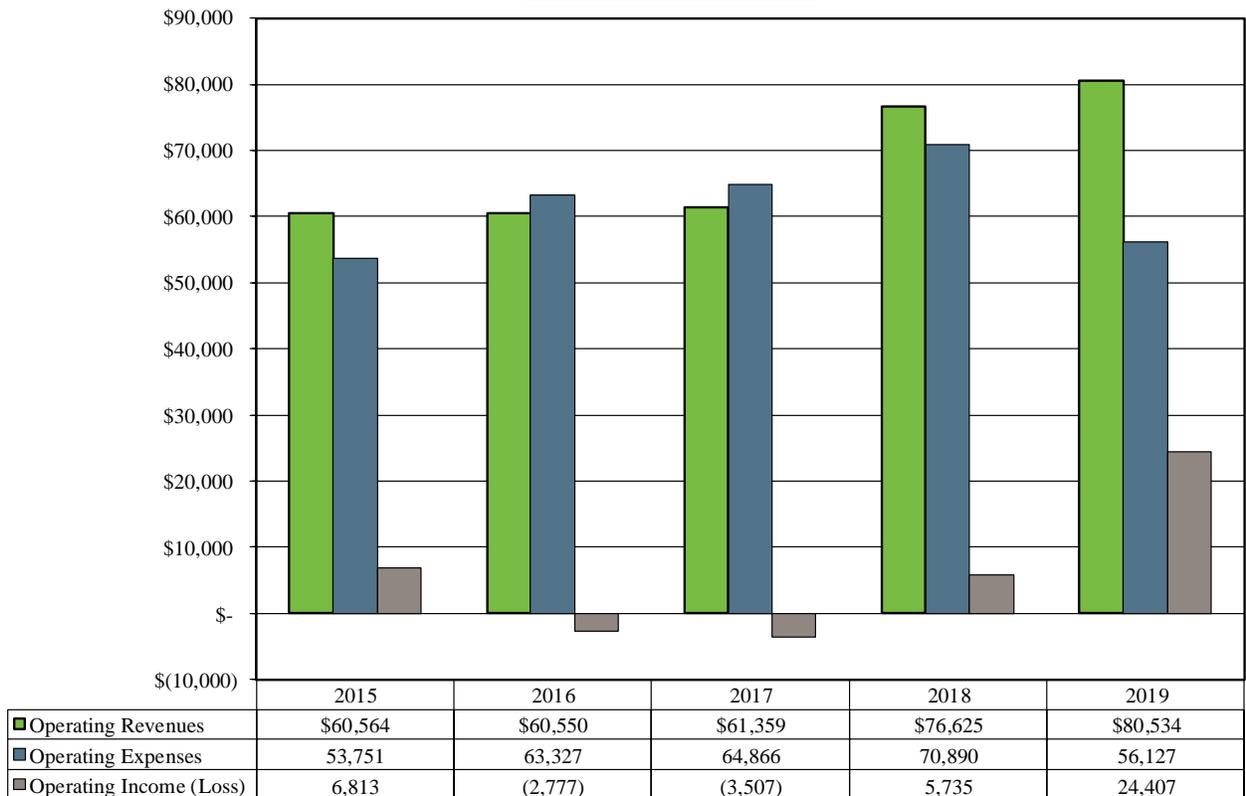
Street Light Utility

The Street Light Utility Fund was opened during 2013 to track activity relating to the street light utility. The Street Light Utility Fund showed an operating income for the second consecutive year and for the third time in the five years presented. Operating revenues increased \$3,909, from 2018 to 2019; due to rate increases and increase in the number of units being charged while operating expenses decreased \$14,763, or 20.8%, due to more repairs and equipment purchases in the prior year.

The Street Light Utility Fund produced operating income of \$24,407. The fund also reported non-operating income including investment income, special assessments, and other income totaling \$1,860, which resulted in an increase in net position of \$26,267. The cash balance increased \$25,346 in 2019 and totaled \$60,389 at December 31, 2019.

We recommend the City continue to monitor rates as well as operating expenses to ensure the Fund's profitability in the future.

Street Light Utility



City of St. Joseph Emerging Issue

Executive Summary

The following is an executive summary of financial and business related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant update includes:

- **Accounting Standard Update – GASB Statement No. 87 – Leases** – GASB has issued GASB Statement No. 87 relating to accounting and financial reporting for leases. This new statement establishes a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset.

The following is an extensive summary of the current update. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and their applicability to your City.

ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 87 – LEASES

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

City of St. Joseph
Emerging Issue

ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 87 – LEASES
(CONTINUED)

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

GASB Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.