

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

Financial Statements

December 31, 2020



**City of St. Joseph
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**City of St. Joseph
Elected Officials and Administration
December 31, 2020**

<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>		
Therese Haffner	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, 2020, 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

The City of St. Joseph's 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General 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 nonmajor and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor and individual fund financial statements and schedules are the responsibility of management and were derived from and relate 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 May 5, 2021, 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 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.

BergankDV, Ltd.

St. Cloud, Minnesota
May 5, 2021

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, 2020.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2020 include the following:

- ◆ The assets and deferred outflows of resources of the City of St. Joseph exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$44,107,949. Of this amount, \$5,743,919 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 \$5,253,233 from 2019 to 2020. The individual funds with the largest increase in net position include the water, sewer and storm water funds. All three enterprise funds received capital contributions totaling \$1,001,943 plus \$350,328 in the governmental funds amounting to 25% of the increase in net position. Net investment in capital assets increased \$3,342,192; restricted for debt service increased \$1,893,601 as the largest contributing factors to the increase in net position.
- ◆ As of the close of the current fiscal year, the City of St. Joseph's governmental funds reported combined ending fund balances of \$9,728,566, an increase of \$574,571. Of this amount \$1,648,649 is unassigned for spending at the City's discretion. The remaining balance of \$8,079,917 is set aside for specific future expenditures.
- ◆ At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,707,066 or 38% of the total general fund expenditures.
- ◆ The City of St. Joseph's total long-term debt increased by \$599,814 during the current fiscal year. The City had four debts paid in full, refinanced four debts for interest savings, issued three new debts, and added to the final draw for the St. Cloud biosolids Public Facilities Authority (PFA) loan in 2020. The new debts issued paid for 20th Ave SE watermain improvements, general capital equipment, purchasing a public works building, and St. Joseph's portion of the St. Cloud biosolids improvements. The refunding bonds issued refinanced the 2013A and 2014A bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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 deferred outflows of resources and liabilities, and deferred inflows of resources with the difference between the four 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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds The City of St. Joseph maintains forty-six 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 G.O. Industrial Park Bonds of 2019A 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. A budgetary comparison statement has been provided for this fund on page 31 to demonstrate compliance with the budget. 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 32-41 of this report.

Notes to the 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 the financial statements can be found on pages 43-78 of this report.

Other Information. The required supplementary information (pages 79-91) and supplemental information including the combined statements referred to earlier in connection with non-major governmental funds can be found on pages 96-111 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$44,107,949 at the close of the most recent fiscal year. 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.

City of St. Joseph
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 14,363,117	\$ 11,569,653	\$ 3,669,686	\$ 2,682,064	\$ 18,032,803	\$ 14,251,717
Capital assets, net	19,888,686	17,991,864	34,203,182	34,070,689	54,091,868	52,062,553
Total assets	<u>34,251,803</u>	<u>29,561,517</u>	<u>37,872,868</u>	<u>36,752,753</u>	<u>72,124,671</u>	<u>66,314,270</u>
Deferred Outflows of Resources						
Deferred outflows of resources related to pensions	536,263	719,067	31,986	23,234	568,249	742,301
Total deferred outflows	<u>536,263</u>	<u>719,067</u>	<u>31,986</u>	<u>23,234</u>	<u>568,249</u>	<u>742,301</u>
Liabilities						
Current liabilities	3,098,156	2,035,423	1,793,478	1,303,001	4,891,634	3,338,424
Long-term liabilities	14,355,209	13,922,151	8,662,026	9,717,387	23,017,235	23,639,538
Total liabilities	<u>17,453,365</u>	<u>15,957,574</u>	<u>10,455,504</u>	<u>11,020,388</u>	<u>27,908,869</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	660,433	1,079,913	15,669	54,163	676,102	1,134,076
Total deferred inflows	<u>660,433</u>	<u>1,169,730</u>	<u>15,669</u>	<u>54,163</u>	<u>676,102</u>	<u>1,223,893</u>
Net Position						
Net investment in capital assets	9,903,925	7,568,790	24,790,138	23,627,091	31,660,218	28,318,026
Restricted	6,703,812	4,371,072	-	-	6,703,812	4,371,072
Unrestricted	66,531	1,213,418	2,643,543	2,074,345	5,743,919	6,165,618
Total net position	<u>\$ 16,674,268</u>	<u>\$ 13,153,280</u>	<u>\$ 27,433,681</u>	<u>\$ 25,701,436</u>	<u>\$ 44,107,949</u>	<u>\$ 38,854,716</u>

An additional portion of the City of St. Joseph's net position (15%) 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 \$5,743,919, or a surplus of \$2,710,074 after removing the unrestricted portion of governmental debt for enterprise assets. The surplus is largely the result of the retirement of bonds and notes payables, along with reduction in compensated absences. The City of St. Joseph had two retirements in 2020 with large compensated absence balances that were paid out upon retirement. The new hires will need time in employment to reach the same level of compensated liability balances.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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 \$3,520,988. The City's governmental operational activity was strong with development activity, increase in interest earnings, and reduction in compensated absence liability. Contributed assets were received from two development projects and recorded as a capital grant, increasing the governmental activities net position.

Business-Type Activities. There was a 6% increase in the total net position for the business-type activities. The increase is due to paying down bonds, reduction in compensated absences due to retirements 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**

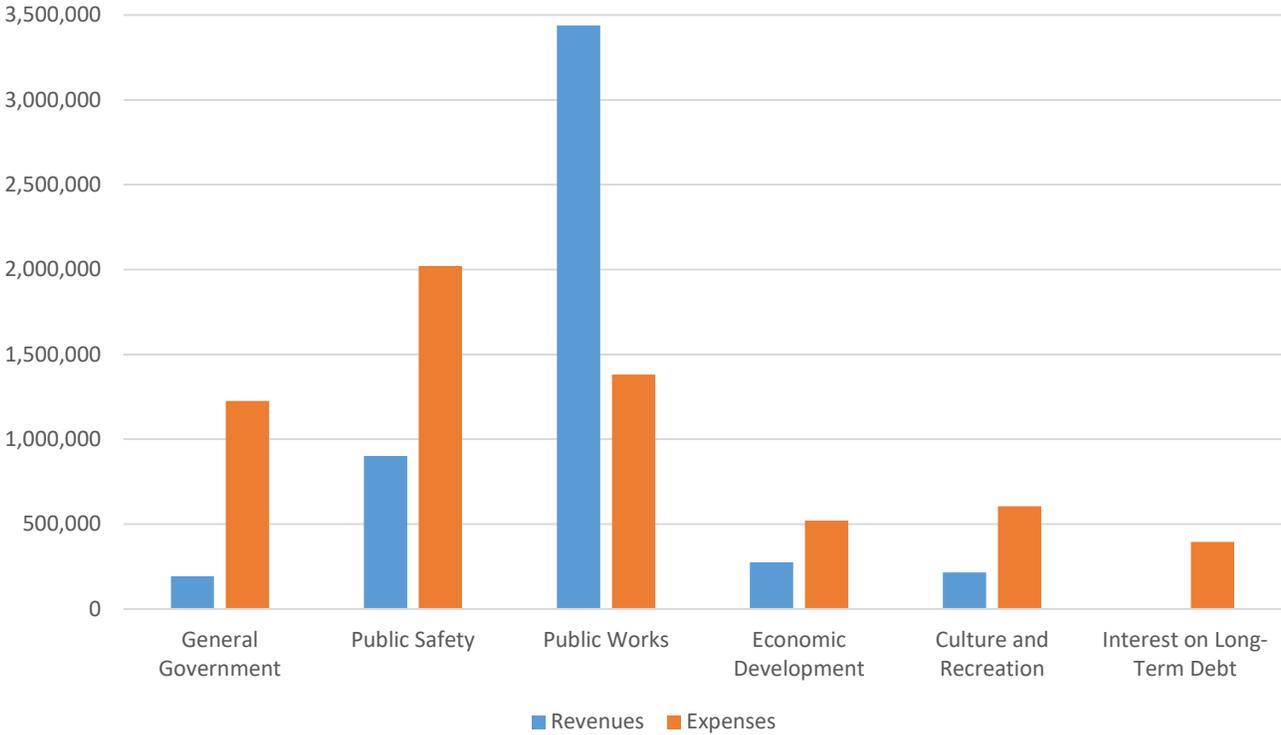
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Change in Net Position

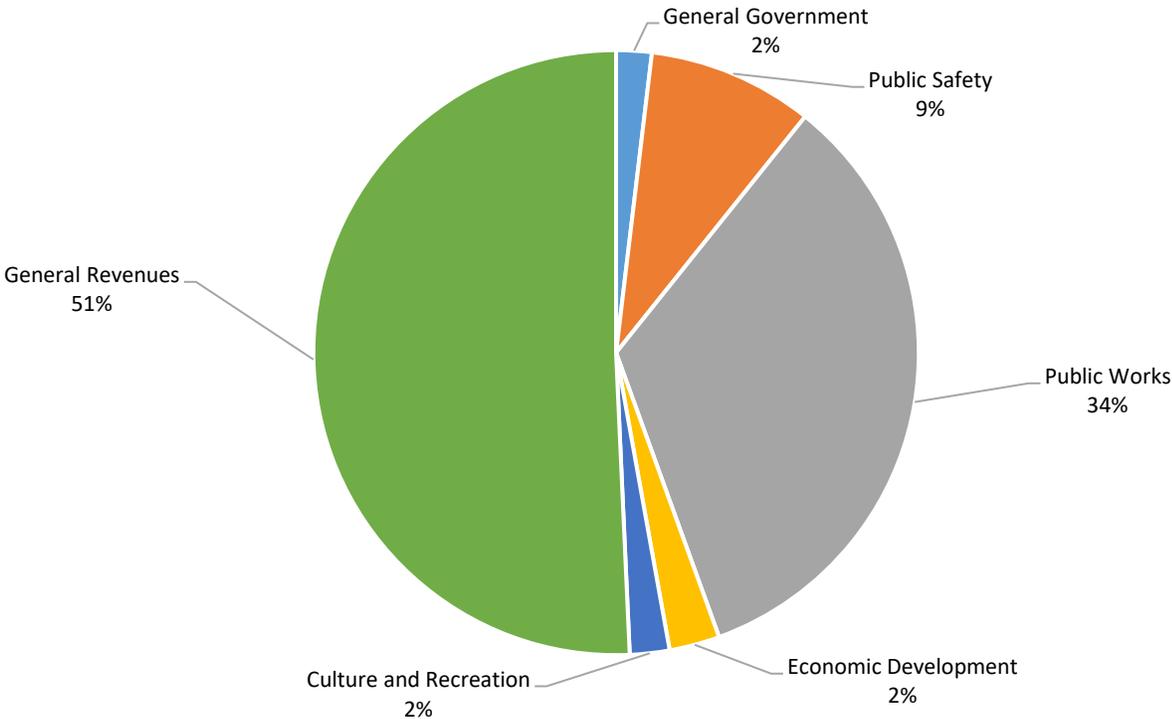
Revenues	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program Revenues						
Charges for services	\$ 756,222	\$ 903,089	\$ 3,406,573	\$ 3,371,497	\$ 4,162,795	\$ 4,274,586
Operating grants and contributions	407,234	265,382	9,224	1,335	416,458	266,717
Capital grants and contributions	3,860,854	3,554,879	422,801	-	4,283,655	3,554,879
General Revenues						
Property taxes	2,929,251	2,340,046	143	22,356	2,929,394	2,362,402
Tax increments	160,979	140,321	-	-	160,979	140,321
Sales taxes	505,818	498,304	-	-	505,818	498,304
Franchise fees	132,991	134,704	-	-	132,991	134,704
Lodging taxes	4,914	15,584	-	-	4,914	15,584
Miscellaneous taxes	4,010	10,276	-	-	4,010	10,276
State aids	1,148,611	1,005,897	-	-	1,148,611	1,005,897
Unrestricted investment earnings	229,232	238,224	72,138	109,852	301,370	348,076
Gain on disposal of assets	55,373	4,000	-	236	55,373	4,236
Total revenues	10,195,489	9,110,706	3,910,879	3,505,276	14,106,368	12,615,982
Expenses						
General government	1,225,060	948,716	-	-	1,225,060	948,716
Public safety	2,020,159	1,820,630	-	-	2,020,159	1,820,630
Public works	1,381,235	1,409,166	-	-	1,381,235	1,409,166
Economic development	521,216	394,944	-	-	521,216	394,944
Culture and recreation	604,912	671,149	-	-	604,912	671,149
Interest on long-term debt	395,731	309,733	-	-	395,731	309,733
Water	-	-	990,028	947,461	990,028	947,461
Sanitary sewer	-	-	1,141,959	1,127,772	1,141,959	1,127,772
Refuse	-	-	315,482	319,085	315,482	319,085
Storm water	-	-	191,197	198,628	191,197	198,628
Street light utility	-	-	66,156	56,127	66,156	56,127
Total expenses	6,148,313	5,554,338	2,704,822	2,649,073	8,853,135	8,203,411
Increase (decrease) in net position						
before transfers	4,047,176	3,556,368	1,206,057	856,203	5,253,233	4,412,571
Transfers	(526,188)	(1,921,918)	526,188	1,921,918	-	-
Change in net position	3,520,988	1,634,450	1,732,245	2,778,121	5,253,233	4,412,571
Net Position						
Net position - beginning	13,153,280	11,518,830	25,701,436	22,923,315	38,854,716	34,442,145
Net position - ending	\$ 16,674,268	\$ 13,153,280	\$ 27,433,681	\$ 25,701,436	\$ 44,107,949	\$ 38,854,716

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

**PROGRAM REVENUES AND EXPENSES
GOVERNMENTAL ACTIVITIES**

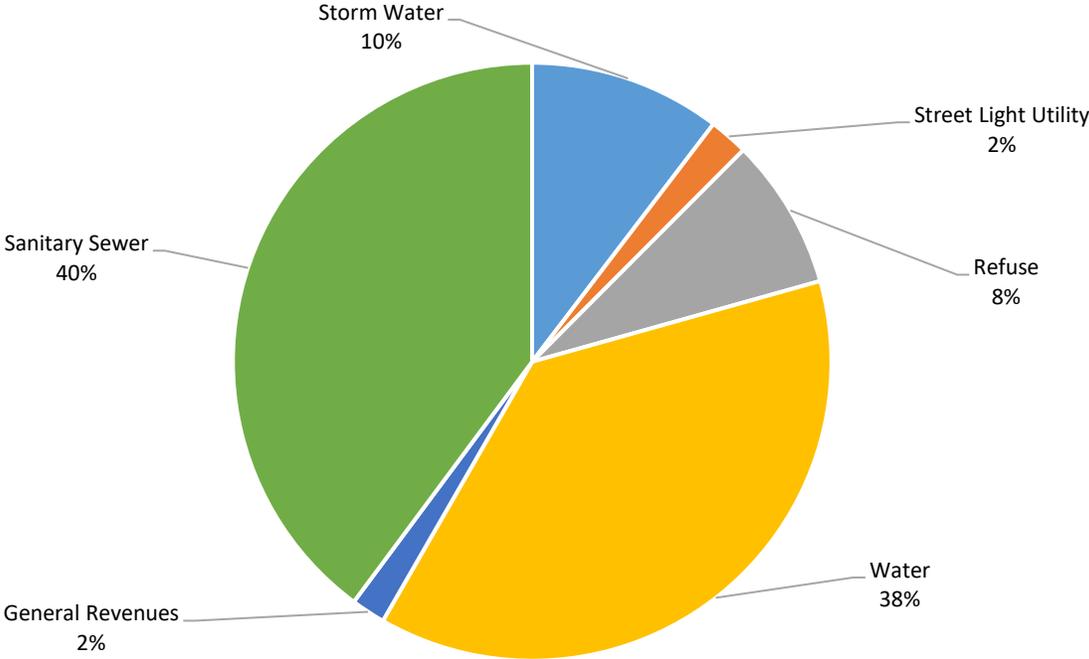


REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES

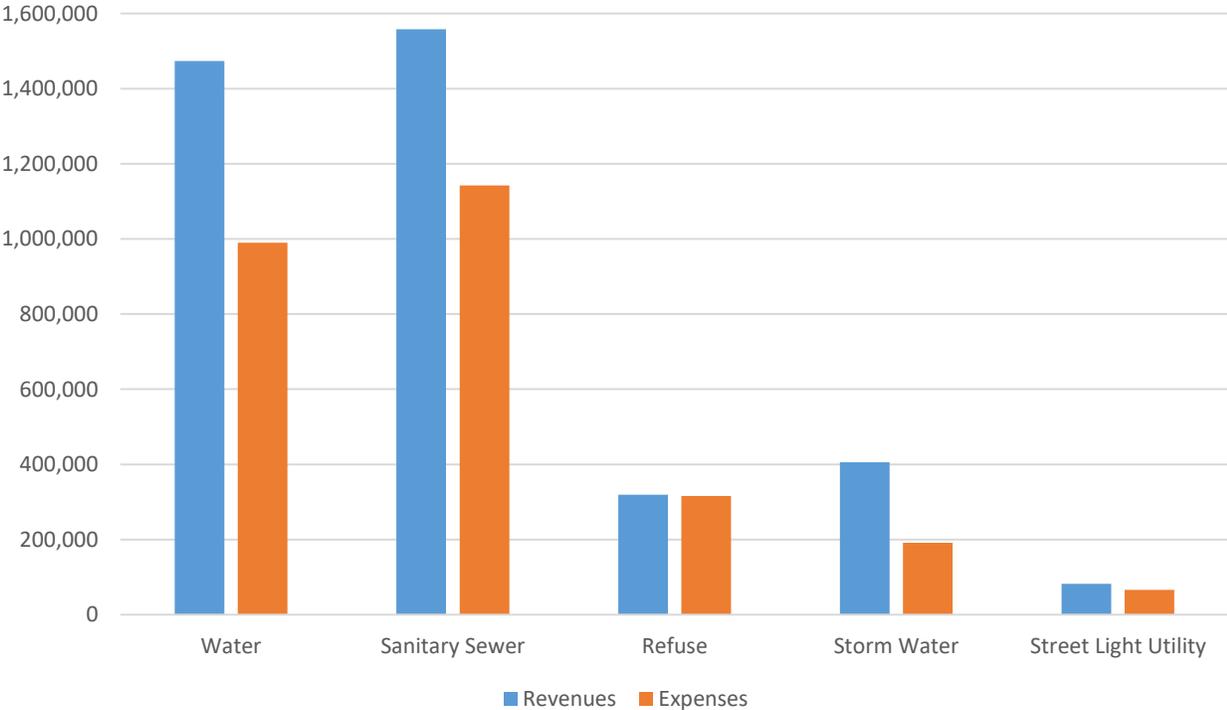


**City of St. Joseph
Management's Discussion and Analysis**

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 2020, its governmental funds reported a combined fund balance of \$9,728,566, an increase of \$574,571 from 2019. Revenues for the City's governmental funds were \$7,902,173, while expenditures were \$10,264,100. The excess of expenditures over revenues is largely attributed to construction costs for the industrial park, 20th Ave SE watermain, public works facility 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 \$574,571. By removing the four construction costs, governmental revenues exceeded expenditures by \$284,744. The major funds will be discussed further below. Other governmental non-major funds ended the year \$353,160 increase in fund balances. A couple non-major funds to recognize are the G.O. improvement bond of 2014A and state collected sales tax fund. The 2014A bonds funded the Park Terrace street and utilities improvements. In 2020, the City issued advanced refunding bonds to refinance the 2014A bonds on the call date of December 1, 2021. The 2020C unspent bond proceeds of \$1,309,547 will be used to pay the remaining 2014A principal on the call date. The state collected sales tax fund received \$505,814 in local option sales tax revenues in 2020. The sales tax is used for projects approved by state statute. The revenues are reserved for future projects such as the East Park development and Community/Jacob Wetterling Recreation Center. Current projects expended with local option sales tax includes the CSAH 2 trail extension, Colts Academy bonds and the Field Street bonds.

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 \$1,707,066. 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 38% (4.5 months) working capital and 44% (5.2 months) compared to the budgeted 2021 expenditures. 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 interest earnings, increased lease revenue and under spending salaries and wages. Salaries and wages were less due to the resignation of the administrator and not replacing an open position for three months, and the retirement of the public works director who was not replaced. General fund revenues exceeded budgeted amounts by \$746,950. The largest variance came from intergovernmental revenues that came from the Coronavirus Relief Fund.

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS AT THE FUND LEVEL (CONTINUED)

General Fund (Continued)

General fund expenditures were over budget by \$408,418 primarily from COVID-19 federal expenditures. The City of St. Joseph sets funds aside for the street maintenance plan. The street maintenance plan expenditures fluctuate each year, increasing in 2020 by \$38,670. In addition, snow and ice removal for the recently annexed area was budgeted to be contracted with a local company. The City of St. Joseph took over the snow plowing in the annexed area in fall 2020. Public safety expenditures were over budget due to the increased volume of fire calls and the City of St. Joseph paying a higher portion of the fire contract than budgeted. Police current expenditures under budget by \$110,296. The sergeant promotion did not occur until July 2020 and the ninth officer was not hired until September 2020. The hires were budgeted for January and July, respectively. Policing costs were down from special events due to COVID-19 cancellations. A large difference in all general fund programs is the health insurance budget. The City of St. Joseph budgets for family premiums even though some employees opt for single or no coverage through the City's plan. The difference in the budget to actual is transferred internally to the employee retirement reserve fund. Finally, the transfer out of the general fund totaled \$297,256. These were unbudgeted transfers. The largest was a transfer to the debt service relief fund for excess budgeted revenues over expenditures. The debt service relief fund reduces the future debt costs with the City paying cash for smaller projects.

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, 2020	December 31, 2019	Increase (Decrease)	Percent Change
Taxes and franchise fees	\$ 2,068,872	\$ 1,566,070	\$ 502,802	32%
Special assessment	3,389	3,558	(169)	-5%
Licenses and permits	178,139	255,953	(77,814)	-30%
Intergovernmental	2,102,263	1,230,507	871,756	71%
Charges for services	430,989	406,047	24,942	6%
Fines and forfeitures	43,317	52,289	(8,972)	-17%
Miscellaneous	118,266	197,176	(78,910)	-40%
Total General fund revenue	\$ 4,945,235	\$ 3,711,600	\$ 1,233,635	33%

Expenditures	December 31, 2020	December 31, 2019	Increase (Decrease)	Percent Change
General government	\$ 1,092,091	\$ 835,169	\$ 256,922	31%
Public safety	1,983,421	1,627,582	355,839	22%
Public works	734,424	567,271	167,153	29%
Economic development	201,414	-	201,414	100%
Culture and recreation	462,263	399,140	63,123	16%
Total General fund expenditures	\$ 4,473,613	\$ 3,429,162	\$ 1,044,451	30%

City of St. Joseph
Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE CITY'S FUNDS AT THE FUND LEVEL (CONTINUED)

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 \$746,950 more than expected mainly due to intergovernmental revenues from the Coronavirus Relief Funds federal grant. In addition, interest income came in higher than budgeted. The City budgets conservatively for revenues not known at the time the budget is set.
- Actual expenditures were \$408,418 higher than budget. As stated earlier, the City incurred federal expenditures in dealing with the pandemic. A couple other 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. Budgeting for the highest insurance cost alleviates budget spikes when employees change their insurance election and when new hires are made.
 - 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, 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 2020. The position of sergeant remained vacant until July 2020. The resignation of the administrator and replacement of the community development director had a gap of three months. In addition, the public works director retired and has not been replaced. The public works superintendent took over the duties of the director until a replacement is determined.
 - Streets and highways realized expenditures under budget mainly due to snow and ice removal as discussed earlier.

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 \$569,198 overall. The following five paragraphs provide a brief financial overview of each major proprietary fund.

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS AT THE FUND LEVEL (CONTINUED)

Water Enterprise Fund

The water fund is used to account for the operations of the city's water utility. In 2020, the water fund's net position increased \$733,656. Before transfers and capital contributions, the operating income reported a \$216,113 surplus. The change in net position includes depreciation of \$441,855. The water operating revenues are covering 100% of the depreciation. Bonded debt payments in the water fund totaled \$691,099. 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. In 2020, the water fund received an advanced refunding for the 2014A debt. The refunding will occur on the December 1, 2021 call date. \$430,453 is being held in escrow until the 2014A bonds are called. 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 down 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 2020, the sanitary sewer fund's net position increased \$683,356 and realized \$349,598 in operating income. User fees are covering 100% of the depreciation, and 100% of the 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 a current refunding bond to refinance the 2013A sewer revenue bonds. The refunding bond will result in interest savings over the remaining term. The debt costs are partially paid with reserved Sewer Access Charges (SAC), trunk fees and sewer usage rates. The development fees in 2019 and 2020 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 2020 with a net position of \$248,623, an increase of \$8,767. The 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 a couple years. The overall net position is healthy and was able to manage the decrease in user fees.

Storm Water Enterprise Fund

The storm water fund is used to account for the operations of the city's storm water utility. In 2020, the storm water fund's net position increased \$273,392; a decrease of \$36,634 before capital contributions and transfers. The storm water fund realized an operating loss of \$43,966, covering 68% 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 received \$326,245 in capital contributions to assist in the increased net position of the fund.

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS AT THE FUND LEVEL (CONTINUED)

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, 2020 the street light utility fund's change in net position increased \$14,946, and an operating income of \$16,262. 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 \$75,905 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, 2020, amounts to \$54,091,868 (net of accumulated depreciation), an increase of \$2,029,315. The increase in net capital assets was attributable to the developer infrastructure contribution of Rivers Bend Plat 3 and Country Manor Phase I. In addition, construction in progress increased \$114,940. Construction in progress is not depreciated and increases the net capital assets. Net investment in capital assets increased \$3,342,192. The contributed assets aided in the increase due to no offsetting debt when the assets were acquired.

The table below is a summary of the City of St. Joseph's capital assets.

CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
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	5,066,324	3,637,903	2,455,890	3,769,371	7,522,214	7,407,274
Improvements	1,407,225	1,365,946	289,760	289,760	1,696,985	1,655,706
Infrastructure	20,892,974	20,551,930	-	-	20,892,974	20,551,930
Buildings	9,593,578	8,735,795	8,797,686	8,797,686	18,391,264	17,533,481
Intangible assets	200,000	200,000	-	-	200,000	200,000
Plant and lines	-	-	24,853,360	24,430,657	24,853,360	24,430,657
Sewer rights	-	-	10,977,565	9,068,746	10,977,565	9,068,746
Machinery and equipment	4,332,223	3,950,112	1,093,377	867,104	5,425,600	4,817,216
Less: accumulated depreciation	(22,566,920)	(21,413,104)	(14,710,253)	(13,598,432)	(37,277,173)	(35,011,536)
Total net capital assets	\$ 19,888,686	\$ 17,991,864	\$ 34,203,182	\$ 34,070,689	\$ 54,091,868	\$ 52,062,553

Additional information on the City of St. Joseph's capital assets can be found in Note 5 beginning on page 56 of this report. Total depreciation expense for 2020 was \$2,383,742.

City of St. Joseph Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

Long-Term Liabilities

The City of St. Joseph's long-term liabilities includes bonded debt, notes payables, compensated absences and net pension liability. Overall, the long-term liabilities totaled \$27,186,028 as of December 31, 2020, an increase of \$861,758.

The City of St. Joseph issued three debts (seven parts) added to a St. Cloud PFA loan draw and paid six debts in full (two called early). The debt issuance amounts were higher than the amounts paid in full. The bonds and notes liabilities increased \$604,202.

At the end of the current fiscal year, the City of St. Joseph had total net bonded debt outstanding of \$24,983,345. Of this amount, \$15,125,301 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 decreased \$4,388 in 2020. 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 account technician and public works director retired in 2020. Although wages increased and accruals increased with low turnover, the reduction of compensated absences from the two retirees resulted in a slight decrease in compensated absences.

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 2020, the net pension liability increased \$261,944.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities (Continued)

OUTSTANDING LONG-TERM LIABILITIES

	2020	2019	Increase (Decrease)	Percent Change
Governmental Activities				
General obligation bonds	\$ 4,912,000	\$ 4,367,978	\$ 544,022	12%
General obligation special assessment bonds	8,908,632	8,146,149	762,483	9%
General obligation abatement bonds	1,304,669	1,421,418	(116,749)	-8%
Compensated absences payable	499,362	449,588	49,774	11%
Net pension liability	1,344,287	1,099,030	245,257	22%
	<u>\$ 16,968,950</u>	<u>\$ 15,484,163</u>	<u>\$ 1,484,787</u>	10%
Business-Type Activities				
General obligation revenue bonds	\$ 5,045,163	\$ 5,281,450	\$ (236,287)	-4%
Notes payable	4,812,881	5,162,148	(349,267)	-7%
Compensated absences payable	107,426	161,588	(54,162)	-34%
Net pension liability	251,608	234,921	16,687	7%
	<u>\$ 10,217,078</u>	<u>\$ 10,840,107</u>	<u>\$ (623,029)</u>	-6%

The City of St. Joseph issued \$220,000 general obligation certificates of indebtedness, series 2020A in March 2020. The certificates paid for general city equipment as part of the five-year capital equipment plan. The equipment certificates reduce spikes in capital equipment levy when more expensive pieces of equipment are replaced or added.

In November 2020, the City of St. Joseph issued the 2020B and 2020C bonds. Each bond has different parts. The 2020B bonds issued \$625,000 for street overlay improvements, \$690,000 to purchase a public works facility, \$190,000 refunding of the 2013 street overlay improvements and \$1,045,000 refunding of the 2013 Sauk River sewer forcemain improvements. The 2020C bonds are an advanced refunding of 2014 Park Terrace improvements and water tower maintenance. The refunding bonds resulting in interest savings of \$220,273.

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 \$51,635. 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 the six area cities of St. Cloud, St. Joseph, Waite Park, Sauk Rapids, Sartell, and St. Augusta. Each city purchases sewer treatment rights in the wastewater treatment facility. Part of the agreement, the area cities participate in conveyance costs to transport the wastewater to the facility. At the end of 2020, the City of St. Joseph has four notes outstanding with the City of St. Cloud for treatment facility and conveyance projects.

City of St. Joseph Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities (Continued)

The City of St. Joseph maintained their bond rating AA-/Stable from S&P Global. The report stated St. Joseph has maintained a stable history of operational performance, as it maintains a very strong reserve and liquidity position, and which they believe has positioned it well to hold steady during uncertain economic times. Historically, it has consistently maintained reserves at a level above its find balance policy of four-to-six months of expenditures, which they believe provides financial flexibility in times of stress. S&P Global's assessment reflects the City's access to a broad and diverse MSA population, strong financial management, adequate budget performance, very strong budgetary flexibility 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 \$14,357,268 which significantly exceeds the outstanding pure general obligation debt of \$5,227,000.

Additional information on the City's long-term liabilities can be found in Note 6 beginning on page 58 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 27.28% 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 2020, the United States and around the world felt the economic impact of the COVID-19 virus pandemic. The United States, State of Minnesota and the City of St. Joseph declared public health emergencies to respond to the pandemic. Several business sectors were closed or significantly reduced operations to support the COVID-19 response efforts. The US and world markets were affected. The President of the United States signed into law the Community Reinvestment Fund (CRF) COVID-19 in the summer of 2020 to assist communities, businesses and Americans with the impact of the pandemic. The City of St. Joseph received \$551,340 in the Coronavirus Aid, Relief, and Economic Security (CARES) Act that was included in the CRF funding. The City of St. Joseph used the CARES funds to add necessary equipment to improve public health and safety, and provided grants to small businesses negatively impacted by COVID-19. In addition, Stearns County provided \$145,164 of their CARES funds to St. Joseph small businesses. The St. Joseph city council opted to put some projects and purchases on hold to ensure city financial health could weather the economic vulnerabilities of the pandemic.

City of St. Joseph Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

In the development market the City added eight new single-family homes and an affordable rate multi-family facility for residential living units. New development on the commercial side included 48 remodels and additions. One of the commercial permits, Knife River, added to their freight receiving and unloading terminal in the industrial park. The site is unique and very valuable in Minnesota allowing for freight unloading. Total market value additions in the building department added \$14,328,279 in value. In the past three years, new construction as well as remodels/additions and repairs added over \$51.5 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 9.29% for the 2020 property values; 35.01% when adding in Township parcels annexed in 2019.

As stated, single family residential construction included eight new homes built in 2020. Nationally and in Minnesota the housing market is improving. In the City of St. Joseph, two developers recently 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; five are 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 completed in 2019/2020 include the 24 North Lofts on College Ave. The 24 North Lofts project includes 17 residential lofts and commercial space that is occupied by Krewe Restaurant, a New Orleans style restaurant, and Flour and Flower Bakery in a separate building. The completion of two 35-unit market rate apartments occurred in 2020 as well. A 48-unit affordable rate apartment building began construction in 2020 with completion expected in the summer of 2021. The College of St. Benedict's completed several remodel and updates to existing dorms and educational facilities.

The City of St. Joseph anticipates industrial development in Northland Business Center, a new Industrial Park that was completed in 2020. The City was awarded a \$1,245,000 Business Development Public Infrastructure (BDPI) grant from the Minnesota Department of Employment and Economic Development (MN DEED) to assist with costs for public streets and utilities to create shovel ready industrial lots. Construction of the public improvements began in 2019 and includes 26 lots. The majority of lots within the new industrial park are one to two acres in size. There is the ability to combine or subdivide lots to adjust sizes to accommodate development needs. The industrial park project is a City and private partnership. The City secured the grant for the public improvements and the private developer and owner, CLC Partners LLC, 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 2019. 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 2021.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

Besides developments and rehabilitation projects, the City added to their property market value with the annexation of a large portion of St. Joseph Township. The City of St. Joseph and St. Joseph Township entered into an orderly annexation area (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 annexation included approximately 230 properties 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 for residential properties and a phased in urban tax rate for all commercial and industrial developed properties annexed into the City. The phased urban tax rate will occur in equal increments over six years. The annexation was approved and finalized by the State of Minnesota in January 2019 with 2020 being the first taxing year for the City of St. Joseph.

The City of St. Joseph submitted two bonding requests for State Legislative consideration in 2020. The projects include the Jacob Wetterling Recreation Center (\$4 million), and development of the East Park canoe and picnic area (\$300,000). The State of Minnesota included funding the \$4M request for the Jacob Wetterling Recreation Center in their fall 2020 bonding bill. The City will begin a fundraising campaign and design phase in 2021.

The CR 2 Trail phase II/III was substantially completed in 2020. 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 2020 and will be completed in 2021 include the Minnesota Streetscape improvements, extension of the 20th Ave SE water main and feasibility planning for the 2021 street improvement projects.

In September 2020, the city council approved a request for proposal (RFP) to sell the former Colts Academy building. A purchase agreement was entered into with Moxie Investments, LLC to sell the facility for \$600,000 as is with the sale completed in April 2021. With the sale of the building, the City of St. Joseph approved the defeasance of the outstanding balance of the 2015B G.O. abatement bonds. The 2015B bonds are callable 12/1/2022. Funds will be held in escrow to pay the bonds in full on the call date.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

In 2018, the City of Foley began negotiating with the City of St. Cloud and area cities to connect to the St. Cloud wastewater treatment facility. The sewer use agreement includes the contracted area cities of St. Joseph, St. Cloud, St. Augusta, Waite Park, Sartell and Sauk Rapids. The current sewer use agreement includes Exhibit C identifying reserve treatment capacity called pooled capacity. The pooled capacity was reserved for the contracted cities to sell capacity to each other as they approach their capacity agreed to in the sewer use agreement before the next treatment plant expansion is completed. The pooled capacity agreement is currently under review in each contracted city to allow new users into the system. A new user, in this case the City of Foley, will reimburse the cities selling their pooled capacity and take over future debt payments for their new portion of the treatment facility. The amended pooled capacity agreement also depicts the formula to determine the cost of becoming a new user. In April 2021 the City of St. Joseph approved selling their pooled capacity to the City of Foley. Under the new amendment, St. Joseph will receive an upfront reimbursement of \$1,125,455 and realize future debt savings of \$1,097,000. The City of St. Joseph will receive the reimbursements once the City of Foley ties into the wastewater system in late 2021 or early 2022. The City of St. Joseph plans to use the reimbursements for future sewer improvements.

With a busy year completed, 2021 is expected to be eventful as well.

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, 2020**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 8,099,877	\$ 2,715,615	\$ 10,815,492
Cash with fiscal agent	1,329,216	430,453	1,759,669
Property tax receivable	39,356	273	39,629
Accounts receivable	34,058	490,800	524,858
Interest receivable	16,364	5,254	21,618
Due from other governments	173,087	2	173,089
Notes receivable	312,645	-	312,645
Special assessments receivable			
Delinquent	2,308	-	2,308
Deferred	4,038,751	27,289	4,066,040
Prepaid items	4,490	-	4,490
Net pension asset	312,965	-	312,965
Capital assets			
Land	763,197	377,882	1,141,079
Easements	200,085	67,915	268,000
Construction in progress	5,066,324	2,455,890	7,522,214
Buildings	9,593,578	8,797,686	18,391,264
Infrastructure	20,892,974	-	20,892,974
Improvements	1,407,225	289,760	1,696,985
Intangible asset	200,000	-	200,000
Plant and lines	-	24,853,360	24,853,360
Machinery and equipment	4,332,223	1,093,377	5,425,600
Sewer rights	-	10,977,565	10,977,565
Less accumulated depreciation	<u>(22,566,920)</u>	<u>(14,710,253)</u>	<u>(37,277,173)</u>
Capital assets (net of accumulated depreciation)	<u>19,888,686</u>	<u>34,203,182</u>	<u>54,091,868</u>
Total assets	<u>34,251,803</u>	<u>37,872,868</u>	<u>72,124,671</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	536,263	31,986	568,249
Total assets and deferred outflows of resources	<u>\$ 34,788,066</u>	<u>\$ 37,904,854</u>	<u>\$ 72,692,920</u>
Liabilities			
Accounts payable	\$ 117,901	\$ 56,952	\$ 174,853
Contracts payable	222,293	-	222,293
Due to other governments	22,777	127,212	149,989
Salaries and benefits payable	90,899	6,096	96,995
Interest payable	26,300	41,458	67,758
Unearned revenue	4,245	6,708	10,953
Bond principal payable (net)			
Payable within one year	2,508,000	1,135,000	3,643,000
Payable after one year	12,617,301	3,910,163	16,527,464
Notes payable (net)			
Payable within one year	-	406,256	406,256
Payable after one year	-	4,406,625	4,406,625
Compensated absences payable			
Payable within one year	105,741	13,796	119,537
Payable after one year	393,621	93,630	487,251
Net pension liability	1,344,287	251,608	1,595,895
Total liabilities	<u>17,453,365</u>	<u>10,455,504</u>	<u>27,908,869</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	660,433	15,669	676,102
Net Position			
Net investment in capital assets	9,903,925	24,790,138	31,660,218
Restricted for			
Debt service	5,045,333	-	5,045,333
Other purposes	1,658,479	-	1,658,479
Unrestricted	66,531	2,643,543	5,743,919
Total net position	<u>16,674,268</u>	<u>27,433,681</u>	<u>44,107,949</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 34,788,066</u>	<u>\$ 37,904,854</u>	<u>\$ 72,692,920</u>

**City of St. Joseph
Statement of Activities
Year Ended December 31, 2020**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 1,225,060	\$ 108,489	\$ 6,438	\$ 78,384	\$ (1,031,749)	\$ -	\$ (1,031,749)
Public safety	2,020,159	481,416	179,330	241,153	(1,118,260)	-	(1,118,260)
Public works	1,381,235	26,198	172	3,412,578	2,057,713	-	2,057,713
Economic development	521,216	53,880	220,656	-	(246,680)	-	(246,680)
Culture and recreation	604,912	86,239	638	128,739	(389,296)	-	(389,296)
Interest on long-term debt	395,731	-	-	-	(395,731)	-	(395,731)
Total governmental activities	<u>6,148,313</u>	<u>756,222</u>	<u>407,234</u>	<u>3,860,854</u>	<u>(1,124,003)</u>	<u>-</u>	<u>(1,124,003)</u>
Business-type activities							
Water	990,028	1,376,440	4,079	92,446	-	482,937	482,937
Sanitary sewer	1,141,959	1,484,452	1,140	72,489	-	416,122	416,122
Refuse	315,482	316,032	3,617	-	-	4,167	4,167
Storm water	191,197	147,231	252	257,866	-	214,152	214,152
Street light utility	66,156	82,418	136	-	-	16,398	16,398
Total business-type activities	<u>2,704,822</u>	<u>3,406,573</u>	<u>9,224</u>	<u>422,801</u>	<u>-</u>	<u>1,133,776</u>	<u>1,133,776</u>
Total governmental and business-type activities	<u>\$ 8,853,135</u>	<u>\$ 4,162,795</u>	<u>\$ 416,458</u>	<u>\$ 4,283,655</u>	<u>(1,124,003)</u>	<u>1,133,776</u>	<u>9,773</u>
General revenues							
Property taxes					2,929,251	143	2,929,394
Tax increments					160,979	-	160,979
Sales taxes					505,818	-	505,818
Lodging taxes					4,914	-	4,914
Miscellaneous taxes					4,010	-	4,010
Franchise fees					132,991	-	132,991
State aids					1,148,611	-	1,148,611
Unrestricted investment earnings					229,232	72,138	301,370
Gain on sale of assets					55,373	-	55,373
Transfers					(526,188)	526,188	-
Total general revenues and transfers					<u>4,644,991</u>	<u>598,469</u>	<u>5,243,460</u>
Change in net position					3,520,988	1,732,245	5,253,233
Net position - beginning					13,153,280	25,701,436	38,854,716
Net position - ending					<u>\$ 16,674,268</u>	<u>\$ 27,433,681</u>	<u>\$ 44,107,949</u>

See notes to financial statements.

City of St. Joseph
Balance Sheet - Governmental Funds
December 31, 2020

	General Fund (101, 102, 103, 104, 105, 108)	Debt Service	Other Governmental Funds	Total Governmental Funds
		G.O. Industrial Park Bonds of 2019A (308)		
Assets				
Cash and investments	\$ 2,879,747	\$ 88	\$ 5,748,187	\$ 8,628,022
Cash with fiscal agent	-	-	1,329,216	1,329,216
Taxes receivable - delinquent	26,973	-	12,383	39,356
Special assessments receivable				
Delinquent	-	-	2,308	2,308
Deferred	6,820	2,320,373	1,711,558	4,038,751
Accounts receivable	29,260	-	4,798	34,058
Interest receivable	5,979	1,492	8,893	16,364
Due from other funds	33,000	-	12,500	45,500
Due from other governments	43,178	-	129,909	173,087
Notes receivable	-	-	312,645	312,645
Prepaid items	4,490	-	-	4,490
Total assets	<u>\$ 3,029,447</u>	<u>\$ 2,321,953</u>	<u>\$ 9,272,397</u>	<u>\$ 14,623,797</u>
Liabilities				
Accounts payable	\$ 66,506	\$ 79	\$ 51,316	\$ 117,901
Contracts payable	-	-	222,293	222,293
Due to other funds	-	-	45,500	45,500
Due to other governments	20,625	-	2,152	22,777
Salaries and benefits payable	90,323	-	576	90,899
Unearned revenue	4,245	-	-	4,245
Total liabilities	<u>181,699</u>	<u>79</u>	<u>321,837</u>	<u>503,615</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	26,973	-	12,383	39,356
Unavailable revenue - special assessments	6,820	2,320,373	1,713,866	4,041,059
Unavailable revenue - notes receivable	-	-	311,201	311,201
Total deferred inflows of resources	<u>33,793</u>	<u>2,320,373</u>	<u>2,037,450</u>	<u>4,391,616</u>
Fund Balances				
Nonspendable	4,490	-	-	4,490
Restricted	-	1,501	4,008,240	4,009,741
Committed	-	-	314,052	314,052
Assigned	1,102,399	-	2,649,235	3,751,634
Unassigned	1,707,066	-	(58,417)	1,648,649
Total fund balances	<u>2,813,955</u>	<u>1,501</u>	<u>6,913,110</u>	<u>9,728,566</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,029,447</u>	<u>\$ 2,321,953</u>	<u>\$ 9,272,397</u>	<u>\$ 14,623,797</u>

City of St. Joseph
Reconciliation of the Balance Sheet to
The Statement of Net Position - Governmental Funds
Year Ended December 31, 2020

Total fund balances - governmental funds	\$ 9,728,566
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	42,455,606
Less accumulated depreciation	(22,566,920)
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.	
Long-term liabilities at year-end consist of	
Bond principal payable, net of premiums and discounts	(15,125,301)
Compensated absences payable	(499,362)
Net pension liability	(1,344,287)
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	39,356
Special assessments	2,308
Other long-term assets are not available to pay for current expenditures and, therefore, are deferred in the funds.	
Deferred special assessments	4,038,751
Notes receivable	311,201
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	(660,433)
Deferred outflows of resources related to pensions	536,263
Net pension assets created through non-employer contributions to defined benefit pension plans are not recognized in the governmental funds.	
Fire relief net pension asset	312,965
The water access capital project fund is proprietary in nature and, therefore, included in the business-type activities in the Statement of Net Position.	
	(499,391)
The sewer access capital project fund is proprietary in nature and, therefore, included in the business-type activities in the Statement of Net Position.	
	(28,754)
Governmental funds do not report a liability for accrued interest due and payable.	
	<u>(26,300)</u>
Total net position - governmental activities	<u>\$ 16,674,268</u>

City of St. Joseph
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2020

	General Fund (101, 102, 103, 104, 105, 108)	Debt Service G.O. Industrial Park Bonds of 2019A (308)	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 1,931,867	\$ -	\$ 997,968	\$ 2,929,835
Tax increments	-	-	160,979	160,979
Sales taxes	4	-	505,814	505,818
Lodging taxes	-	-	4,914	4,914
Miscellaneous taxes	4,010	-	-	4,010
Special assessments	3,389	94,627	333,787	431,803
Franchise fees	132,991	-	-	132,991
Licenses and permits	178,139	-	-	178,139
Intergovernmental	2,102,263	-	169,529	2,271,792
Charges for services	430,989	-	409,280	840,269
Fines and forfeitures	43,317	-	-	43,317
Miscellaneous				
Investment income	81,153	20,484	134,596	236,233
Contributions and donations	2,304	-	62,466	64,770
Revolving loan repayments	-	-	9,258	9,258
Other	34,809	-	53,236	88,045
Total revenues	<u>4,945,235</u>	<u>115,111</u>	<u>2,841,827</u>	<u>7,902,173</u>
Expenditures				
Current				
General government	1,020,077	-	-	1,020,077
Public safety	1,741,056	-	-	1,741,056
Public works	457,226	-	16,321	473,547
Culture and recreation	429,568	-	4,609	434,177
Economic development	201,414	-	326,169	527,583
Debt service				
Principal	-	220,000	1,634,000	1,854,000
Interest and other charges	-	131,197	433,133	564,330
Capital outlay				
General government	72,014	-	35,551	107,565
Public safety	242,365	-	48,955	291,320
Public works	277,198	-	2,859,471	3,136,669
Culture and recreation	32,695	-	80,411	113,106
Economic development	-	-	670	670
Total expenditures	<u>4,473,613</u>	<u>351,197</u>	<u>5,439,290</u>	<u>10,264,100</u>
Excess of revenues over (under) expenditures	471,622	(236,086)	(2,597,463)	(2,361,927)
Other Financing Sources (Uses)				
Sale of property	-	-	55,373	55,373
Bonds issued	-	-	1,535,000	1,535,000
Refunding bonds issued	-	-	1,555,000	1,555,000
Bond premium	-	-	78,073	78,073
Transfers in	61,161	221,970	674,942	958,073
Transfers out	(297,256)	-	(947,765)	(1,245,021)
Total other financing sources (uses)	<u>(236,095)</u>	<u>221,970</u>	<u>2,950,623</u>	<u>2,936,498</u>
Net change in fund balances	235,527	(14,116)	353,160	574,571
Fund Balances				
Beginning of year	<u>2,578,428</u>	<u>15,617</u>	<u>6,559,950</u>	<u>9,153,995</u>
End of year	<u>\$ 2,813,955</u>	<u>\$ 1,501</u>	<u>\$ 6,913,110</u>	<u>\$ 9,728,566</u>

See notes to financial statements.

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, 2020

Total net change in fund balances - governmental funds \$ 574,571

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	3,396,458
Capital contributions	350,328
Depreciation expense	(1,268,505)
Disposal of capital assets	(2,219)
Transferred to proprietary funds	(579,240)

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. 1,854,000

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	44,282
Amortization of bond discounts, premiums and issuance charges	124,317

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. (3,090,000)

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. (78,073)

Compensated absence payments are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (49,774)

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	(2,826)
Delinquent property taxes	(584)

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	2,238,331
Notes receivable	(1,137)

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	29,187
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The water access capital project fund is proprietary in nature and, therefore, is reported with business-type activities. (18,078)

The sewer access capital project fund is proprietary in nature and, therefore, is reported with business-type activities. (50)

Change in net position - governmental activities \$ 3,520,988

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City of St. Joseph
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 1,924,845	\$ 1,931,867	\$ 7,022
Sales taxes	-	4	4
Miscellaneous taxes	8,000	4,010	(3,990)
Special assessments	4,000	3,389	(611)
Franchise fees	138,820	132,991	(5,829)
Licenses and permits	181,510	178,139	(3,371)
Intergovernmental	1,345,595	2,102,263	756,668
Charges for services	430,065	430,989	924
Fines and forfeitures	67,000	43,317	(23,683)
Miscellaneous revenues			
Investment income	53,000	81,153	28,153
Contributions and donations	3,900	2,304	(1,596)
Other	41,550	34,809	(6,741)
Total revenues	4,198,285	4,945,235	746,950
Expenditures			
Current			
General government	1,042,800	1,020,077	(22,723)
Public safety	1,824,895	1,741,056	(83,839)
Public works	491,760	457,226	(34,534)
Culture and recreation	479,790	429,568	(50,222)
Economic development	-	201,414	201,414
Capital outlay			
General government	6,000	72,014	66,014
Public safety	80,550	242,365	161,815
Public works	139,400	277,198	137,798
Culture and recreation	-	32,695	32,695
Total expenditures	4,065,195	4,473,613	408,418
Excess of revenues over expenditures	133,090	471,622	338,532
Other Financing Sources (Uses)			
Insurance recoveries	2,000	-	(2,000)
Sale of property	200	-	(200)
Transfers in	56,640	61,161	4,521
Transfers out	-	(297,256)	(297,256)
Total other financing sources (uses)	58,840	(236,095)	(294,935)
Net change in fund balances	\$ 191,930	235,527	\$ 43,597
Fund Balances			
Beginning of year		2,578,428	
End of year		\$ 2,813,955	

City of St. Joseph
Statement of Net Position - Proprietary Funds
December 31, 2020

	Water (601)	Sanitary Sewer (602)	Refuse (603)
Assets			
Current assets			
Cash and investments	\$ 1,064,128	\$ 627,758	\$ 228,669
Cash with fiscal agent	430,453	-	-
Taxes receivable - delinquent	273	-	-
Special assessments receivable			
Deferred	25,501	883	589
Accounts receivable	154,813	242,752	53,051
Interest receivable	3,165	997	444
Due from other governments	2	-	-
Total current assets	<u>1,678,335</u>	<u>872,390</u>	<u>282,753</u>
Noncurrent assets			
Capital assets			
Land	372,941	4,941	-
Easements	-	-	-
Construction in progress	1,014,106	598,035	-
Buildings	7,502,432	1,295,254	-
Improvements	289,760	-	-
Plants and lines	10,425,242	8,800,193	-
Machinery and equipment	252,577	621,121	46,416
Sewer rights	-	10,977,565	-
Total capital assets	<u>19,857,058</u>	<u>22,297,109</u>	<u>46,416</u>
Less accumulated depreciation	<u>(6,512,447)</u>	<u>(6,382,757)</u>	<u>(45,957)</u>
Net capital assets	<u>13,344,611</u>	<u>15,914,352</u>	<u>459</u>
Total noncurrent assets	<u>13,344,611</u>	<u>15,914,352</u>	<u>459</u>
Total assets	<u>15,022,946</u>	<u>16,786,742</u>	<u>283,212</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	<u>15,100</u>	<u>12,211</u>	<u>1,247</u>
Total assets and deferred outflows of resources	<u>\$ 15,038,046</u>	<u>\$ 16,798,953</u>	<u>\$ 284,459</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 16,024	\$ 13,892	\$ 22,531
Due to other governments	3,594	121,264	2,354
Salaries and benefits payable	2,720	2,459	235
Interest payable	7,818	33,640	-
Unearned revenue	6,708	-	-
Long-term liabilities due			
Within one year	<u>1,021,790</u>	<u>533,046</u>	<u>67</u>
Total current liabilities	<u>1,058,654</u>	<u>704,301</u>	<u>25,187</u>
Noncurrent liabilities			
Compensated absences	53,290	53,290	298
Notes payable, net	-	4,812,881	-
Bonds payable, net	3,938,493	1,106,670	-
Net pension liability	118,783	96,056	9,807
Less amounts due within one year	<u>(1,021,790)</u>	<u>(533,046)</u>	<u>(67)</u>
Total noncurrent liabilities	<u>3,088,776</u>	<u>5,535,851</u>	<u>10,038</u>
Total liabilities	<u>4,147,430</u>	<u>6,240,152</u>	<u>35,225</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	<u>7,397</u>	<u>5,982</u>	<u>611</u>
Net Position			
Net investment in capital assets	9,851,118	9,994,801	459
Unrestricted	<u>1,032,101</u>	<u>558,018</u>	<u>248,164</u>
Total net position	<u>10,883,219</u>	<u>10,552,819</u>	<u>248,623</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 15,038,046</u>	<u>\$ 16,798,953</u>	<u>\$ 284,459</u>

Storm Water (651)	Street Light Utility (652)	Total
\$ 197,420	\$ 69,495	\$ 2,187,470
-	-	430,453
-	-	273
190	126	27,289
25,646	14,538	490,800
516	132	5,254
-	-	2
<u>223,772</u>	<u>84,291</u>	<u>3,141,541</u>
-	-	377,882
67,915	-	67,915
843,749	-	2,455,890
-	-	8,797,686
-	-	289,760
5,627,925	-	24,853,360
173,263	-	1,093,377
-	-	10,977,565
<u>6,712,852</u>	<u>-</u>	<u>48,913,435</u>
<u>(1,769,092)</u>	<u>-</u>	<u>(14,710,253)</u>
<u>4,943,760</u>	<u>-</u>	<u>34,203,182</u>
<u>4,943,760</u>	<u>-</u>	<u>34,203,182</u>
<u>5,167,532</u>	<u>84,291</u>	<u>37,344,723</u>
<u>2,929</u>	<u>499</u>	<u>31,986</u>
<u>\$ 5,170,461</u>	<u>\$ 84,790</u>	<u>\$ 37,376,709</u>
\$ 224	\$ 4,281	\$ 56,952
-	-	127,212
364	318	6,096
-	-	41,458
-	-	6,708
<u>122</u>	<u>27</u>	<u>1,555,052</u>
<u>710</u>	<u>4,626</u>	<u>1,793,478</u>
429	119	107,426
-	-	4,812,881
-	-	5,045,163
23,039	3,923	251,608
<u>(122)</u>	<u>(27)</u>	<u>(1,555,052)</u>
<u>23,346</u>	<u>4,015</u>	<u>8,662,026</u>
<u>24,056</u>	<u>8,641</u>	<u>10,455,504</u>
<u>1,435</u>	<u>244</u>	<u>15,669</u>
4,943,760	-	24,790,138
201,210	75,905	2,115,398
<u>5,144,970</u>	<u>75,905</u>	<u>26,905,536</u>
<u>\$ 5,170,461</u>	<u>\$ 84,790</u>	<u>\$ 37,376,709</u>

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City of St. Joseph
Reconciliation of the Statement
of Net Position - Business-Type Activities
December 31, 2020

Total net position - proprietary funds	\$ 26,905,536
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.	499,391
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>28,754</u>
Total net position - business-type activities	<u><u>\$ 27,433,681</u></u>

City of St. Joseph
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2020

	Water (601)	Sanitary Sewer (602)	Refuse (603)	Storm Water (651)
Operating revenues				
Charges for services	\$ 1,126,425	\$ 1,345,104	\$ 314,623	\$ 147,231
Operating expenses				
Wages and salaries	192,104	138,124	18,698	30,626
Materials and supplies	44,944	19,793	2,924	369
Repairs and maintenance	77,635	28,914	3,135	14,455
Professional services	32,416	14,875	2,474	4,473
Insurance	13,452	10,500	-	-
Utilities	71,809	18,025	-	848
Depreciation	441,855	534,644	115	138,623
Contracted services	-	229,024	286,975	-
Miscellaneous	10,861	1,607	1,161	1,803
Total operating expenses	<u>885,076</u>	<u>995,506</u>	<u>315,482</u>	<u>191,197</u>
Operating income (loss)	241,349	349,598	(859)	(43,966)
Nonoperating revenues (expenses)				
Investment income	28,881	12,141	6,100	7,080
Special assessments	859	883	589	190
Property taxes	143	-	-	-
Operating grants and contributions	3,000	-	-	-
Interest expense	(110,099)	(148,121)	-	-
Amortization of bond premium	5,147	1,668	-	-
Other income	46,833	1,105	4,437	62
Total nonoperating revenues (expenses)	<u>(25,236)</u>	<u>(132,324)</u>	<u>11,126</u>	<u>7,332</u>
Income (loss) before capital contributions and transfers	216,113	217,274	10,267	(36,634)
Capital contributions	320,088	355,610	-	326,245
Transfers in	222,750	154,717	8,925	11,376
Transfers out	<u>(25,295)</u>	<u>(44,245)</u>	<u>(10,425)</u>	<u>(27,595)</u>
Change in net position	733,656	683,356	8,767	273,392
Net position				
Beginning of year	<u>10,149,563</u>	<u>9,869,463</u>	<u>239,856</u>	<u>4,871,578</u>
End of year	<u>\$ 10,883,219</u>	<u>\$ 10,552,819</u>	<u>\$ 248,623</u>	<u>\$ 5,144,970</u>

Street Light Utility (652)	Total
\$ 82,418	\$ 3,015,801
5,566	385,118
-	68,030
14,618	138,757
326	54,564
-	23,952
45,515	136,197
-	1,115,237
-	515,999
131	15,563
<u>66,156</u>	<u>2,453,417</u>
16,262	562,384
1,808	56,010
126	2,647
-	143
-	3,000
-	(258,220)
-	6,815
10	52,447
<u>1,944</u>	<u>(137,158)</u>
18,206	425,226
-	1,001,943
3,340	401,108
<u>(6,600)</u>	<u>(114,160)</u>
14,946	1,714,117
<u>60,959</u>	<u>25,191,419</u>
<u>\$ 75,905</u>	<u>\$ 26,905,536</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, 2020

Total net change in fund net position - proprietary funds	\$ 1,714,117
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.	18,078
Recognized current year activity from the sewer access capital project fund with the business-type activities.	50
Capital contributions from governmental activities	(579,240)
Transfers in of capital assets from governmental activities	<u>579,240</u>
Change in net position - business-type activities	<u><u>\$ 1,732,245</u></u>

City of St. Joseph
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2020

	Water (601)	Sanitary Sewer (602)	Refuse (603)
Cash Flows - Operating Activities			
Receipts from customers and users	\$ 1,121,072	\$ 1,340,061	\$ 309,505
Payments to suppliers	(241,827)	(275,430)	(294,810)
Payments to employees	(216,318)	(159,432)	(30,795)
Other miscellaneous receipts	50,119	1,105	4,437
Net cash flows - operating activities	<u>713,046</u>	<u>906,304</u>	<u>(11,663)</u>
Cash Flows - Noncapital Financing Activities			
Transfer from other funds	222,750	154,717	8,925
Transfer to other funds	(25,295)	(44,245)	(10,425)
Net cash flows - noncapital financing Activities	<u>197,455</u>	<u>110,472</u>	<u>(1,500)</u>
Cash Flows - Capital and Related Financing Activities			
Principal paid on debt	(581,000)	(1,595,902)	-
Interest paid on debt	(110,286)	(97,181)	-
Bond proceeds	14,547	1,045,000	-
Acquisition of capital assets	(19,226)	(2,406)	(574)
Net cash flows - capital and related Financing activities	<u>(695,965)</u>	<u>(650,489)</u>	<u>(574)</u>
Cash Flows - Investing Activities			
Interest and dividends received	<u>28,484</u>	<u>13,887</u>	<u>6,510</u>
Net change in cash and cash equivalents	243,020	380,174	(7,227)
Cash and Cash Equivalents			
Beginning of year	<u>821,108</u>	<u>247,584</u>	<u>235,896</u>
End of year	<u>\$ 1,064,128</u>	<u>\$ 627,758</u>	<u>\$ 228,669</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities			
Operating income (loss)	\$ 241,349	\$ 349,598	\$ (859)
Adjustments to reconcile operating income (loss) to net cash flows - operating activities			
Depreciation expense	441,855	534,644	115
Pension expense	(12,729)	(10,584)	(3,266)
Other miscellaneous receipts	50,119	1,105	4,437
Accounts receivable	(12,259)	(5,043)	(5,118)
Due from other governments	198	-	-
Accounts payable	7,925	(3,470)	1,373
Due to other governmental units	1,365	50,778	486
Salaries payable	(978)	(217)	(178)
Compensated absences payable	(10,507)	(10,507)	(8,653)
Unearned revenue	6,708	-	-
Total adjustments	<u>471,697</u>	<u>556,706</u>	<u>(10,804)</u>
Net cash flows - operating activities	<u>\$ 713,046</u>	<u>\$ 906,304</u>	<u>\$ (11,663)</u>
Non-Cash Capital and Financing Activities			
Capital asset contributions from governmental funds	\$ 227,740	\$ 283,121	\$ -
Capital asset contributions from other governments	92,348	72,489	-
Bond issued through other governments	-	51,635	-
Bond proceeds to escrow	430,453	-	-

See notes to financial statements.

Storm Water (651)	Street Light Utility (652)	Total
\$ 136,079	\$ 81,214	\$ 2,987,931
(21,887)	(60,546)	(894,500)
(54,490)	(10,154)	(471,189)
62	10	55,733
<u>59,764</u>	<u>10,524</u>	<u>1,677,975</u>

11,376	3,340	401,108
<u>(27,595)</u>	<u>(6,600)</u>	<u>(114,160)</u>

<u>(16,219)</u>	<u>(3,260)</u>	<u>286,948</u>
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-	-	(2,176,902)
-	-	(207,467)
-	-	1,059,547
<u>(171,946)</u>	<u>-</u>	<u>(194,152)</u>

<u>(171,946)</u>	<u>-</u>	<u>(1,518,974)</u>
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<u>7,582</u>	<u>1,842</u>	<u>58,305</u>
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(120,819)	9,106	504,254
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<u>318,239</u>	<u>60,389</u>	<u>1,683,216</u>
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<u>\$ 197,420</u>	<u>\$ 69,495</u>	<u>\$ 2,187,470</u>
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<u>\$ (43,966)</u>	<u>\$ 16,262</u>	<u>\$ 562,384</u>
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138,623	-	1,115,237
(2,673)	(1,307)	(30,559)
62	10	55,733
(11,152)	(1,204)	(34,776)

-	-	198
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61	44	5,933
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-	-	52,629
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(157)	180	(1,350)
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(21,034)	(3,461)	(54,162)
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-	-	6,708
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<u>103,730</u>	<u>(5,738)</u>	<u>1,115,591</u>
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<u>\$ 59,764</u>	<u>\$ 10,524</u>	<u>\$ 1,677,975</u>
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\$ 68,379	\$ -	\$ 579,240
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257,866	-	422,703
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-	-	51,635
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-	-	430,453
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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 2020, the City contributed \$10,546 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 2020, 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 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.

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.

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)

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.

G.O. Industrial Park Bonds of 2019A – This fund accounts for the payments made on principal and interest on bonds issued to finance 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.

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.

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)

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. Deposits 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.

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.

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.

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)**

2. Receivables and Payables (Continued)

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.

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.

**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 (Continued)

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.

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 three sources: property taxes, special assessments, and notes 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.

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)**

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.

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.

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)**

9. Fund Equity

a) Classification(Continued)

- 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.

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.

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)

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 \$3,033,845 between this net position class and unrestricted net position in the total column of 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 \$1,658,479 includes \$44,519 for tax increment financing, \$1,325,161 in state collected sales tax restricted by enabling legislation, \$22,240 restricted for lodging tax, \$206,528 in park dedication fees, \$650 restricted by donors for future projects, \$47,402 DEED Funds, and \$11,979 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.

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.

City of St. Joseph
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information (Continued)

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, 2020.

Nonmajor governmental funds	
Special Revenue	
TIF 2-3 Bayou Blues/Alley Flat	\$ 9,139
Capital Projects	
2021 Street Overlay Project	49,278

This deficit will be eliminated with future tax increment revenues and future bond issuances.

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, 2020, 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, 2020, the City's deposits had a carrying value as shown as follows:

Certificates of deposits	\$ 5,442,605
Checking	790,011
Savings	6,284,981
	<hr/>
Total	<u><u>\$ 12,517,597</u></u>

City of St. Joseph
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

As of December 31, 2020, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)	Moody's Rating
Brokered money market	\$ 1,937	N/A	N/A
4M Funds	<u>55,402</u>	N/A	N/A
Total	<u>\$ 57,339</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, 2020, the City's investments were rated as listed in the table above.

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, 2020, 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.

City of St. Joseph
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments

The following is a summary of deposits and investments as of December 31, 2020:

Deposits (Note 3.A.)	\$ 12,517,597
Investments (Note 3.B.)	57,339
Petty cash	<u>225</u>
Total	<u><u>\$ 12,575,161</u></u>

Deposits and investments are presented in the December 31, 2020, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 10,815,492
Cash with fiscal agent	<u>1,759,669</u>
Total deposits and investments	<u><u>\$ 12,575,161</u></u>

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

The composition of interfund balances as of December 31, 2020, is as follows:

	Amounts Due to Other Funds
Amounts Due from Other Funds	Other Governmental Funds
General Fund	\$ 33,000
Other Governmental Funds	<u>12,500</u>
Total	<u><u>\$ 45,500</u></u>

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.

City of St. Joseph
Notes to Financial Statements

NOTE 4 – INTERFUND BALANCES AND TRANSFERS (CONTINUED)

B. Transfers

The composition of interfund transfers as of December 31, 2020, is as follows:

Transfer In	Transfer Out	Description	Amount
General Fund	Water	Transfer retirement reserve funding	\$ 19,295
General Fund	Sanitary Sewer	Transfer retirement reserve funding	18,575
General Fund	Refuse	Transfer retirement reserve funding	10,425
General Fund	Storm Water	Transfer retirement reserve funding	8,345
General Fund	Other Governmental Funds	Close debt service funds	4,521
2019 Industrial Park Bonds of 2019A	Other Governmental Funds	Transfer to reimburse engineering fees	208,300
2019 Industrial Park Bonds of 2019A	Sanitary Sewer	Transfer for the DBL Lift Station	13,670
Other Governmental Funds	General Fund	Transfer of residual funds for future debt payments	200,000
Other Governmental Funds	General Fund	Transfer to call the 2011A bond	46,478
Other Governmental Funds	Other Governmental Funds	Transfer sales tax revenue committed for bond payment	180,000
Other Governmental Funds	Other Governmental Funds	TIF decertified in 2020	36
Other Governmental Funds	Other Governmental Funds	Correct 2019 TIF disbursement	94
Other Governmental Funds	Other Governmental Funds	Annual transfer for future economic development projects	10,500
Other Governmental Funds	Other Governmental Funds	Close capital fund to debt fund	825
Other Governmental Funds	Other Governmental Funds	Close debt service funds	199,159
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	19,250
Other Governmental Funds	Street Light	Pay back park dedication fund	6,600
Water	General Fund	Transfer for severance payouts	14,142
Water	Other Governmental Funds	Transfer to correct fund	2,608
Water	Other Governmental Funds	Transfer WAC fees	200,000
Water	Sanitary Sewer	Annual transfer for debt payments	6,000
Sanitary Sewer	General Fund	Transfer for severance payouts	14,143
Sanitary Sewer	Other Governmental Funds	Transfer to correct fund	574
Sanitary Sewer	Other Governmental Funds	Annual transfer for debt payments	140,000
Refuse	General Fund	Transfer for severance payouts	8,351
Refuse	Other Governmental Funds	Transfer to correct fund	574
Storm Water	General Fund	Transfer for severance payouts	10,802
Storm Water	Other Governmental Funds	Transfer to correct fund	574
Street Light	General Fund	Transfer for severance payouts	3,340
			<u>\$ 1,359,181</u>

City of St. Joseph
Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, 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	3,637,903	1,428,421	-	5,066,324
Total capital assets not being depreciated	<u>4,601,185</u>	<u>1,428,421</u>	<u>-</u>	<u>6,029,606</u>
Capital assets being depreciated				
Buildings	8,735,795	857,783	-	9,593,578
Infrastructure	20,551,930	341,044	-	20,892,974
Improvements	1,365,946	41,279	-	1,407,225
Intangible assets	200,000	-	-	200,000
Machinery and equipment	3,950,112	499,019	116,908	4,332,223
Total capital assets being depreciated	<u>34,803,783</u>	<u>1,739,125</u>	<u>116,908</u>	<u>36,426,000</u>
Less accumulated depreciation for				
Buildings	1,660,024	260,220	-	1,920,244
Infrastructure	16,114,083	617,982	-	16,732,065
Improvements	682,435	52,371	-	734,806
Intangible assets	30,000	10,000	-	40,000
Machinery and equipment	2,926,562	327,932	114,689	3,139,805
Total accumulated depreciation	<u>21,413,104</u>	<u>1,268,505</u>	<u>114,689</u>	<u>22,566,920</u>
Total capital assets being depreciated, net	<u>13,390,679</u>	<u>470,620</u>	<u>2,219</u>	<u>13,859,080</u>
Governmental activities capital assets, net	<u>\$ 17,991,864</u>	<u>\$ 1,899,041</u>	<u>\$ 2,219</u>	<u>\$ 19,888,686</u>

City of St. Joseph
Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS (CONTINUED)

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

	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	3,769,371	595,338	1,908,819	2,455,890
Total capital assets not being depreciated	<u>4,215,168</u>	<u>595,338</u>	<u>1,908,819</u>	<u>2,901,687</u>
Capital assets being depreciated				
Buildings	8,797,686	-	-	8,797,686
Improvements other than buildings	289,760	-	-	289,760
Plant and lines	24,430,657	422,703	-	24,853,360
Machinery and equipment	867,104	229,689	3,416	1,093,377
Sewer rights	9,068,746	1,908,819	-	10,977,565
Total capital assets being depreciated	<u>43,453,953</u>	<u>2,561,211</u>	<u>3,416</u>	<u>46,011,748</u>
Less accumulated depreciation for				
Buildings	2,610,536	214,141	-	2,824,677
Improvements other than buildings	28,976	14,488	-	43,464
Plant and lines	7,831,100	513,774	-	8,344,874
Machinery and equipment	642,453	80,838	3,416	719,875
Sewer rights	2,485,367	291,996	-	2,777,363
Total accumulated depreciation	<u>13,598,432</u>	<u>1,115,237</u>	<u>3,416</u>	<u>14,710,253</u>
Total capital assets being depreciated, net	<u>29,855,521</u>	<u>1,445,974</u>	<u>-</u>	<u>31,301,495</u>
Business-type activities capital assets, net	<u>\$ 34,070,689</u>	<u>\$ 2,041,312</u>	<u>\$ 1,908,819</u>	<u>\$ 34,203,182</u>

City of St. Joseph
Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Governmental activities	
General government	\$ 157,939
Public safety	204,658
Public works	704,836
Culture and recreation	200,938
Economic development	<u>134</u>
	<u>\$ 1,268,505</u>
Business-type activities	
Water	\$ 441,855
Sanitary sewer	534,644
Refuse	115
Storm sewer	<u>138,623</u>
	<u>\$ 1,115,237</u>

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.

In November 2020, the City issued \$1,235,000 for a refunding of the G.O. Sewer Revenue Bonds, Series 2013A and the G.O. Street Improvement Bonds, Series 2013A. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in a debt service savings of \$114,577 and a net present value benefit of \$111,073.

In November 2020, the City issued \$1,810,000 for a crossover refunding of G.O. Street Improvement Bonds, Series 2014A and G.O. Utility Bonds, Series 2014A. The issue will be called on December 1, 2021. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in a debt service savings of \$112,864 and a net present value benefit of \$105,696.

City of St. Joseph
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT (CONTINUED)

B. Components of Long-Term Liabilities

	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Governmental Activities						
G.O. Bonds, including Refunding Bonds						
G.O. Capital Improvement Plan 2016A	07/07/16	2.00%-2.875%	\$ 4,275,000	12/15/36	\$ 3,555,000	\$ 190,000
G.O. Capital Improvement Plan 2017A	08/30/17	2.75%	337,000	12/15/25	210,000	42,000
G.O. Certificates of Indebtedness 2018A	02/28/18	2.50%	265,000	12/15/23	163,000	53,000
G.O. Certificates of Indebtedness 2020A	03/05/20	1.45%	220,000	12/15/25	220,000	43,000
G.O. Capital Improvement Plan 2020B	11/12/20	0.40%-2.00%	690,000	12/15/33	690,000	-
Total G.O. Bonds					<u>4,838,000</u>	<u>328,000</u>
G.O. Special Assessment Bonds						
G.O. Improvement Bonds of 2010B	09/28/10	2.00%-3.25%	790,000	12/01/25	295,000	55,000
G.O. Improvement Bonds of 2014A	06/15/14	2.00%-3.40%	2,010,000	12/01/30	1,440,000	1,440,000
G.O. Improvement Bonds of 2015A	08/13/15	1.20%-3.00%	595,000	12/01/25	305,000	60,000
G.O. Improvement Bonds of 2016B	11/03/16	1.00%-3.00%	740,000	12/15/32	590,000	50,000
G.O. Improvement Bonds of 2017B	08/30/17	2.25%-3.00%	344,000	12/15/27	239,000	35,000
G.O. Improvement Bonds of 2019A	09/12/19	4.00%-5.00%	3,705,000	12/15/29	3,330,000	375,000
G.O. Improvement Bonds of 2020B	11/12/20	0.40%-2.00%	625,000	12/15/31	625,000	-
G.O. Refunding Improvement Bonds of 2020B	11/12/20	0.40%-2.00%	190,000	12/15/24	190,000	45,000
Taxable G.O. Crossover Refunding Bonds, Series 2020C	11/12/20	0.40%-1.60%	1,365,000	12/01/30	1,365,000	-
Total G.O. Special Assessment Bonds					<u>8,379,000</u>	<u>2,060,000</u>
G.O. Abatement Bonds						
G.O. Tax Abatement Bonds of 2015B	08/13/15	2.00%-3.05%	1,840,000	12/01/30	1,295,000	120,000
Unamortized premiums/discounts					613,301	-
Compensated absences					499,362	105,741
Total long-term liabilities, governmental activities					<u>\$ 15,624,663</u>	<u>\$ 2,613,741</u>
	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
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	\$ 2,875,000	\$ 485,000
G.O. Utility Improvement Bonds of 2014A	06/15/14	2.00%-3.40%	660,000	12/01/32	460,000	460,000
G.O. Water Improvement Bonds of 2017B	08/30/17	2.25%	353,000	12/15/22	140,000	70,000
G.O. Sewer Refunding Bonds of 2020B	11/12/20	0.40%-2.00%	1,045,000	12/15/28	1,045,000	120,000
Taxable G.O. Crossover Refunding Bonds, Series 2020C	11/12/20	0.40%-1.90%	445,000	12/01/32	445,000	-
Total G.O. Revenue Bonds					<u>4,965,000</u>	<u>1,135,000</u>
Notes from direct borrowing						
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	435,000	40,000
City of St. Cloud RUE Project PFA Loan	08/01/10	1.77%	4,527,703	08/20/30	2,530,203	233,477
City of St. Cloud Lift Station Improvements	08/24/16	1.00%	469,263	08/20/26	306,421	49,781
City of St. Cloud NR2 Biosolids	10/09/17	1.10%	1,744,736	08/20/37	1,541,257	82,998
Total notes from direct borrowing					<u>4,812,881</u>	<u>406,256</u>
Unamortized premium					80,163	-
Compensated absences					107,426	13,796
Total business-type activities					<u>9,965,470</u>	<u>1,555,052</u>
Total all long-term liabilities					<u>\$ 25,590,133</u>	<u>\$ 4,168,793</u>

City of St. Joseph
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT (CONTINUED)

B. Components of Long-Term Liabilities (Continued)

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.

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Bonds payable				
General obligation	\$ 4,327,000	\$ 910,000	\$ 399,000	\$ 4,838,000
G.O. special assessment bonds	7,539,000	2,180,000	1,340,000	8,379,000
G.O. abatement bonds	1,410,000	-	115,000	1,295,000
Total bonds payable	<u>13,276,000</u>	<u>3,090,000</u>	<u>1,854,000</u>	<u>14,512,000</u>
Unamortized premiums/discounts	659,545	78,073	124,317	613,301
Compensated absences	449,588	298,699	248,925	499,362
Total governmental activities	<u>14,385,133</u>	<u>3,466,772</u>	<u>2,227,242</u>	<u>15,624,663</u>
	Beginning Balance	Additions	Reductions	Ending Balance
Business-type activities				
Bonds payable				
G.O. utility revenue bonds	\$ 5,251,000	\$ 1,490,000	\$ 1,776,000	\$ 4,965,000
Note from direct borrowing				
City of St. Cloud notes	5,162,148	51,635	400,902	4,812,881
Unamortized premiums	30,450	56,528	6,815	80,163
Compensated absences	161,588	69,475	123,637	107,426
Total business-type activities	<u>10,605,186</u>	<u>1,667,638</u>	<u>2,307,354</u>	<u>9,965,470</u>
Total long-term liabilities	<u>\$ 24,990,319</u>	<u>\$ 5,134,410</u>	<u>\$ 4,534,596</u>	<u>\$ 25,590,133</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:

Year Ended December 31,	Governmental Activities			
	G.O. Bonds		G.O. Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 328,000	\$ 109,400	\$ 2,060,000	\$ 265,006
2022	394,000	101,319	829,000	199,225
2023	397,000	93,091	844,000	173,460
2024	347,000	84,797	834,000	146,425
2025	352,000	78,750	799,000	120,752
2026-2030	1,370,000	303,262	2,863,000	248,710
2031-2035	1,385,000	145,590	150,000	5,250
2036	265,000	7,619	-	-
Total	<u>\$ 4,838,000</u>	<u>\$ 923,828</u>	<u>\$ 8,379,000</u>	<u>\$ 1,158,828</u>

Year Ended December 31,	Governmental Activities		
	Abatement Bonds		Total
	Principal	Interest	
2021	\$ 120,000	\$ 35,335	\$ 2,917,741
2022	120,000	32,935	1,676,479
2023	125,000	30,535	1,663,086
2024	125,000	27,410	1,564,632
2025	130,000	24,285	1,504,787
2026-2030	675,000	61,358	5,521,330
2031-2035	-	-	1,685,840
2036	-	-	272,619
Total	<u>\$ 1,295,000</u>	<u>\$ 211,858</u>	<u>\$ 16,806,514</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 From Direct Borrowing		Total
	Principal	Interest	Principal	Interest	
2021	\$ 1,135,000	\$ 112,471	\$ 406,256	\$ 79,248	\$ 1,732,975
2022	730,000	82,883	416,950	72,059	1,301,892
2023	675,000	67,758	422,538	64,628	1,229,924
2024	695,000	52,838	428,003	57,331	1,233,172
2025	710,000	38,933	439,037	50,098	1,238,068
2026-2030	930,000	52,353	2,030,684	138,349	3,151,386
2031-2035	90,000	2,565	472,932	26,407	591,904
2036-2037	-	-	196,481	3,234	199,715
Total	<u>\$ 4,965,000</u>	<u>\$ 409,801</u>	<u>\$ 4,812,881</u>	<u>\$ 491,354</u>	<u>\$ 10,679,036</u>

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, 2020, 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>240,000</u>
Total	<u>\$ 21,435,000</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	G.O. Industrial Park Bonds of 2019A	Nonmajor Governmental Fund	Total
Nonspendable				
Prepaid items	\$ 4,490	\$ -	\$ -	\$ 4,490
Restricted				
Debt service	-	1,501	2,349,761	2,351,262
Tax increments	-	-	44,519	44,519
State collected sales tax projects	-	-	1,325,161	1,325,161
Park dedication fees	-	-	206,528	206,528
Charitable gambling	-	-	650	650
Lodging tax	-	-	22,240	22,240
DEED CDAP	-	-	47,402	47,402
Revolving loan	-	-	11,979	11,979
Total restricted	<u>-</u>	<u>1,501</u>	<u>4,008,240</u>	<u>4,009,741</u>
Committed				
Economic development	-	-	314,052	314,052
Assigned				
Elections	8,872	-	-	8,872
Street seal coating /crack filling	169,805	-	-	169,805
Loader tires	9,389	-	-	9,389
Fire operations	20,000	-	-	20,000
Fire debt service	17,699	-	-	17,699
Fire capital	610,857	-	-	610,857
Police forfeiture	13,419	-	-	13,419
Police squad	50,000	-	-	50,000
Severance pay	202,358	-	-	202,358
Capital outlay reserves	-	-	1,910,429	1,910,429
Debt service relief	-	-	738,806	738,806
Total assigned	<u>1,102,399</u>	<u>-</u>	<u>2,649,235</u>	<u>3,751,634</u>
Unassigned	<u>1,707,066</u>	<u>-</u>	<u>(58,417)</u>	<u>1,648,649</u>
Total	<u>\$ 2,813,955</u>	<u>\$ 1,501</u>	<u>\$ 6,913,110</u>	<u>\$ 9,728,566</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 2020 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2020, 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, 2020, was \$163,151. 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.

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.

City of St. Joseph
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

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 members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is 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 five 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. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase was 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.

City of St. Joseph
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2020 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, 2020, were \$90,784. 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 11.3% of pay to 11.8% and employer rates increased from 16.95% to 17.7% on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$118,036. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of \$869,341 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. 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 \$26,723. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0145% at the end of the measurement period and 0.0135% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 869,341
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>26,723</u>
Total	<u>\$ 896,064</u>

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 (Continued)

For the year ended December 31, 2020, the City recognized pension expense of \$61,422 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$2,326 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.

At December 31, 2020, 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	\$ 7,395	\$ 3,288
Changes in actuarial assumptions	-	31,433
Net collective difference between projected and actual investment earnings	16,261	-
Changes in proportion	41,466	19,416
Contributions paid to PERA subsequent to the measurement date	<u>45,392</u>	<u>-</u>
Total	<u><u>\$ 110,514</u></u>	<u><u>\$ 54,137</u></u>

The \$45,392 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, 2021. 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>
2021	\$ (43,880)
2022	3,599
2023	30,262
2024	<u>21,004</u>
Total	<u><u>\$ 10,985</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, 2020, the City reported a liability of \$726,554 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportionate share was 0.0555% at the end of the measurement period and 0.0559% for the beginning of the period.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state aid was paid on October 1, 2019. Thereafter, by October 1 of each year, the State will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$93,277 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$5,311 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$4,995 for the year ended December 31, 2020, 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.

**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)

At December 31, 2020, 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	\$ 32,459	\$ 33,801
Changes in actuarial assumptions	238,532	445,350
Net collective difference between projected and actual investment earnings	21,484	-
Changes in proportion	27,678	24,863
Contributions paid to PERA subsequent to the measurement date	<u>59,018</u>	<u>-</u>
Total	<u><u>\$ 379,171</u></u>	<u><u>\$ 504,014</u></u>

The \$59,018 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, 2021. Other amounts reported as deferred outflows and 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>
2021	\$ (52,871)
2022	(194,085)
2023	36,218
2024	27,072
2025	<u>(195)</u>
Total	<u><u>\$ (183,861)</u></u>

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

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

	General Employees Fund	Police and Fire Fund
Inflation	2.25 % Per year	2.50 % Per year
Active member payroll growth	3.00 % Per year	3.25 % Per year
Investment rate of return	7.50 %	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, 2020, valuation were 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 assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation. The most recent four-year experience study for Police and Fire Plan was completed in 2020. The recommended assumptions for that plan was adopted by the Board and will be effective with the July 1, 2021, actual valuation if approved by the Legislature.

The following changes in actuarial assumptions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.

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

NOTE 9 –PENSION PLANS (CONTINUED)

Public Employees’ Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

General Employees Fund (Continued)

Changes in Actuarial Assumptions: (Continued)

- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

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 %
International stocks	17.5	5.30
Bonds (fixed income)	20.0	0.75
Alternative assets (private markets)	25.0	5.90
Cash	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 2020 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%)
City's proportionate share of the General Employees Fund net pension liability	\$ 1,393,253	\$ 869,341	\$ 437,157
	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the Police and Fire Fund net pension liability (asset)	\$ 1,453,088	\$ 726,554	\$ 125,475

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 no 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. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. 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% (.25%) 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 2020 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,445	\$ 1,445	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, 2020, the following employees were covered by the benefit terms:

Inactive members entitled to but not yet receiving benefits	3
Active members	28
	31
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 \$59,075 made by the State of Minnesota for the Relief Association. The City also contributed \$3,000 to the Relief Association.

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 %
Investment rate of return	4.75 %, net of pensions plan investment expense including inflation

The value of death benefits is similar to the value of the retirement pension. Mortality rates for active members, retirees, and disabilitants were based on RP 2014 tables, with mortality improvement scale MP-2019, with slight adjustments for male rates.

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)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	40.00 %	4.90 %
International equity	10.00	5.32
Fixed income	40.00	1.40
Real estate and alternatives	0.00	4.43
Cash and equivalents	10.00	0.09
 Total	 <u>100.00 %</u>	

The discount rate used to measure the total pension liability was 4.75%. 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

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at January 1, 2020	\$ 676,547	\$ 951,744	\$ (275,197)
Changes for the year			
Service cost	30,292	-	30,292
Interest cost	37,109	-	37,109
Differences between expected and actual experience	(9,251)	-	(9,251)
Changes of assumptions	15,976	-	15,976
Changes of benefit terms	59,260	-	59,260
State contributions	-	59,075	(59,075)
Municipal contributions	-	3,000	(3,000)
Net investment income	-	117,376	(117,376)
Administrative expense	-	(8,297)	8,297
 Net changes	 <u>133,386</u>	 <u>171,154</u>	 <u>(37,768)</u>
Balances at December 31, 2020	<u>\$ 809,933</u>	<u>\$ 1,122,898</u>	<u>\$ (312,965)</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 4.75%, 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 (3.75%) or 1-percentage-point higher (5.75%) than the current rate:

	1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
City's proportionate share of the Plan net position liability/asset	\$ (287,399)	\$ (312,965)	\$ (338,041)

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, 2020, the City recognized pension expense of \$69,082. At December 31, 2020, 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	\$ -	\$ 49,510
Changes of assumptions	78,564	-
Net difference between projected and actual earnings on pension plan investments	-	68,441
Total	\$ 78,564	\$ 117,951

**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:

Year Ending December 31,	Total
2021	\$ (10,563)
2022	(3,926)
2023	(22,719)
2024	(7,425)
2025	5,952
Therafter	(706)
Total	\$ (39,387)

NOTE 10 – COMMITMENTS

The City has entered into contracts for construction as follows:

Project	Contract Amount	Expended through 12/31/20	Commitment
CR2 Trail, Phase II/III	\$ 1,172,954	\$ 1,059,599	\$ 113,354
MN Streetscape	315,866	30,970	284,896
20th Ave Watermain	184,438	162,943	21,494
Industrial Park East Improvements	3,082,855	2,901,687	181,168
2019 Bituminous Street Improvements	1,994,350	1,993,727	623
Total			\$ 601,535

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.

City of St. Joseph
Notes to Financial Statements

NOTE 11 TAX INCREMENT FINANCING (CONTINUED)

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, 2020, the City generated \$160,979 in tax increment revenue and made \$152,973 in payments to developers.

In addition, the City had an abatement of \$30,080 relating to a development agreement.

NOTE 12 – CONTINGENCY

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 effect on the City's financial statements at December 31, 2020, cannot be determined at this time.

NOTE 13 – SUBSEQUENT EVENTS

In April 2021, the city sold the former Colts Academy building for \$600,000. With the sale of the building, the City approved the defeasance of the outstanding balance of the 2015B G.O. Abatement bonds. The 2015B bonds are callable 12/1/2022. Funds will be held in escrow to pay the bonds in full on the call date. In April 2021 the City approved selling their pooled capacity in the St. Cloud wastewater treatment facility to the City of Foley. Under the new amendment, St. Joseph will receive an upfront reimbursement of \$1,125,455 and realize future debt savings of \$1,097,000. The City of St. Joseph will receive the reimbursements once the City of Foley ties into the wastewater system in late 2021 or early 2022. The City of St. Joseph plans to use the reimbursements for future sewer improvements.

NOTE 14 – 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, 2022.

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, 2021.

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%
2020	0.0145%	869,341	26,723	896,064	1,031,520	84.28%	79.06%

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)	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	0.0570%	\$ 647,653	N/A	\$ 647,653	\$ 505,160	128.21%	86.61%
2016	0.0540%	2,167,114	N/A	2,167,114	518,580	417.89%	63.88%
2017	0.0540%	729,064	N/A	729,064	554,975	131.37%	85.43%
2018	0.0581%	614,057	N/A	614,057	612,154	100.31%	88.84%
2019	0.0559%	587,566	N/A	587,566	576,684	101.89%	89.26%
2020	0.0555%	726,554	17,262	743,816	613,525	121.24%	87.19%

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%
2020	90,784	90,784	-	1,210,453	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%
2020	118,036	118,036	-	666,870	17.70%

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	2020
\$ 25,641	\$ 27,172	\$ 28,180	\$ 30,292
33,188	32,052	32,323	37,109
-	(35,760)	-	(9,251)
4,299	8,441	-	15,976
-	-	28,541	59,260
(118,151)	-	-	-
(55,023)	31,905	89,044	133,386
610,621	555,598	587,503	676,547
<u>\$ 555,598</u>	<u>\$ 587,503</u>	<u>\$ 676,547</u>	<u>\$ 809,933</u>
\$ 58,310	\$ 56,565	\$ 58,653	\$ 62,075
77,946	(50,418)	118,020	117,376
(118,151)	-	-	-
(8,546)	(7,582)	(9,020)	(8,297)
9,559	(1,435)	167,653	171,154
775,967	785,526	784,091	951,744
<u>\$ 785,526</u>	<u>\$ 784,091</u>	<u>\$ 951,744</u>	<u>\$ 1,122,898</u>
<u>\$ (229,928)</u>	<u>\$ (196,588)</u>	<u>\$ (275,197)</u>	<u>\$ (312,965)</u>
141.4%	133.5%	140.7%	138.6%
n/a	n/a	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>2020</u>
\$ - <u>3,000</u>	\$ - <u>3,000</u>	\$ - <u>3,000</u>	\$ - <u>3,000</u>
<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>
<u>\$ 55,310</u>	<u>\$ 53,565</u>	<u>\$ 55,653</u>	<u>\$ 59,075</u>
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a

City of St. Joseph
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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.

City of St. Joseph
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

2018 Changes Continued)

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.
- 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

City of St. Joseph
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

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

2020 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

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.

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.

City of St. Joseph
Notes to Required Supplementary Information

POLICE AND FIRE FUND (CONTINUED)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- 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%.
- 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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%.

City of St. Joseph
Notes to Required Supplementary Information

FIRE RELIEF ASSOCIATION

2020 Changes

Changes in Plan Provisions

- The benefit level increased from \$2,100 to \$2,300 per year.

Changes in Actuarial Assumptions

- The discount rate was changed from 5.25% to 4.75%.

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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, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 1,924,845	\$ 1,931,867	\$ 7,022
Sales taxes	-	4	4
Miscellaneous taxes	8,000	4,010	(3,990)
Special assessments	4,000	3,389	(611)
Franchise fees	138,820	132,991	(5,829)
Licenses and permits	181,510	178,139	(3,371)
Intergovernmental revenue			
Local government aid	1,125,345	1,129,651	4,306
Fire aid	52,000	61,815	9,815
Police aid	82,000	83,484	1,484
Federal grants	750	719,125	718,375
State grants	59,100	75,120	16,020
Other grants and aids	26,400	33,068	6,668
Total intergovernmental revenue	<u>1,345,595</u>	<u>2,102,263</u>	<u>756,668</u>
Charges for services			
General government	41,360	48,448	7,088
Public safety	288,165	292,358	4,193
Public works	4,135	3,944	(191)
Culture and recreation	96,405	86,239	(10,166)
Total charges for services	<u>430,065</u>	<u>430,989</u>	<u>924</u>
Fines and forfeitures	67,000	43,317	(23,683)
Miscellaneous revenues			
Investment income	53,000	81,153	28,153
Contributions and donations	3,900	2,304	(1,596)
Other	41,550	34,809	(6,741)
Total miscellaneous revenues	<u>98,450</u>	<u>118,266</u>	<u>19,816</u>
Total revenues	<u>4,198,285</u>	<u>4,945,235</u>	<u>746,950</u>
Expenditures			
General government			
Mayor and council	88,455	92,163	3,708
Administrative and finance	532,520	538,978	6,458
Other general government	421,825	388,936	(32,889)
Capital outlay	6,000	72,014	66,014
Total general government	<u>1,048,800</u>	<u>1,092,091</u>	<u>43,291</u>

City of St. Joseph
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures			
Public safety			
Police			
Current	\$ 1,314,640	\$ 1,204,344	\$ (110,296)
Capital outlay	-	193,256	193,256
Total police	<u>1,314,640</u>	<u>1,397,600</u>	<u>82,960</u>
Fire			
Current	408,905	434,482	25,577
Capital outlay	80,550	49,109	(31,441)
Total fire	<u>489,455</u>	<u>483,591</u>	<u>(5,864)</u>
Other			
Current	101,350	102,230	880
Total public safety	<u>1,905,445</u>	<u>1,983,421</u>	<u>77,976</u>
Public works			
Streets and highways			
Street maintenance and storm sewers	321,590	310,877	(10,713)
Snow and ice removal	135,170	115,664	(19,506)
Street engineering	35,000	30,685	(4,315)
Capital outlay	139,400	277,198	137,798
Total public works	<u>631,160</u>	<u>734,424</u>	<u>103,264</u>
Culture and recreation			
Current	479,790	429,568	(50,222)
Capital outlay	-	32,695	32,695
Total culture and recreation	<u>479,790</u>	<u>462,263</u>	<u>(17,527)</u>
Economic development:			
Economic development:			
Economic development current expenditures	-	201,414	201,414
Total expenditures	<u>4,065,195</u>	<u>4,473,613</u>	<u>408,418</u>
Excess of revenues over expenditures	133,090	471,622	338,532
Other Financing Sources (Uses)			
Insurance recoveries	2,000	-	(2,000)
Sale of property	200	-	(200)
Transfers in	56,640	61,161	4,521
Transfers out	-	(297,256)	(297,256)
Total other financing sources (uses)	<u>58,840</u>	<u>(236,095)</u>	<u>(294,935)</u>
Net change in fund balances	<u>\$ 191,930</u>	235,527	<u>\$ 43,597</u>
Fund Balances			
Beginning of year		<u>2,578,428</u>	
End of year		<u>\$ 2,813,955</u>	

City of St. Joseph
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2020

	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	\$ 111,122	\$ 32,822	\$ 334	\$ 3,372
Cash with fiscal agent	-	-	-	-
Taxes receivable - delinquent	2,112	-	-	-
Special assessments receivable				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Accounts receivable	-	-	-	-
Interest receivable	110	64	2	2
Due from other funds	12,500	-	-	-
Due from other governments	6,963	1,880	-	-
Notes receivable	-	-	-	-
Total assets	<u>\$ 132,807</u>	<u>\$ 34,766</u>	<u>\$ 336</u>	<u>\$ 3,374</u>
Liabilities				
Accounts payable	\$ 16,122	\$ 1,692	\$ 8	\$ 13
Contracts payable	-	-	-	-
Due to other funds	-	-	-	12,500
Due to other governments	-	-	-	-
Salaries and benefits payable	576	-	-	-
Total liabilities	<u>16,698</u>	<u>1,692</u>	<u>8</u>	<u>12,513</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	2,112	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Unavailable revenue - notes receivable	-	-	-	-
Total deferred inflows of resources	<u>2,112</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	-	33,074	328	-
Committed	113,997	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	(9,139)
Total fund balances	<u>113,997</u>	<u>33,074</u>	<u>328</u>	<u>(9,139)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 132,807</u>	<u>\$ 34,766</u>	<u>\$ 336</u>	<u>\$ 3,374</u>

Special Revenue

TIF 4-1 Fortitude Senior Housing (153)	State Collected Sales Tax (200)	Park Dedication (205)	Charitable Gambling (215)	Lodging Tax (220)	Revolving Loan (250)	Deed Housing (225)
\$ 11,149	\$ 1,247,302	\$ 206,207	\$ 647	\$ 22,164	\$ 211,384	\$ 47,311
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	32	-	21	-	-
19	2,011	329	3	55	457	91
-	-	-	-	-	-	-
-	105,891	204	-	-	-	-
-	-	-	-	-	79,638	-
<u>\$ 11,168</u>	<u>\$ 1,355,204</u>	<u>\$ 206,772</u>	<u>\$ 650</u>	<u>\$ 22,240</u>	<u>\$ 291,479</u>	<u>\$ 47,402</u>
\$ 51	\$ -	\$ 244	\$ -	\$ -	\$ 20	\$ -
-	30,043	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
51	30,043	244	-	-	20	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	79,425	-
-	-	-	-	-	79,425	-
11,117	1,325,161	206,528	650	22,240	11,979	47,402
-	-	-	-	-	200,055	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11,117	1,325,161	206,528	650	22,240	212,034	47,402
<u>\$ 11,168</u>	<u>\$ 1,355,204</u>	<u>\$ 206,772</u>	<u>\$ 650</u>	<u>\$ 22,240</u>	<u>\$ 291,479</u>	<u>\$ 47,402</u>

City of St. Joseph
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2020

	Debt Service			
	G.O. Improvement Bonds of 2010B (345)	G.O. Improvement Bonds of 2014A (350)	G.O. Improvement Bonds of 2015A (351)	G.O. Tax Abatement Bonds of 2015B (353)
Assets				
Cash and investments	\$ 111,392	\$ 130,567	\$ 103,281	\$ 46,386
Cash with fiscal agent	-	1,309,547	-	-
Taxes receivable - delinquent	116	1,505	1,108	-
Special assessments receivable				
Delinquent	-	-	-	-
Deferred	63,686	74,834	83,027	-
Accounts receivable	-	-	2,686	-
Interest receivable	262	-	281	257
Due from other funds	-	-	-	-
Due from other governments	140	1,018	1,071	-
Notes receivable	-	-	-	-
	<u>111,392</u>	<u>1,309,547</u>	<u>103,281</u>	<u>46,386</u>
Total assets	<u>\$ 175,596</u>	<u>\$ 1,517,471</u>	<u>\$ 191,454</u>	<u>\$ 46,643</u>
Liabilities				
Accounts payable	\$ 79	\$ -	\$ 79	\$ 6,825
Contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Salaries and benefits payable	-	-	-	-
Total liabilities	<u>79</u>	<u>-</u>	<u>79</u>	<u>6,825</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	116	1,505	1,108	-
Unavailable revenue - special assessments	63,686	74,834	83,027	-
Unavailable revenue - notes receivable	-	-	-	-
Total deferred inflows of resources	<u>63,802</u>	<u>76,339</u>	<u>84,135</u>	<u>-</u>
Fund Balances				
Restricted	111,715	1,441,132	107,240	39,818
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>111,715</u>	<u>1,441,132</u>	<u>107,240</u>	<u>39,818</u>
	<u>\$ 175,596</u>	<u>\$ 1,517,471</u>	<u>\$ 191,454</u>	<u>\$ 46,643</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 175,596</u>	<u>\$ 1,517,471</u>	<u>\$ 191,454</u>	<u>\$ 46,643</u>

Debt Service

G.O. Capital Improvement Plan Bonds of 2016A (301)	G.O. Improvement Bonds of 2016B (304)	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)
\$ 35,329	\$ 258,985	\$ 83,571	\$ 36,330	\$ 2,376	\$ 735,685	\$ 111,146
-	-	-	-	-	-	-
4,252	74	-	251	853	1,509	324
-	-	-	504	-	1,804	-
-	595,129	-	50,130	-	223,386	454,287
-	-	-	-	-	-	1,394
176	580	483	100	55	1,458	1,166
-	-	-	-	-	-	-
2,477	49	-	1,233	563	1,663	4,781
-	-	233,007	-	-	-	-
<u>\$ 42,234</u>	<u>\$ 854,817</u>	<u>\$ 317,061</u>	<u>\$ 88,548</u>	<u>\$ 3,847</u>	<u>\$ 965,505</u>	<u>\$ 573,098</u>
\$ 79	\$ 79	\$ 79	\$ 79	\$ 79	\$ -	\$ 79
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>79</u>	<u>79</u>	<u>79</u>	<u>79</u>	<u>79</u>	<u>-</u>	<u>79</u>
4,252	74	-	251	853	1,509	324
-	595,129	-	50,634	-	225,190	454,287
-	-	231,776	-	-	-	-
<u>4,252</u>	<u>595,203</u>	<u>231,776</u>	<u>50,885</u>	<u>853</u>	<u>226,699</u>	<u>454,611</u>
37,903	259,535	85,206	37,584	2,915	-	118,408
-	-	-	-	-	-	-
-	-	-	-	-	738,806	-
-	-	-	-	-	-	-
<u>37,903</u>	<u>259,535</u>	<u>85,206</u>	<u>37,584</u>	<u>2,915</u>	<u>738,806</u>	<u>118,408</u>
<u>\$ 42,234</u>	<u>\$ 854,817</u>	<u>\$ 317,061</u>	<u>\$ 88,548</u>	<u>\$ 3,847</u>	<u>\$ 965,505</u>	<u>\$ 573,098</u>

City of St. Joseph
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2020

	Debt Service			
	2020A Equipment Certificate (309)	G.O. Improvement Bond of 2020B (310)	G.O. Capital Improvement Bonds of 2020B (312)	G.O. Improvement Bonds of 2013A/2020B (313)
Assets				
Cash and investments	\$ 4,916	\$ 17,566	\$ 14,031	\$ 52,210
Cash with fiscal agent	-	-	-	-
Taxes receivable - delinquent	-	-	-	279
Special assessments receivable				
Delinquent	-	-	-	-
Deferred	-	144,897	-	22,182
Accounts receivable	-	-	-	-
Interest receivable	191	140	111	141
Due from other funds	-	-	-	-
Due from other governments	-	-	-	599
Notes receivable	-	-	-	-
	<u>5,107</u>	<u>162,603</u>	<u>14,142</u>	<u>75,411</u>
Total assets	<u>\$ 5,107</u>	<u>\$ 162,603</u>	<u>\$ 14,142</u>	<u>\$ 75,411</u>
Liabilities				
Accounts payable	\$ 2,560	\$ 79	\$ 79	\$ 79
Contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Salaries and benefits payable	-	-	-	-
	<u>2,560</u>	<u>79</u>	<u>79</u>	<u>79</u>
Total liabilities	<u>2,560</u>	<u>79</u>	<u>79</u>	<u>79</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	279
Unavailable revenue - special assessments	-	144,897	-	22,182
Unavailable revenue - notes receivable	-	-	-	-
	<u>-</u>	<u>144,897</u>	<u>-</u>	<u>22,461</u>
Total deferred inflows of resources	<u>-</u>	<u>144,897</u>	<u>-</u>	<u>22,461</u>
Fund Balances				
Restricted	2,547	17,627	14,063	52,871
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<u>2,547</u>	<u>17,627</u>	<u>14,063</u>	<u>52,871</u>
Total fund balances	<u>2,547</u>	<u>17,627</u>	<u>14,063</u>	<u>52,871</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,107</u>	<u>\$ 162,603</u>	<u>\$ 14,142</u>	<u>\$ 75,411</u>

Debt Service	Capital Projects					
Crossover Improvement Bonds of 2014A/2020C (314)	Jacob Wetterling Recreation Center (402)	2019 Street Overlay Project (407)	2019 Industrial Park Project (408)	2020 Equipment Certificates (409)	2020 20th Avenue Watermain Loop (410)	2021 Street Overlay Project (411)
\$ 1,264 19,669 -	\$ 3,185 -	\$ 149,845 -	\$ 372,831 -	\$ 53,980 -	\$ 399,144 -	\$ 484 -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
343	6	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 21,276</u>	<u>\$ 3,191</u>	<u>\$ 149,845</u>	<u>\$ 372,831</u>	<u>\$ 53,980</u>	<u>\$ 399,144</u>	<u>\$ 484</u>
\$ 79	\$ -	\$ 1,416	\$ 986	\$ 2,676	\$ 993	\$ 16,762
-	-	27,966	156,137	-	8,147	-
-	-	-	-	-	-	33,000
-	-	-	-	-	-	-
79	-	29,382	157,123	2,676	9,140	49,762
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
21,197	-	-	-	-	-	-
-	-	-	-	-	-	-
-	3,191	120,463	215,708	51,304	390,004	-
-	-	-	-	-	-	(49,278)
<u>21,197</u>	<u>3,191</u>	<u>120,463</u>	<u>215,708</u>	<u>51,304</u>	<u>390,004</u>	<u>(49,278)</u>
<u>\$ 21,276</u>	<u>\$ 3,191</u>	<u>\$ 149,845</u>	<u>\$ 372,831</u>	<u>\$ 53,980</u>	<u>\$ 399,144</u>	<u>\$ 484</u>

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City of St. Joseph
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2020

	Capital Projects			Total Governmental Funds
	General Capital Outlay (490)	Water Access Fund (501)	Sewer Access Fund (502)	
Assets				
Cash and investments	\$ 601,724	\$ 499,391	\$ 28,754	\$ 5,748,187
Cash with fiscal agent	-	-	-	1,329,216
Taxes receivable - delinquent	-	-	-	12,383
Special assessments receivable				
Delinquent	-	-	-	2,308
Deferred	-	-	-	1,711,558
Accounts receivable	665	-	-	4,798
Interest receivable	-	-	-	8,893
Due from other funds	-	-	-	12,500
Due from other governments	1,377	-	-	129,909
Notes receivable	-	-	-	312,645
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 603,766</u>	<u>\$ 499,391</u>	<u>\$ 28,754</u>	<u>\$ 9,272,397</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 51,316
Contracts payable	-	-	-	222,293
Due to other funds	-	-	-	45,500
Due to other governments	2,152	-	-	2,152
Salaries and benefits payable	-	-	-	576
Total liabilities	<u>2,152</u>	<u>-</u>	<u>-</u>	<u>321,837</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	12,383
Unavailable revenue - special assessments	-	-	-	1,713,866
Unavailable revenue - notes receivable	-	-	-	311,201
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,037,450</u>
Fund Balances				
Restricted	-	-	-	4,008,240
Committed	-	-	-	314,052
Assigned	601,614	499,391	28,754	2,649,235
Unassigned	-	-	-	(58,417)
Total fund balances	<u>601,614</u>	<u>499,391</u>	<u>28,754</u>	<u>6,913,110</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 603,766</u>	<u>\$ 499,391</u>	<u>\$ 28,754</u>	<u>\$ 9,272,397</u>

City of St. Joseph
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2020

	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	\$ 151,383	\$ -	\$ -	\$ -
Tax increments	-	40,726	4,348	14,282
Sales taxes	-	-	-	-
Lodging taxes	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	14,242	-	-	-
Charges for services	-	-	-	-
Miscellaneous				
Investment income	1,376	879	29	28
Contributions and donations	-	-	-	-
Revolving loan repayments	-	-	-	-
Other	-	-	-	-
Total revenues	<u>167,001</u>	<u>41,605</u>	<u>4,377</u>	<u>14,310</u>
Expenditures				
Current				
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	106,998	38,673	4,254	13,961
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	670	-	-	-
Total expenditures	<u>107,668</u>	<u>38,673</u>	<u>4,254</u>	<u>13,961</u>
Excess of revenues over (under) expenditures	59,333	2,932	123	349
Other Financing Sources (Uses)				
Sale of property	24,500	-	-	-
Bonds issued	-	-	-	-
Refunding bonds issued	-	-	-	-
Bond premium	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(10,536)	-	-	(94)
Total other financing sources (uses)	<u>13,964</u>	<u>-</u>	<u>-</u>	<u>(94)</u>
Net change in fund balances	73,297	2,932	123	255
Fund Balances				
Beginning of year	<u>40,700</u>	<u>30,142</u>	<u>205</u>	<u>(9,394)</u>
End of year	<u>\$ 113,997</u>	<u>\$ 33,074</u>	<u>\$ 328</u>	<u>\$ (9,139)</u>

Special Revenue

TIF 3-1 Central Minnesota Credit Union (152)	TIF 4-1 Fortitude Senior Housing (153)	State Collected Sales Tax (200)	Park Dedication (205)	Charitable Gambling (215)	Lodging Tax (220)	Revolving Loan (250)
\$ -	\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ -
45,058	56,565	-	-	-	-	-
-	-	505,814	-	-	-	-
-	-	-	-	-	4,914	-
-	-	-	-	-	-	-
-	-	-	46,975	-	-	-
137	264	27,611	4,519	46	757	5,688
-	-	-	30,298	400	5,000	-
-	-	-	-	-	-	9,258
-	-	-	-	-	-	350
<u>45,195</u>	<u>56,829</u>	<u>533,425</u>	<u>101,792</u>	<u>446</u>	<u>10,671</u>	<u>15,296</u>
-	-	-	-	-	-	-
-	-	-	2,624	1,985	-	-
48,369	52,055	-	-	-	23,217	35,517
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,376	2,128	-	-	-
-	-	-	-	-	-	-
<u>48,369</u>	<u>52,055</u>	<u>1,376</u>	<u>4,752</u>	<u>1,985</u>	<u>23,217</u>	<u>35,517</u>
(3,174)	4,774	532,049	97,040	(1,539)	(12,546)	(20,221)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
36	94	-	6,600	-	-	10,500
-	-	(180,000)	-	-	-	-
<u>36</u>	<u>94</u>	<u>(180,000)</u>	<u>6,600</u>	<u>-</u>	<u>-</u>	<u>10,500</u>
(3,138)	4,868	352,049	103,640	(1,539)	(12,546)	(9,721)
3,138	6,249	973,112	102,888	2,189	34,786	221,755
<u>\$ -</u>	<u>\$ 11,117</u>	<u>\$ 1,325,161</u>	<u>\$ 206,528</u>	<u>\$ 650</u>	<u>\$ 22,240</u>	<u>\$ 212,034</u>

City of St. Joseph
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2020

	<u>Special Revenue</u>	<u>Debt Service</u>		
	Deed Housing (225)	G.O. Improvement Bonds of 2005B/2010B (333)	G.O. Improvement Bonds of 2013A (348)	G.O. Improvement Bonds of 2011A/2006C (338)
Revenues				
Property taxes	\$ -	\$ 210	\$ 24,734	\$ 59,504
Tax increments	-	-	-	-
Sales taxes	-	-	-	-
Lodging taxes	-	-	-	-
Special assessments	-	28,180	8,974	34,221
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous				
Investment income	1,246	1,832	1,700	1,266
Contributions and donations	-	-	-	-
Revolving loan repayments	-	-	-	-
Other	16,221	-	-	-
Total revenues	<u>17,467</u>	<u>30,222</u>	<u>35,408</u>	<u>94,991</u>
Expenditures				
Current				
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	3,125	-	-	-
Debt service				
Principal	-	135,000	235,000	275,000
Interest and other charges	-	3,308	6,230	7,318
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>3,125</u>	<u>138,308</u>	<u>241,230</u>	<u>282,318</u>
Excess of revenues over (under) expenditures	14,342	(108,086)	(205,822)	(187,327)
Other Financing Sources (Uses)				
Sale of property	-	-	-	-
Bonds issued	-	-	-	-
Refunding bonds issued	-	-	190,000	-
Bond premium	-	-	-	-
Transfers in	-	33,234	-	131,738
Transfers out	-	-	(52,187)	-
Total other financing sources (uses)	<u>-</u>	<u>33,234</u>	<u>137,813</u>	<u>131,738</u>
Net change in fund balances	14,342	(74,852)	(68,009)	(55,589)
Fund Balances				
Beginning of year	<u>33,060</u>	<u>74,852</u>	<u>68,009</u>	<u>55,589</u>
End of year	<u>\$ 47,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Debt Service

G.O. Improvement Bonds of 2010B (345)	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)
\$ 9,993	\$ 20,740	\$ 105,042	\$ 20,105	\$ 37,489	\$ -	\$ 255,342
-	-	-	-	-	-	-
-	-	-	-	-	-	-
23,273	-	20,679	36,119	-	-	-
-	20,305	-	-	-	-	-
3,595	160	4,275	3,862	486	3,527	2,410
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>36,861</u>	<u>41,205</u>	<u>129,996</u>	<u>60,086</u>	<u>37,975</u>	<u>3,527</u>	<u>257,752</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
55,000	85,000	120,000	60,000	35,000	115,000	185,000
10,418	2,288	44,835	9,231	700	46,529	86,121
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>65,418</u>	<u>87,288</u>	<u>164,835</u>	<u>69,231</u>	<u>35,700</u>	<u>161,529</u>	<u>271,121</u>
(28,557)	(46,083)	(34,839)	(9,145)	2,275	(158,002)	(13,369)
-	-	-	-	-	-	-
-	-	1,309,547	-	-	-	-
-	-	-	-	-	-	-
13,250	46,478	-	-	-	160,000	-
-	-	-	-	(4,521)	-	-
<u>13,250</u>	<u>46,478</u>	<u>1,309,547</u>	<u>-</u>	<u>(4,521)</u>	<u>160,000</u>	<u>-</u>
(15,307)	395	1,274,708	(9,145)	(2,246)	1,998	(13,369)
127,022	(395)	166,424	116,385	2,246	37,820	51,272
<u>\$ 111,715</u>	<u>\$ -</u>	<u>\$ 1,441,132</u>	<u>\$ 107,240</u>	<u>\$ -</u>	<u>\$ 39,818</u>	<u>\$ 37,903</u>

City of St. Joseph
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2020

	Debt Service			
	G.O. Improvement Bonds of 2016B (304)	Capital Improvement Bonds of 2017A (303)	G.O. Improvement Bonds of 2017B (305)	2018A Equipment Certificate (306)
Revenues				
Property taxes	\$ 4,998	\$ -	\$ 19,982	\$ 57,969
Tax increments	-	-	-	-
Sales taxes	-	-	-	-
Lodging taxes	-	-	-	-
Special assessments	22,344	-	20,589	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous				
Investment income	7,963	2,930	1,368	760
Contributions and donations	-	-	-	-
Revolving loan repayments	-	-	-	-
Other	-	36,000	-	-
Total revenues	<u>35,305</u>	<u>38,930</u>	<u>41,939</u>	<u>58,729</u>
Expenditures				
Current				
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	50,000	42,000	35,000	52,000
Interest and other charges	12,929	7,433	7,519	5,880
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>62,929</u>	<u>49,433</u>	<u>42,519</u>	<u>57,880</u>
Excess of revenues over (under) expenditures	(27,624)	(10,503)	(580)	849
Other Financing Sources (uses)				
Sale of property	-	-	-	-
Bonds issued	-	-	-	-
Refunding bonds issued	-	-	-	-
Bond premium	-	-	-	-
Transfers in	20,000	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(7,624)	(10,503)	(580)	849
Fund Balances				
Beginning of year	<u>267,159</u>	<u>95,709</u>	<u>38,164</u>	<u>2,066</u>
End of year	<u>\$ 259,535</u>	<u>\$ 85,206</u>	<u>\$ 37,584</u>	<u>\$ 2,915</u>

Debt Service

Debt Service Relief Fund (390)	G.O. Improvement Bonds of 2019A (307)	2020A Equipment Certificate (309)	G.O. Improvement Bond of 2020B (310)	G.O. Capital Improvement Bonds of 2020B (312)	G.O. Improvement Bonds of 2013A/2020B (313)	G.O. Taxable Crossover Improvement Bonds of 2014A/2020C (314)
\$ 859	\$ 74,676	\$ -	\$ -	\$ -	\$ 242	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
10,735	128,315	-	-	-	358	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
16,925	16,005	2,627	1,923	1,522	232	434
26,768	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>55,287</u>	<u>218,996</u>	<u>2,627</u>	<u>1,923</u>	<u>1,522</u>	<u>832</u>	<u>434</u>
16,321	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	155,000	-	-	-	-	-
-	92,880	2,561	16,699	18,430	5,134	34,690
-	-	-	-	-	-	-
-	-	-	-	-	-	-
41,279	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>57,600</u>	<u>247,880</u>	<u>2,561</u>	<u>16,699</u>	<u>18,430</u>	<u>5,134</u>	<u>34,690</u>
(2,313)	(28,884)	66	(14,776)	(16,908)	(4,302)	(34,256)
-	-	-	-	-	-	-
-	-	2,481	940	22	-	-
-	-	-	-	-	-	55,453
-	-	-	31,463	30,124	4,986	-
200,000	-	-	-	825	52,187	-
(146,972)	-	-	-	-	-	-
<u>53,028</u>	<u>-</u>	<u>2,481</u>	<u>32,403</u>	<u>30,971</u>	<u>57,173</u>	<u>55,453</u>
50,715	(28,884)	2,547	17,627	14,063	52,871	21,197
688,091	147,292	-	-	-	-	-
<u>\$ 738,806</u>	<u>\$ 118,408</u>	<u>\$ 2,547</u>	<u>\$ 17,627</u>	<u>\$ 14,063</u>	<u>\$ 52,871</u>	<u>\$ 21,197</u>

City of St. Joseph
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2020

	Capital Projects				
	Jacob Wetterling Recreation Center (402)	2018 Equipment Certificate (406)	2019 Street Overlay Project (407)	2019 Industrial Park Project (408)	2020 Equipment Certificates (409)
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	-	-
Sales taxes	-	-	-	-	-
Lodging taxes	-	-	-	-	-
Special assessments	-	-	-	-	-
Intergovernmental	-	-	-	155,287	-
Charges for services	-	-	-	-	-
Miscellaneous					
Investment income	86	-	-	-	-
Contributions and donations	-	-	-	-	-
Revolving loan repayments	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	<u>86</u>	<u>-</u>	<u>-</u>	<u>155,287</u>	<u>-</u>
Expenditures					
Current					
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Economic development	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	12,000
Capital outlay					
General government	-	7,298	-	-	12,892
Public safety	-	15,947	-	-	25,700
Public works	-	5,525	743,456	968,506	86,808
Culture and recreation	-	5,083	-	-	28,815
Economic development	-	-	-	-	-
Total expenditures	<u>-</u>	<u>33,853</u>	<u>743,456</u>	<u>968,506</u>	<u>166,215</u>
Excess of revenues over (under) expenditures	86	(33,853)	(743,456)	(813,219)	(166,215)
Other Financing Sources (uses)					
Sale of property	-	-	-	-	-
Bonds issued	-	-	-	-	217,519
Refunding bonds issued	-	-	-	-	-
Bond premium	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	(4,330)	-	(208,300)	-
Total other financing sources (uses)	<u>-</u>	<u>(4,330)</u>	<u>-</u>	<u>(208,300)</u>	<u>217,519</u>
Net change in fund balances	86	(38,183)	(743,456)	(1,021,519)	51,304
Fund Balances					
Beginning of year	<u>3,105</u>	<u>38,183</u>	<u>863,919</u>	<u>1,237,227</u>	<u>-</u>
End of year	<u>\$ 3,191</u>	<u>\$ -</u>	<u>\$ 120,463</u>	<u>\$ 215,708</u>	<u>\$ 51,304</u>

Capital Projects

2020 20th Avenue Watermain Loop (410)	2021 Street Overlay Project (411)	2020 Public Works Building Expansion (412)	General Capital Outlay (490)	Water Access Fund (501)	Sewer Access Fund (502)	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ 134,700	\$ -	\$ -	\$ 997,968
-	-	-	-	-	-	160,979
-	-	-	-	-	-	505,814
-	-	-	-	-	-	4,914
-	-	-	-	-	-	333,787
-	-	-	-	-	-	169,529
-	-	-	-	203,500	138,500	409,280
-	-	-	-	14,578	1,550	134,596
-	-	-	-	-	-	62,466
-	-	-	-	-	-	9,258
-	-	-	665	-	-	53,236
-	-	-	135,365	218,078	140,050	2,841,827
-	-	-	-	-	-	16,321
-	-	-	-	-	-	4,609
-	-	-	-	-	-	326,169
-	-	-	-	-	-	1,634,000
-	-	-	-	-	-	433,133
-	-	-	15,361	-	-	35,551
-	-	-	7,308	-	-	48,955
238,056	49,278	696,653	29,910	-	-	2,859,471
-	-	-	43,009	-	-	80,411
-	-	-	-	-	-	670
238,056	49,278	696,653	95,588	-	-	5,439,290
(238,056)	(49,278)	(696,653)	39,777	218,078	140,050	(2,597,463)
-	-	-	30,873	-	-	55,373
624,060	-	689,978	-	-	-	1,535,000
-	-	-	-	-	-	1,555,000
4,000	-	7,500	-	-	-	78,073
-	-	-	-	-	-	674,942
-	-	(825)	-	(200,000)	(140,000)	(947,765)
628,060	-	696,653	30,873	(200,000)	(140,000)	2,950,623
390,004	(49,278)	-	70,650	18,078	50	353,160
-	-	-	530,964	481,313	28,704	6,559,950
\$ 390,004	\$ (49,278)	\$ -	\$ 601,614	\$ 499,391	\$ 28,754	\$ 6,913,110

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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, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 5, 2021.

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) 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.

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 2020-001.

Compliance and Other Matters

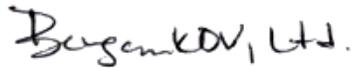
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

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.



St. Cloud, Minnesota
May 5, 2021

Minnesota Legal Compliance

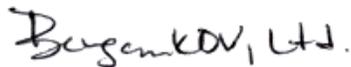
Independent Auditor's Report

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, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 5, 2021.

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 Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

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 stylized font.

St. Cloud, Minnesota
May 5, 2021

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

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING

Material Weakness

Audit Finding 2020-001 – 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 Accounting Technician opens mail, enters cash and checks into the point-of-sale system, reconcile daily receipts, and sends late notices/calculates penalties. The Police Records Specialist records police receipts, receives payments, and reconciles the collections. A police officer takes the deposit to the bank.

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 Senior Accountant enters invoices, reconciles billing discrepancies, maintains asset listing included additions, and calculates depreciation. Finance Director reviews listing and records journal entry.

Payroll

The Finance Director and Senior Accountant both have the ability to make changes to payroll, process payroll, make changes to time off accruals and change pay rates. The Senior Accountant reconciles payroll accruals. The Finance Director reviews payroll reports and time off balances and calculates compensated absences balances for the audit.

Utility Billing

The Account Technician enters new accounts into the utility billing system and uploads meter readings via interfacing with electronic readers. The Account Technician enters any rate changes to the system and can enter manual adjustments. The Account Technician 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 2020-001 – 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.

During the course of our audit, we proposed a material audit adjustment that may not have been identified as a result of the City's existing internal control and, therefore, could have resulted in a material misstatement of the financial statements.

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 Clerk, 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, 2020



**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, 2020, 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, 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 over financial reporting.

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 May 5, 2021, 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.

BergankDV, Ltd.

St. Cloud, Minnesota
May 5, 2021

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 Accounting Technician opens mail, enters cash and checks into the point-of-sale system, reconcile daily receipts, and sends late notices/calculates penalties. The Police Records Specialist records police receipts, receives payments, and reconciles the collections. A police officer takes the deposit to the bank.

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The Finance Director and Senior Accountant both have the ability to make changes to payroll, process payroll, make changes to time off accruals, and change pay rates. The Senior Accountant reconciles payroll accruals. The Finance Director reviews payroll reports and time off balances and calculates compensated absences balances for the audit.

Utility Billing

The Account Technician enters new accounts into the utility billing system and uploads meter readings via interfacing with electronic readers. The Account Technician enters any rate changes to the system and can enter manual adjustments. The Account Technician 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.

During the course of our audit, we proposed a material audit adjustment that may not have been identified as a result of the City's existing internal control and, therefore, could have resulted in a material misstatement of the financial statements.

**City of St. Joseph
Material Weakness**

Improve Segregation of Accounting Duties (Continued)

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, 2020. 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 2020. 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 and in relation to the applicable opinion units.

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 taken as a whole and each applicable opinion unit.

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. The following material misstatement that we identified as a result of our audit procedures was brought to the attention of and corrected by management.

- Accounts payable

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 and regulatory 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.

**City of St. Joseph
Required Communication**

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.

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.

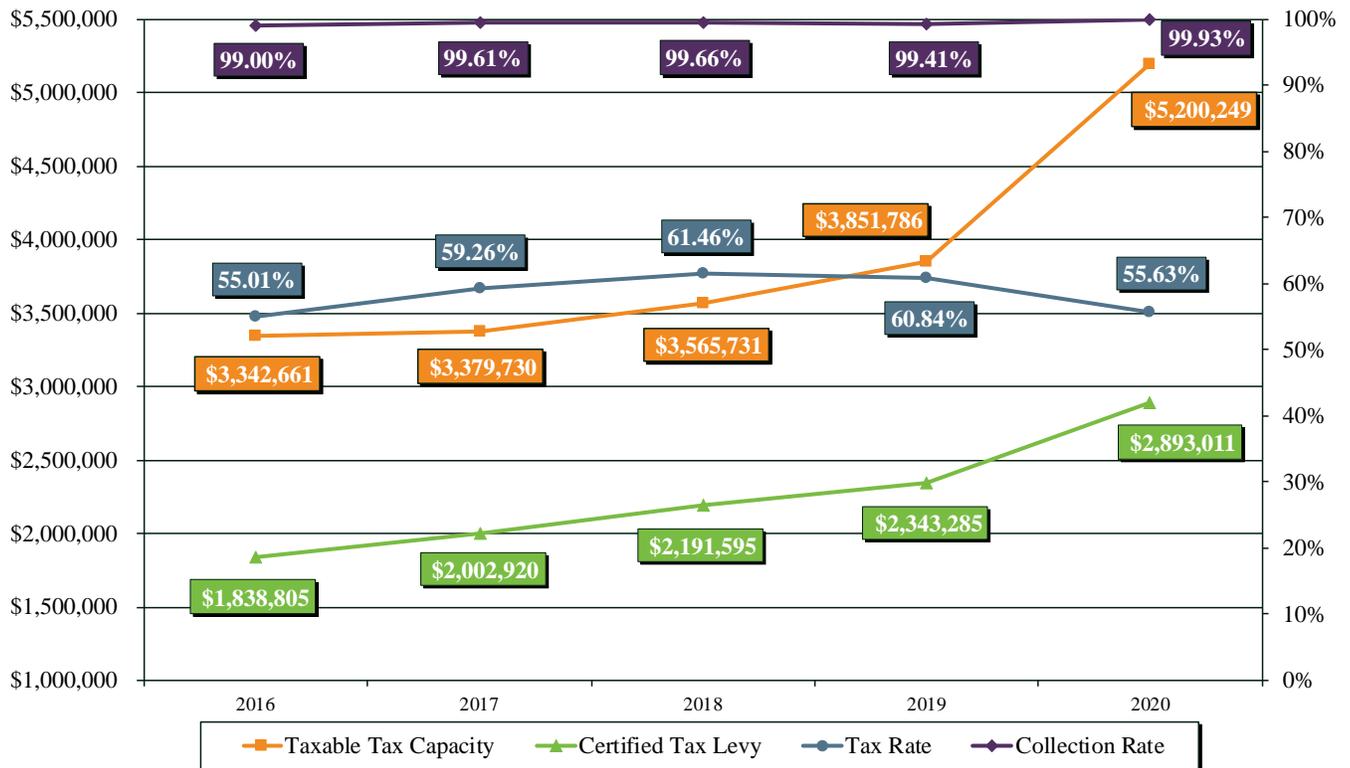
City of St. Joseph Financial Analysis

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 taxable tax capacity increased more than the increase in the certified levy in 2020, causing the tax rate to decrease.

Tax Capacity, Levy, and Rates

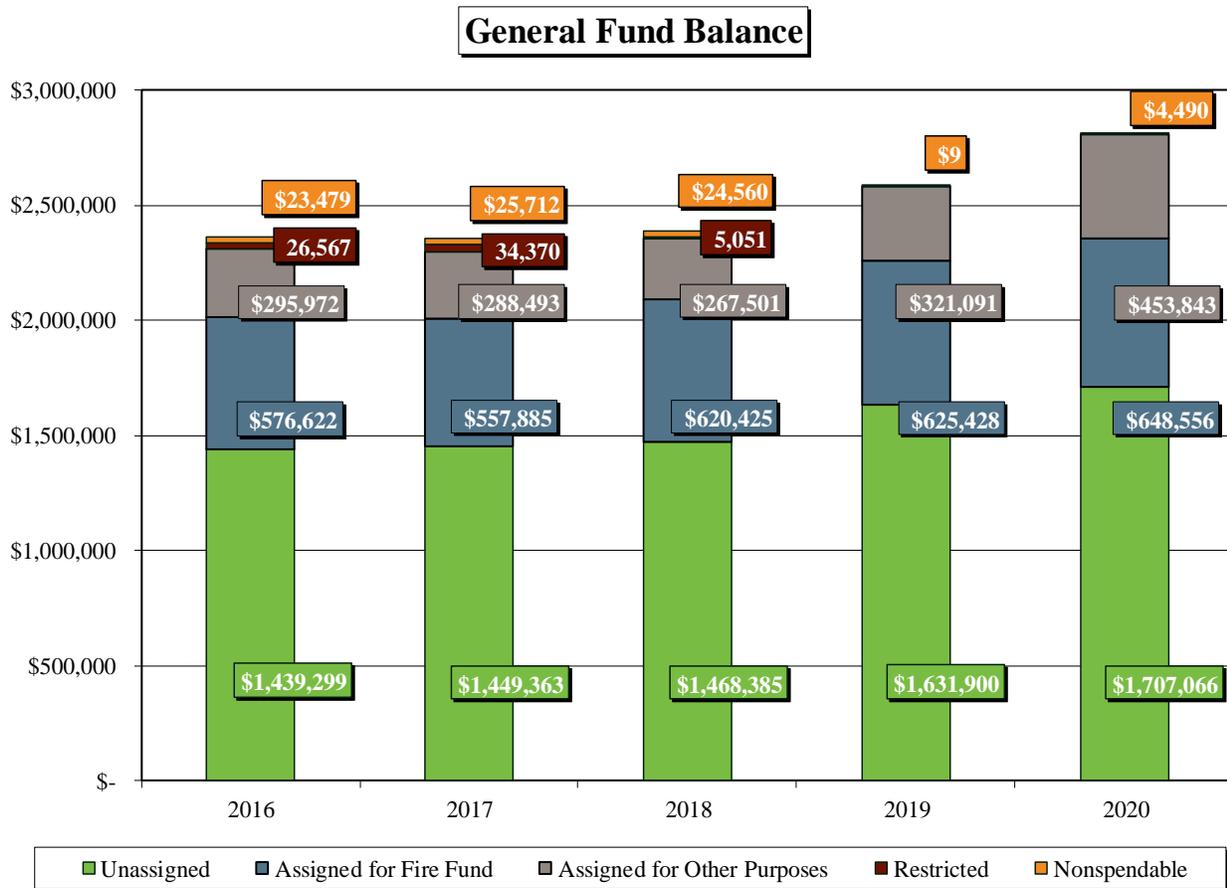


City of St. Joseph Financial Analysis

General Fund

For the year ended December 31, 2020, General Fund revenues exceeded expenditures by \$471,622. In addition to this, the fund had transfers in of \$61,161 from other funds and transfers out of \$297,256 to other funds resulting in an increase in the General Fund balance of \$235,527. Of the City's General Fund balance at December 31, 2020, \$1,102,399 was assigned for specific expenditures, such as the fire department, elections, and a City structure/facility study. The City also has \$4,490 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 \$1,707,066 and represents approximately five months of 2020 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.

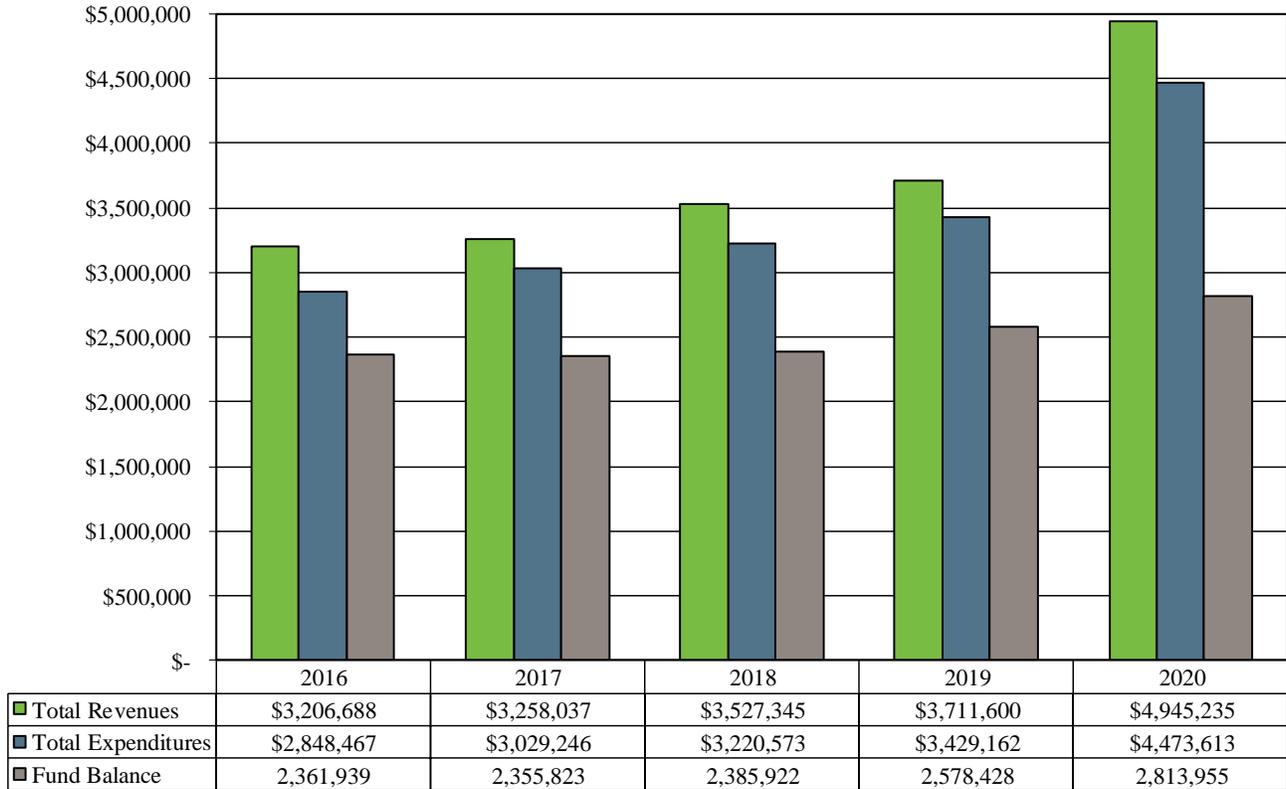
The graphs below and on the following page show the City's General Fund balance and the General Fund revenues and expenditures for the last five years.



**City of St. Joseph
Financial Analysis**

General Fund (Continued)

General Fund



During the year ended December 31, 2020, the City's General Fund revenues increased \$1,233,635, or 33.2%, from 2019, while expenditures increased by \$1,044,451, or 30.5%. 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 \$235,527 from 2019 to 2020. Fund balance has increased \$452,016 or 19.1% since 2016.

**City of St. Joseph
Financial Analysis**

General Fund Revenues

	2016	2017	2018	2019	2020
Taxes	\$ 1,083,067	\$ 1,125,765	\$ 1,291,758	\$ 1,431,366	\$ 1,935,881
Special assessments	3,740	9,127	5,341	3,558	3,389
Franchise fees	126,817	129,242	131,212	134,704	132,991
Licenses and permits	270,780	356,990	357,138	255,953	178,139
Intergovernmental	1,212,746	1,133,362	1,227,716	1,230,507	2,102,263
Charges for services	345,321	376,946	396,183	406,047	430,989
Fines and forfeitures	46,747	55,474	58,620	52,289	43,317
Miscellaneous	117,470	71,131	59,377	197,176	118,266
Total Revenues	\$ 3,206,688	\$ 3,258,037	\$ 3,527,345	\$ 3,711,600	\$ 4,945,235

As discussed earlier, the City's revenue increased \$1,233,635 from 2019 to 2020. Intergovernmental revenues accounted for the largest increase from the prior year with an increase of \$871,756, or 70.8%. Most of this increase was from federal grants, which increased \$716,733 from 2019, largely related to CARES funding. The City also received an increase in local government aid in 2020, which increased \$135,216. Tax revenue accounted for the next largest increase, increasing \$504,515 from 2019. This increase was due to an increase in the amount levied. Licenses and permits decreased \$77,814 due to COVID-19 closures. Miscellaneous revenues decreased \$78,910 from 2019. This decrease was primarily due to the City receiving \$50,000 in conduit debt fees in 2019. Other revenues stayed consistent with the prior year.

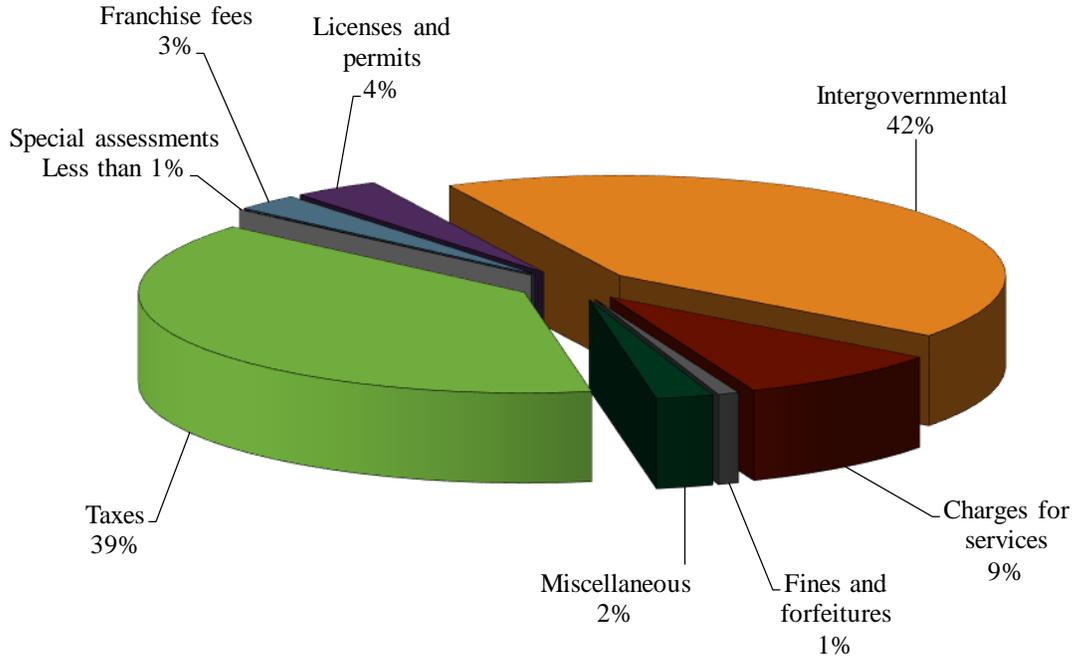
Total revenues have grown \$1,738,547 since 2016, an increase of 54.2%. The largest variances between the types of revenue over the five-year period have been the increases in property taxes and intergovernmental revenues. Other revenues have stayed relatively consistent over that timeframe.

The pie charts on the following page show the General Fund sources of revenues for 2020 and 2019 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 42% and 39% of the total. The total of these two categories accounts for approximately 81% and 72% of General Fund revenues for 2020 and 2019, respectively.

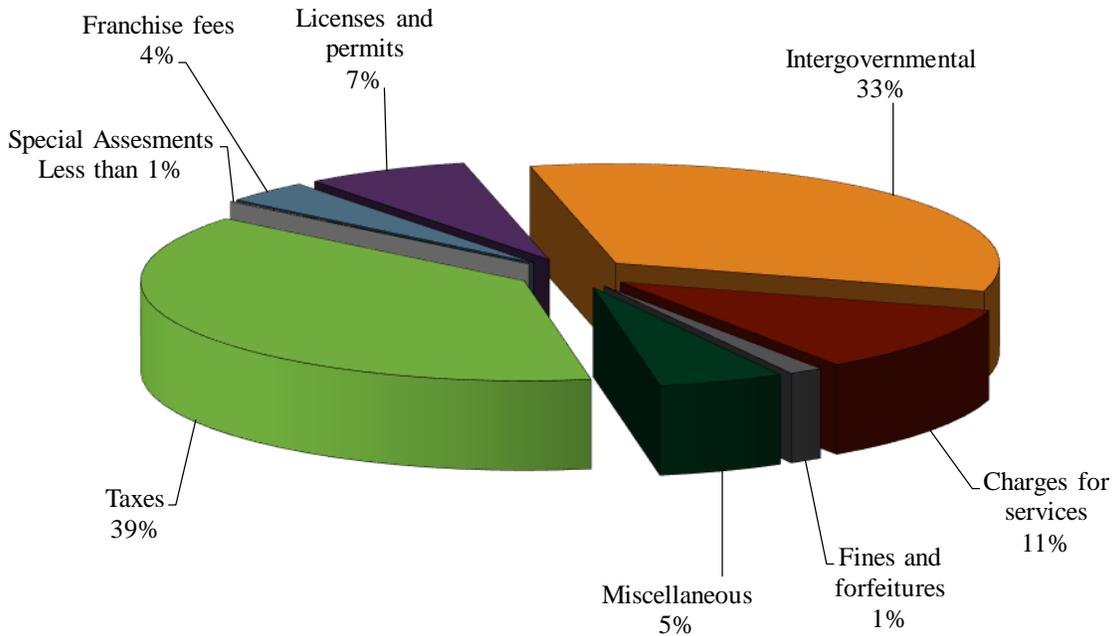
City of St. Joseph Financial Analysis

General Fund Revenues (Continued)

2020 General Fund Revenues



2019 General Fund Revenues



**City of St. Joseph
Financial Analysis**

General Fund Expenditures

	2016	2017	2018	2019	2020
General government	\$ 617,764	\$ 749,008	\$ 741,374	\$ 815,401	\$ 1,020,077
Public safety	1,459,196	1,537,183	1,606,132	1,625,599	1,741,056
Public works	353,421	342,806	440,811	486,341	457,226
Culture and recreation	317,839	270,555	331,861	397,204	429,568
Economic Development	-	-	-	-	201,414
Capital outlay	100,247	129,694	100,395	104,617	624,272
Total Expenditures	\$ 2,848,467	\$ 3,029,246	\$ 3,220,573	\$ 3,429,162	\$ 4,473,613

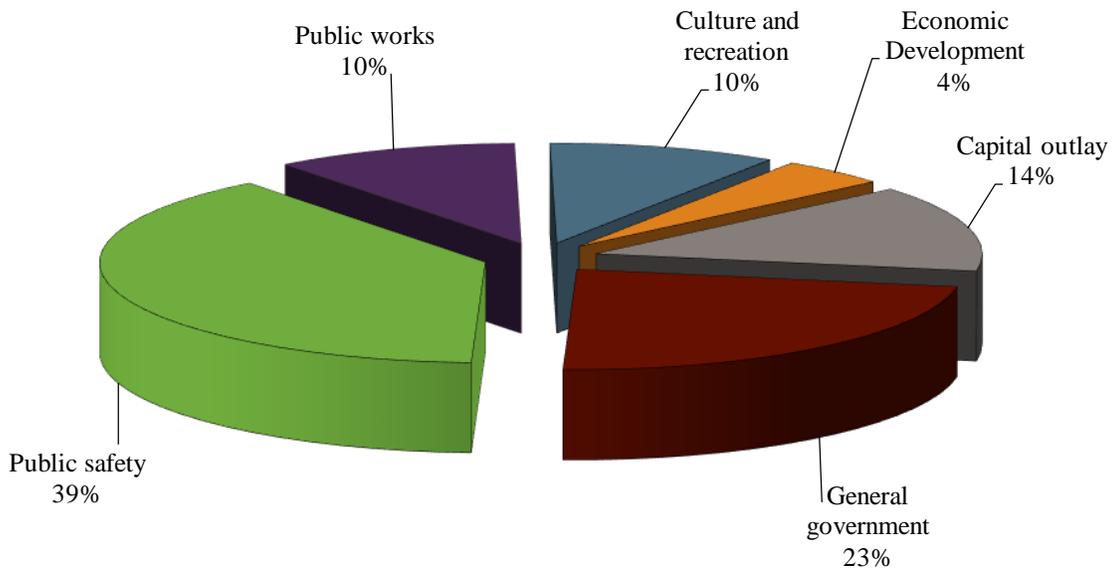
As discussed earlier, General Fund expenditures increased \$1,044,451, or 30.5%. The most significant increases in expenditures were in capital outlay, general government, and economic development. Capital outlay increased \$519,655, or 496.7% from 2019. This increase was due to the City purchasing a new squad car, various equipment for police and fire, various computer hardware, and completing a seal coat project in 2020. General government expenditures increased \$204,676. This increase was primarily due to the City paying St. Joseph Township for some of the lost property tax revenue they would have received in 2020 as part of the annexation agreement. Economic development increased \$201,414 due to Coronavirus relief funds that went to local businesses. All other expenditures remained consistent with the prior year.

The pie charts on the following page show the General Fund expenditures by function for 2020 and 2019 as a percentage of total expenditures. The allocation of expenditures by function vary from year to year. Public safety remains the largest component of General Fund expenditures, representing 39% of total expenditures, down from 47% in 2019. Capital outlay increased from 3% to 14% from 2019 to 2020. Public works allocation of total general fund expenditures went from 14% in 2019 to 10% in 2020.

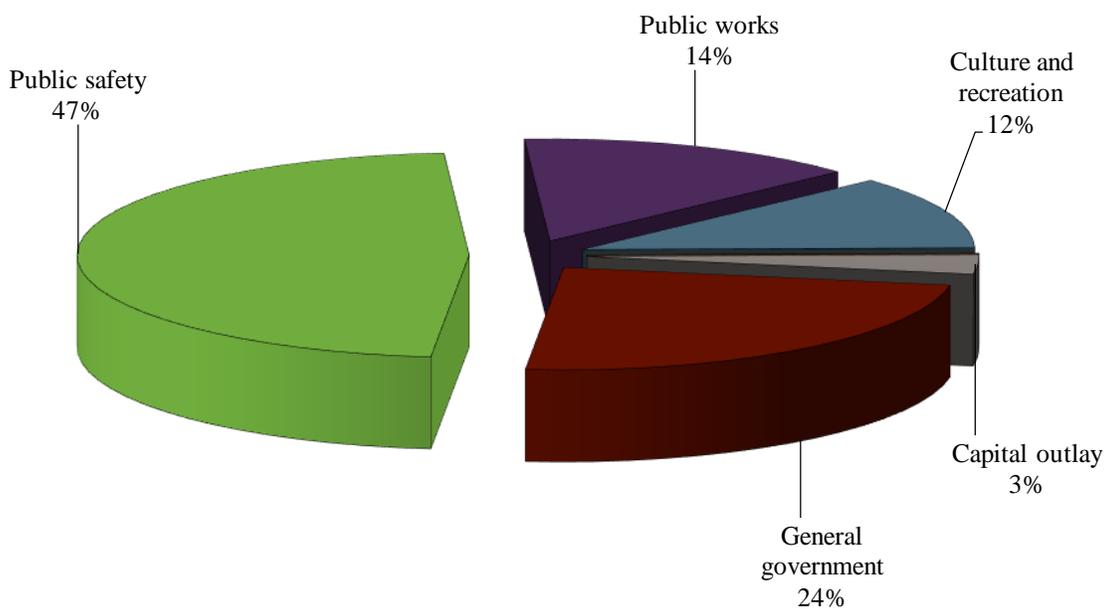
City of St. Joseph Financial Analysis

General Fund Expenditures (Continued)

2020 General Fund Expenditures



2019 General Fund Expenditures



**City of St. Joseph
Financial Analysis**

General Fund Budget

The table below illustrates the General Fund budget and actual for 2020 revenues and expenditures by function.

	Original and Final Budget	Actual Amounts	Variance With Final Budget - Over (under)
Revenues			
Taxes	\$ 1,932,845	\$ 1,935,881	\$ 3,036
Special assessments	4,000	3,389	(611)
Franchise fees	138,820	132,991	(5,829)
Licenses and permits	181,510	178,139	(3,371)
Intergovernmental	1,345,595	2,102,263	756,668
Charges for services	430,065	430,989	924
Fines and forfeitures	67,000	43,317	(23,683)
Miscellaneous	98,450	118,266	19,816
Total revenues	<u>4,198,285</u>	<u>4,945,235</u>	<u>746,950</u>
Expenditures			
General government	1,042,800	1,020,077	(22,723)
Public safety	1,824,895	1,741,056	(83,839)
Public works	491,760	457,226	(34,534)
Culture and recreation	479,790	429,568	(50,222)
Economic Development	-	201,414	201,414
Capital outlay	225,950	624,272	398,322
Total expenditures	<u>4,065,195</u>	<u>4,473,613</u>	<u>408,418</u>
Excess of receipts over disbursements	133,090	471,622	338,532
Other Financing Sources (Uses)			
Insurance recoveries	2,000	-	(2,000)
Sale of property	200	-	(200)
Transfers in	56,640	61,161	4,521
Transfers out	-	(297,256)	(297,256)
Total other financing sources	<u>58,840</u>	<u>(236,095)</u>	<u>(294,935)</u>
Net change in fund balance	<u>\$ 191,930</u>	<u>\$ 235,527</u>	<u>\$ 43,597</u>

City of St. Joseph Financial Analysis

General Fund Budget (Continued)

The City had budgeted for an increase in general fund balance of \$191,930, with budgeted revenues of \$4.2 million, budgeted expenditures of \$4.1 million, and other financing sources of \$59 thousand. General fund revenues were over budget by \$746,950. Intergovernmental revenues represented the majority of this variance coming in over budget \$756,668. This variance was due to the City not budgeting for the coronavirus relief funds that were received in 2020. Other revenues were in line with the budget.

Total expenditures were over budget by \$408,418. Capital outlay had the largest budget variance, being \$398,322 over budget in 2020. This variance was due to the City not budgeting for equipment purchased using coronavirus relief funds in 2020. The City also did not budget for economic development expenditures, which were also related to coronavirus relief funds. Other areas were under budget, primarily due to the City budgeting conservatively for health insurance costs.

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.

Water Fund

The Water Fund showed operating income in all five years presented. Operating revenues increased \$125,143, or 12.5%, from 2019 due to an increase in usage. Operating expenses increased \$41,809, or 5.0%, from 2019 to 2020, due to more repairs and supplies needed during the year to repair pumps and fix a water main break in 2020.

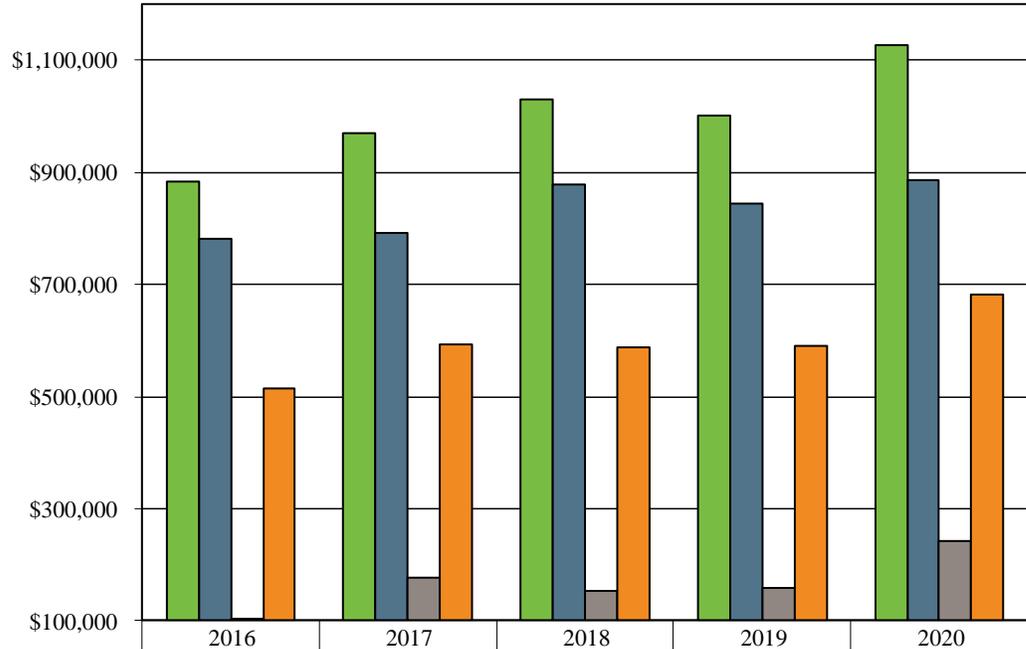
Operations produced operating income of \$241,349, which was the highest in the five years presented. With the exclusion of \$441,855 in depreciation expense, the Fund experienced operating income of \$683,204. However, depreciation should be considered as a true expense in operations, as most equipment 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 expenses of \$25,236, which is comprised of investment income and other income, offset by interest expense on the outstanding debt. The operating and non-operating activities along with capital contributions and transfers resulted in an increase in net position of \$733,656 to \$10,883,219 at December 31, 2020. The cash and investments balance at December 31, 2020, totaled \$1,494,581, an increase of \$673,473. A large portion of this increase was attributed to cash with fiscal agent for cash set aside in escrow for the crossover bond refunding in 2021.

**City of St. Joseph
Financial Analysis**

Water Fund (Continued)

Water Fund



	2016	2017	2018	2019	2020
Operating Revenues	\$883,601	\$968,823	\$1,030,342	\$1,001,282	\$1,126,425
Operating Expenses	782,057	791,779	877,947	843,267	885,076
Operating Income with Depreciation	101,544	177,044	152,395	158,015	241,349
Operating Income without Depreciation	513,809	594,056	588,720	590,721	683,204

Sanitary Sewer Fund

Operating revenues decreased \$47,991, or 3.4%, from 2019 to 2020, while operating expenses increased \$3,421, or 0.3%. Revenues decreased due to a decrease in sewer rates in 2020. Expenses were consistent with the prior year.

The Sewer Fund produced operating income for all five years presented. 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.

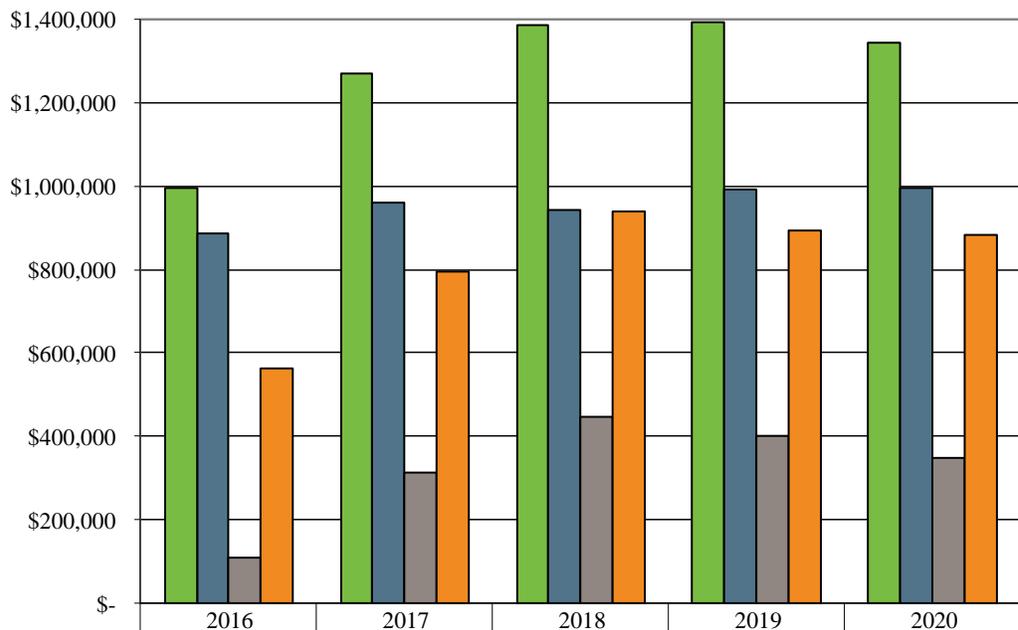
City of St. Joseph Financial Analysis

Sanitary Sewer Fund (Continued)

The graph below indicates the Sewer Fund did generate operating income and covered 100% of depreciation each year presented.

In addition to the operating revenues and expenses of the Sewer Fund, there were net non-operating expenses of \$132,324, which is primarily due to \$148,121 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 \$683,356 to \$10,552,819 at December 31, 2020. The cash balance at December 31, 2020, totaled \$627,758, an increase of \$380,174.

Sanitary Sewer Fund



	2016	2017	2018	2019	2020
■ Operating Revenues	\$997,206	\$1,271,765	\$1,387,894	\$1,393,095	\$1,345,104
■ Operating Expenses	886,810	959,148	942,953	992,085	995,506
■ Operating Income (Loss) with Depreciation	110,396	312,617	444,941	401,010	349,598
■ Operating Income without Depreciation	563,309	794,023	937,945	894,443	884,242

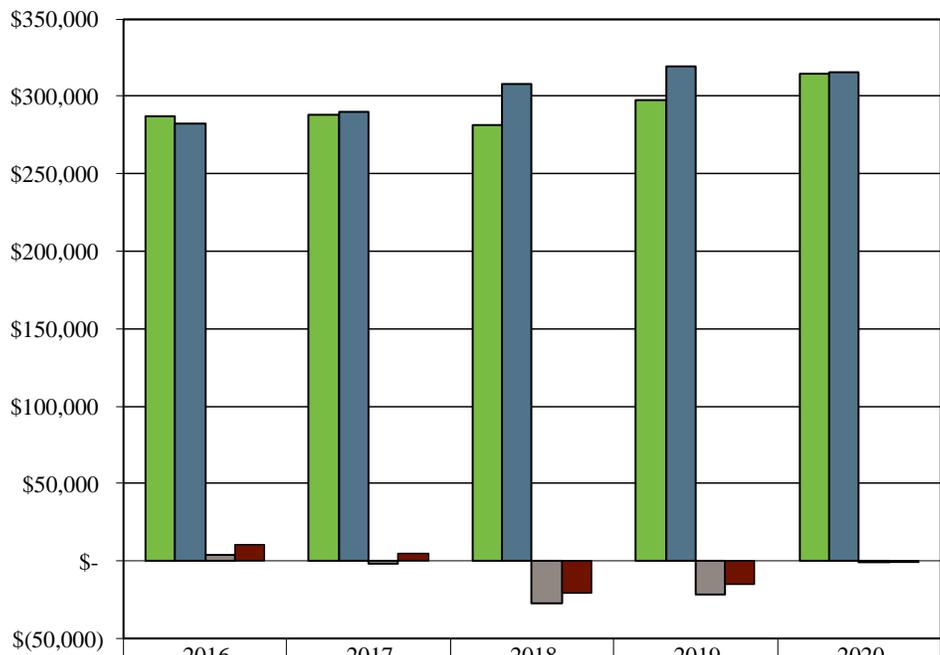
City of St. Joseph Financial Analysis

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 \$17,123, or 5.8%, while operating expenses decreased \$3,603, or 1.1%, from 2019 to 2020. The increase in revenues was due to an increase in rates in 2020. Expenses were consistent with the prior year. These changes resulted in an operating loss of \$859 for 2020. The Fund produced an operating loss of \$744 when depreciation is not considered.

In addition to the operating activities of the fund, there were non-operating revenue of \$11,126 which is comprised of investment income and other income. Transfers along with operating and non-operating activities resulted in an increase in net position of \$8,767. The cash balance decreased \$7,227 in 2020 and totaled \$228,669 at December 31, 2020.

Refuse Fund



	2016	2017	2018	2019	2020
Operating Revenues	\$286,603	\$288,151	\$280,981	\$297,500	\$314,623
Operating Expenses	282,280	289,557	307,941	319,085	315,482
Operating Income (Loss) with Depreciation	4,323	(1,406)	(26,960)	(21,585)	(859)
Operating Income (Loss) without Depreciation	10,929	5,200	(20,454)	(15,079)	(744)

City of St. Joseph Financial Analysis

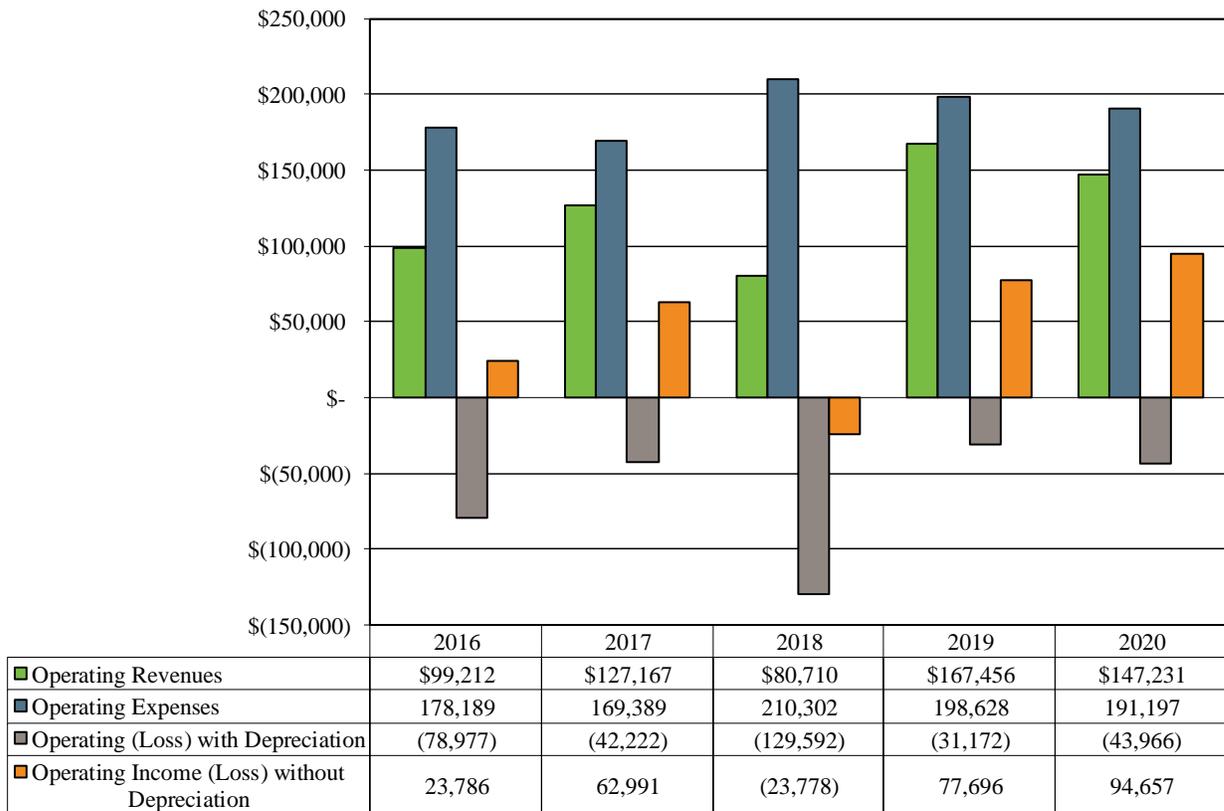
Storm Water Fund

The Storm Water Fund showed operating losses in all five years presented. Operating revenues decreased \$20,225, or 12.1%, from 2019 to 2020, due to the City receiving a large developer fee in 2019. Operating expenses decreased \$7,431, or 3.7% due to less engineering costs needed during the year.

The Storm Water Fund produced an operating loss of \$43,966 with depreciation and an operating income of \$94,657 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 \$7,332, capital contributions totaling \$326,245, transfers in totaling \$11,376 and transfers out totaling \$27,595. Fund activity resulted in an increase in net position of \$273,392. The cash balance decreased \$120,819 in 2020 and totaled \$197,420 at December 31, 2020.

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

Storm Water Fund



City of St. Joseph Financial Analysis

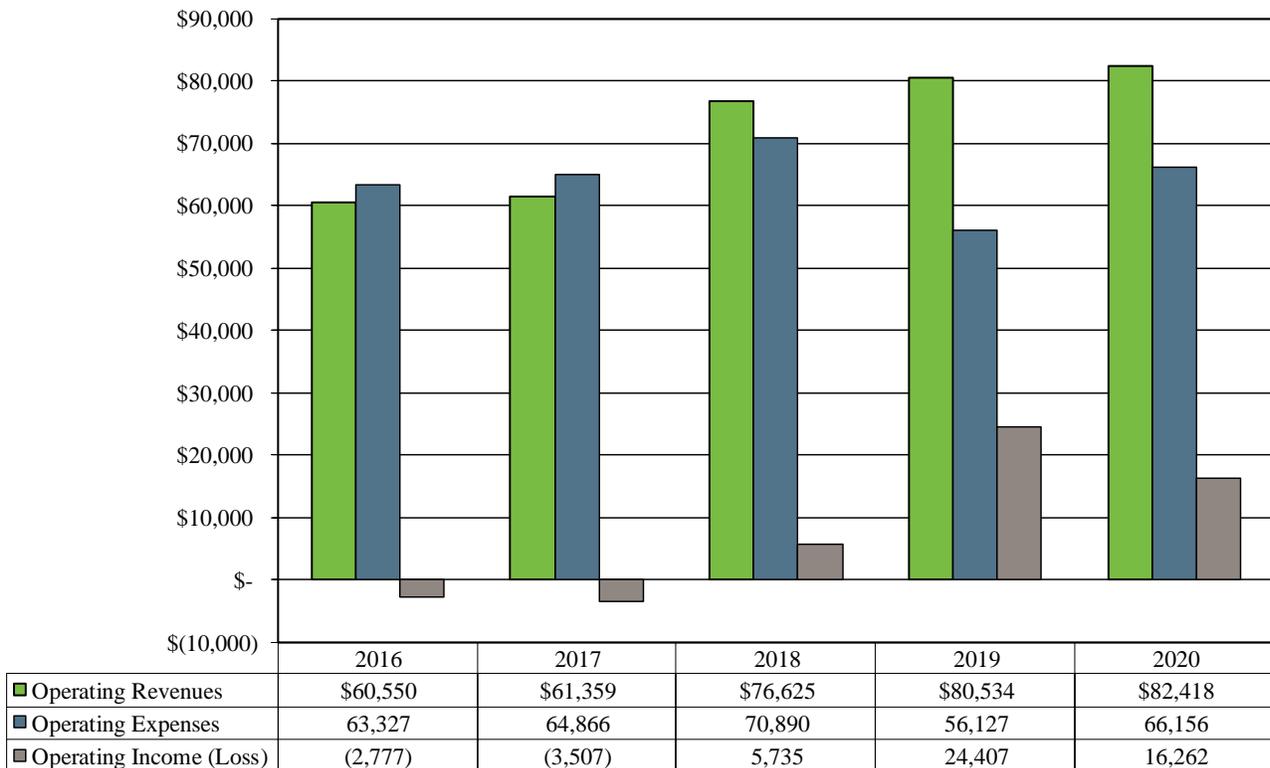
Street Light Utility

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 third year in a row. Operating revenues stayed consistent with the prior year, increasing only \$1,884 from 2019 to 2020. Operating expenses increased \$10,029 due to repairs on street lights in 2020.

The Street Light Utility Fund produced operating income of \$16,262. The fund also reported non-operating income including investment income, special assessments, and other income totaling \$1,944. Operating income along with non-operating income and transfers resulted in an increase in net position of \$14,946. The cash balance increased \$9,106 in 2020 and totaled \$69,495 at December 31, 2020.

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 this issue with you further and its 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 June 15, 2021.

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