

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

Basic Financial Statements

December 31, 2021



**City of St. Joseph
Table of Contents**

Elected Officials and Administration	1
Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	26
Statement of Activities	27
Fund Financial Statements	
Balance Sheet – Governmental Funds	28
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	30
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	31
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds	32
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	33
Statement of Net Position – Proprietary Funds	34
Reconciliation of the Statement of Net Position – Business-Type Activities	37
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	38
Reconciliation of the Statement of Revenues, Expenses, and Changes in Net Position – Business-Type Activities	41
Statement of Cash Flows – Proprietary Funds	42
Notes to Basic Financial Statements	45
Required Supplementary Information	
Schedule of City's Proportionate Share of Net Pension Liability General Employees Retirement Fund	84
Schedule of City's Proportionate Share of Net Pension Liability Public Employees Police and Fire Retirement Fund	84
Schedule of City Contributions General Employees Retirement Fund	85
Schedule of City Contributions Public Employees Police and Fire Retirement Fund	85
Schedule of Changes in the Net Pension Liability and Related Ratios – Fire Relief Association	86
Schedule of City Contributions and Non-Employer Contributing Entities – Fire Relief Association	88
Notes to Required Supplementary Information	90

**City of St. Joseph
Table of Contents**

Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	98
Combining Balance Sheet – Nonmajor Governmental Funds	100
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds	108

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	117
--	-----

Minnesota Legal Compliance	119
-----------------------------------	-----

Schedule of Finding and Response on Internal Control	120
---	-----

**City of St. Joseph
Elected Officials and Administration
December 31, 2021**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Rick Schultz	Mayor	January 2023
Robert Loso	Council Member	January 2025
Kelly Beniek	Council Member	January 2025
Kevin Kluesner	Council Member	January 2023
Jon Hazen	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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of St. Joseph, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise City of St. Joseph's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements 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 City of St. Joseph, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The City of St. Joseph's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of St. Joseph's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 is the responsibility of management and, 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.

Supplementary 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 schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor and individual fund financial statements and schedule 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 2, 2022, 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.



St. Cloud, Minnesota
May 2, 2022

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, 2021.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2021 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 \$45,314,085. Of this amount, \$6,732,881 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 \$1,206,136 from 2020 to 2021. The increase was largely attributed to the positive operations of the general fund. The business-type net position increased as a result of operations and capital asset transfers from the governmental activities.
- ◆ As of the close of the current fiscal year, the City of St. Joseph's governmental funds reported combined ending fund balances of \$11,233,149, an increase of \$1,504,583. Of this amount \$2,060,748 is unassigned for spending at the City's discretion. The remaining balance of \$9,172,401 is set aside for specific future expenditures. The largest contributors for the increase in fund balance include the general fund and the 2021 street improvements. The general fund contains budgeted reserves included in the 5-year capital planning. The 2021 street improvement project issued bonds in 2021; however, much of the construction will be completed in 2022.
- ◆ At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,082,669 or 45% of the total 2022 general fund expenditure budget. The city's goal is 4-6 months of the following year expenditure budget; 2021 ended at 5.4 months working capital.
- ◆ The City of St. Joseph's total long-term bonded debt decreased by \$1,064,256 during the current fiscal year. The City had two debts paid in full, refinanced one debt for interest savings, advanced defeased one debt with the sale of the Colts Academy, and issued one new debt for the 2021 street improvements

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 26-27 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-one 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, G.O. Industrial Park Bonds of 2019A fund, and 2021 Street Overlay Project 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 33 to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 28-33 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 34-43 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 45-81 of this report.

Other Information. The required supplementary information (pages 84-96) and supplemental information including the combined statements referred to earlier in connection with non-major governmental funds can be found on pages 98-115 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 \$45,314,085 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	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 17,509,912	\$ 14,363,117	\$ 3,558,085	\$ 3,669,686	\$ 21,067,997	\$ 18,032,803
Capital assets, net	18,078,155	19,888,686	34,346,256	34,203,182	52,424,411	54,091,868
Total assets	<u>35,588,067</u>	<u>34,251,803</u>	<u>37,904,341</u>	<u>37,872,868</u>	<u>73,492,408</u>	<u>72,124,671</u>
Deferred Outflows of Resources						
Deferred outflows of resources related to pensions	1,366,961	536,263	147,084	31,986	1,514,045	568,249
Total deferred outflows	<u>1,366,961</u>	<u>536,263</u>	<u>147,084</u>	<u>31,986</u>	<u>1,514,045</u>	<u>568,249</u>
Liabilities						
Current liabilities	1,442,095	3,098,156	213,532	1,793,478	1,655,627	4,891,634
Long-term liabilities	17,489,199	14,355,209	8,613,128	8,662,026	26,102,327	23,017,235
Total liabilities	<u>18,931,294</u>	<u>17,453,365</u>	<u>8,826,660</u>	<u>10,455,504</u>	<u>27,757,954</u>	<u>27,908,869</u>
Deferred Inflows of Resources						
Deferred inflows of resources related to debt	11,895	-	18,140	-	30,035	-
Deferred inflows of resources related to pensions	1,727,526	660,433	176,853	15,669	1,904,379	676,102
Total deferred inflows	<u>1,739,421</u>	<u>660,433</u>	<u>194,993</u>	<u>15,669</u>	<u>1,934,414</u>	<u>676,102</u>
Net Position						
Net investment in capital assets	7,728,613	9,903,925	26,037,429	24,790,138	30,582,502	31,660,218
Restricted	7,998,702	6,703,812	-	-	7,998,702	6,703,812
Unrestricted	556,998	66,531	2,992,343	2,643,543	6,732,881	5,743,919
Total net position	<u>\$ 16,284,313</u>	<u>\$ 16,674,268</u>	<u>\$ 29,029,772</u>	<u>\$ 27,433,681</u>	<u>\$ 45,314,085</u>	<u>\$ 44,107,949</u>

An additional portion of the City of St. Joseph's net position (18%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a surplus of \$6,732,881. The surplus is largely the result of the retirement of bonds and notes payables, along with reduction in pension liability. The City of St. Joseph belongs to the State's pension fund (PERA). A proportional share of the pension liability is recognized on the City's financial statements. Funding versus payouts were positive for PERA; thus, reducing the pension liability.

**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 decreased \$389,955. The City's governmental operational activity resulted in an increase in expenses for street overlay and construction between the 2020 and 2021 street improvement projects. Although these street projects were significant in comparison to other years, the bonded debt liability decreased \$903,077. A major factor to the bond liability decrease was the sale of Colts Academy and the old fire hall/police station. The proceeds from the sales were \$715,000. The offsetting net capital assets were also disposed in 2021 resulting in a decrease in net capital assets of \$1,810,531. As stated earlier, the net pension liability decreased \$412,770 in the governmental activities.

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 and notes, reduction in net pension liability and increase in net capital assets. The full value of the assets is netted against the bonds and notes payable. Also, plant and lines increased with contributions from the governmental funds increasing the business-type net position \$1,596,091.

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**

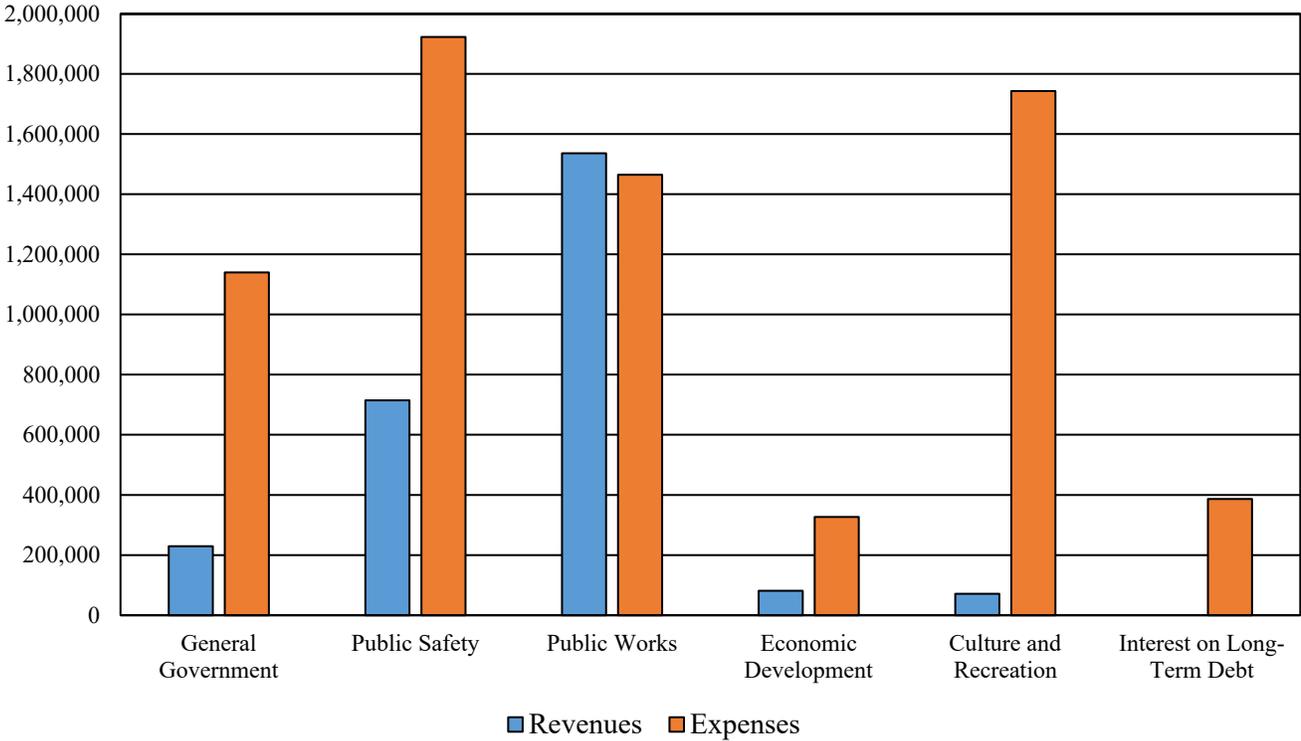
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Change in Net Position

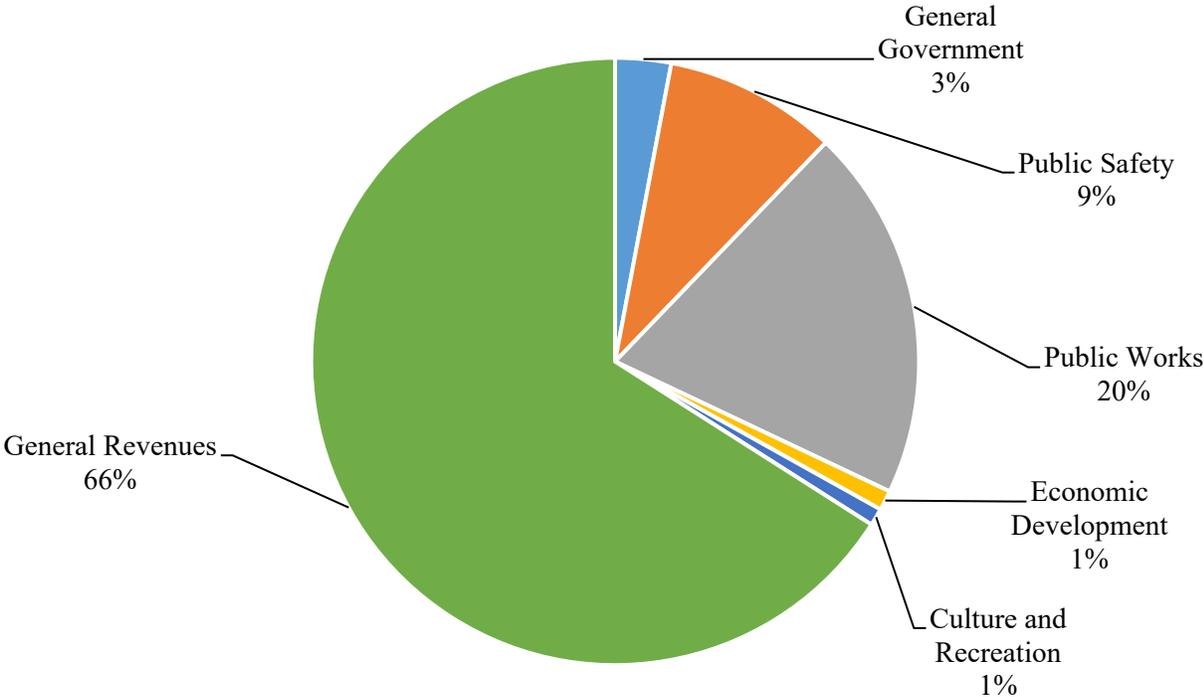
Revenues	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program Revenues						
Charges for services	\$ 728,965	\$ 756,222	\$ 3,328,001	\$ 3,406,573	\$ 4,056,966	\$ 4,162,795
Operating grants and contributions	317,714	407,234	11,529	9,224	329,243	416,458
Capital grants and contributions	1,586,424	3,860,854	336	422,801	1,586,760	4,283,655
General Revenues						
Property taxes	2,976,605	2,929,251	249	143	2,976,854	2,929,394
Tax increments	150,078	160,979	-	-	150,078	160,979
Sales taxes	580,596	505,818	-	-	580,596	505,818
Franchise fees	137,382	132,991	-	-	137,382	132,991
Lodging taxes	9,608	4,914	-	-	9,608	4,914
Miscellaneous taxes	2,989	4,010	-	-	2,989	4,010
State aids	1,211,093	1,148,611	-	-	1,211,093	1,148,611
Unrestricted investment earnings	37,600	229,232	4,707	72,138	42,307	301,370
Gain on disposal of assets	-	55,373	-	-	-	55,373
Total revenues	7,739,054	10,195,489	3,344,822	3,910,879	11,083,876	14,106,368
Expenses						
General government	1,139,857	1,225,060	-	-	1,139,857	1,225,060
Public safety	1,922,977	2,020,159	-	-	1,922,977	2,020,159
Public works	1,464,510	1,381,235	-	-	1,464,510	1,381,235
Economic development	326,642	521,216	-	-	326,642	521,216
Culture and recreation	1,742,825	604,912	-	-	1,742,825	604,912
Interest on long-term debt	386,579	395,731	-	-	386,579	395,731
Water	-	-	1,011,714	990,028	1,011,714	990,028
Sanitary sewer	-	-	1,230,161	1,141,959	1,230,161	1,141,959
Refuse	-	-	368,772	315,482	368,772	315,482
Storm water	-	-	216,472	191,197	216,472	191,197
Street light utility	-	-	67,231	66,156	67,231	66,156
Total expenses	6,983,390	6,148,313	2,894,350	2,704,822	9,877,740	8,853,135
Increase (decrease) in net position before transfers	755,664	4,047,176	450,472	1,206,057	1,206,136	5,253,233
Transfers	(1,145,619)	(526,188)	1,145,619	526,188	-	-
Change in net position	(389,955)	3,520,988	1,596,091	1,732,245	1,206,136	5,253,233
Net Position						
Net position - beginning	16,674,268	13,153,280	27,433,681	25,701,436	44,107,949	38,854,716
Net position - ending	\$ 16,284,313	\$ 16,674,268	\$ 29,029,772	\$ 27,433,681	\$ 45,314,085	\$ 44,107,949

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

**PROGRAM REVENUES AND EXPENSES
GOVERNMENTAL ACTIVITIES**

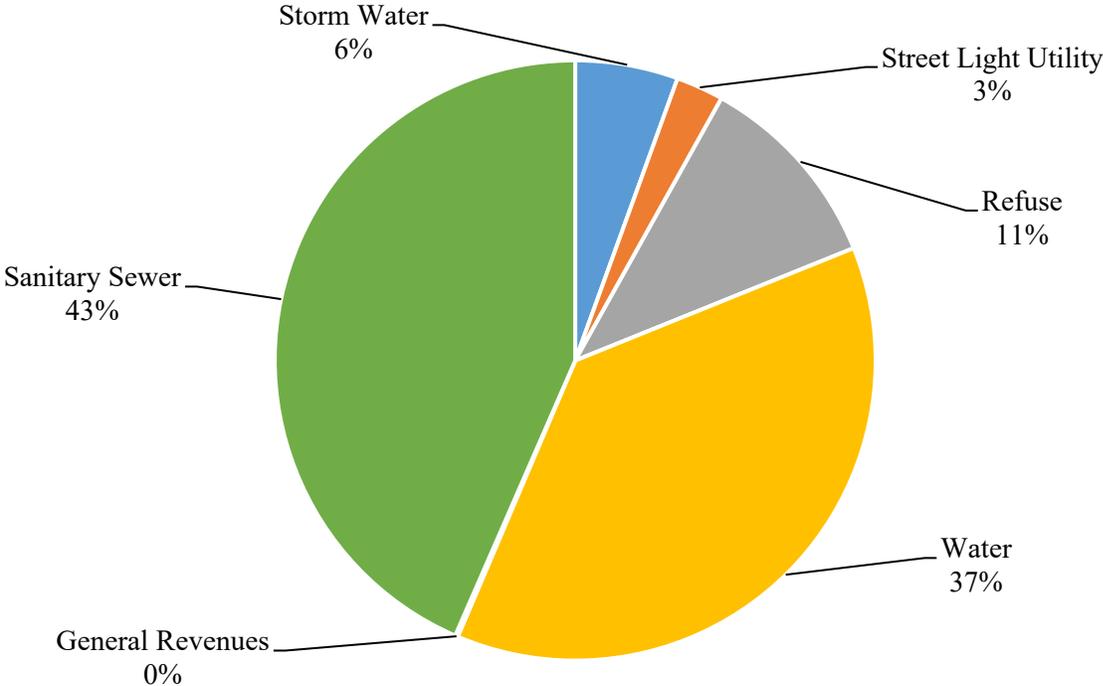


REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES

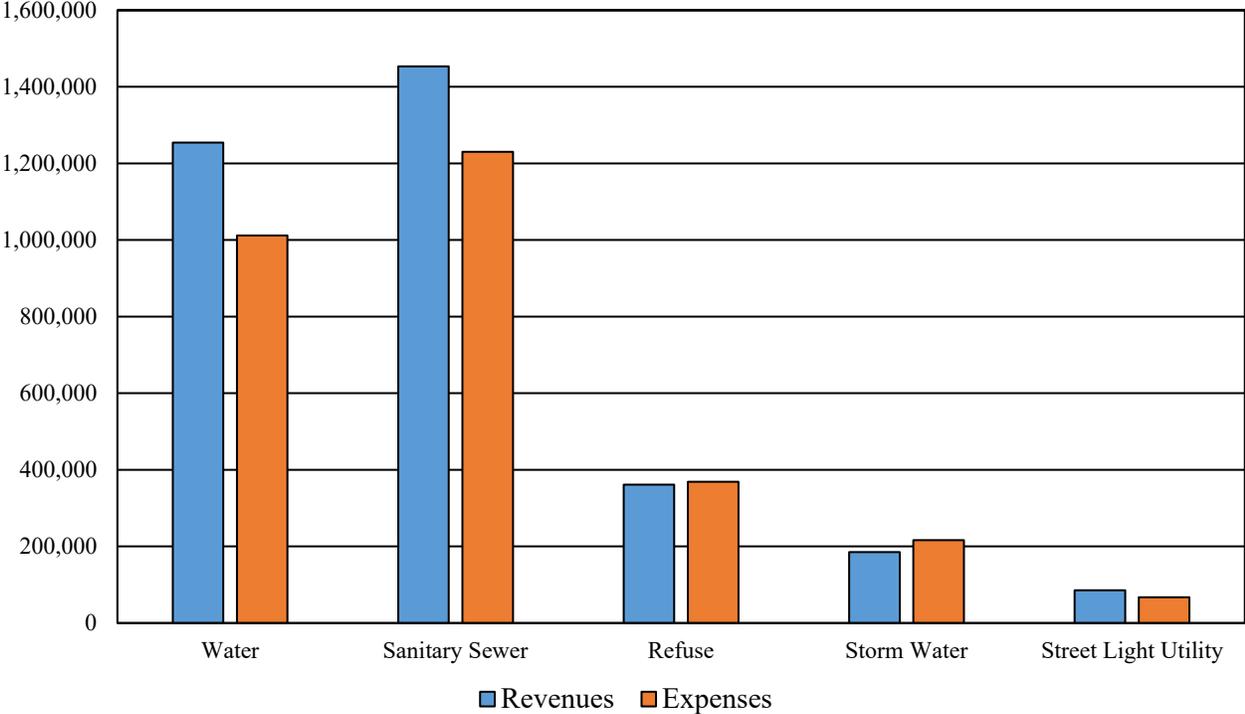


**City of St. Joseph
Management's Discussion and Analysis**

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 2021, its governmental funds reported a combined fund balance of \$11,233,149, an increase of \$1,504,583 from 2020. Revenues for the City's governmental funds were \$7,285,957, while expenditures were \$8,614,093. The excess of expenditures over revenues is largely attributed to construction costs for the 2021 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 resulted in the increase mainly from bond proceeds for the 2011 street improvements. By removing the 2021 construction fund, governmental revenues exceeded expenditures by \$1,107,453. The major funds will be discussed further below. Other governmental non-major funds ended the year with a \$844,491 decrease in fund balances, and an increase of \$504,431 before other financing sources. 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 2022, the City issued advanced refunding bonds to refinance the 2014A bonds on the call date of December 1, 2021. The remaining 2014A principal of \$1,315,000 was paid on the call date. The state collected sales tax fund received \$580,596 in local option sales tax revenues in 2021. 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 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 \$2,082,669, an increase of \$375,603. 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 56% (6.7 months) working capital and 45% (5.4 months) compared to the budgeted 2022 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 budgeted and unspent 5-year capital budget reserves, budgeting conservatively for grants and aids, selling Colts Academy in April 2021. General fund revenues exceeded budgeted amounts by \$112,283. The largest variance came from intergovernmental revenues that came from the American Rescue Plan Act grant and higher amounts for the police and street maintenance state aids. Investment income shows an unrealized loss on investments held to maturity. The unrealized loss is a function of rising interest rates. Interest receipts were slightly more than the unrealized losses reported. The income is under budget by \$55,053.

General fund expenditures were under budget by \$365,651. The City of St. Joseph sets funds aside for the street maintenance plan. The street maintenance plan expenditures fluctuate each year, decreasing in 2021 by \$68,930. In addition, snow and ice removal was lower in 2021 due to a mild spring in 2021 and snow not starting until later December 2021. The City of St. Joseph budgets for an average snow fall. The police current expenditures under budget by \$44,736. There was a turnover of two police officers

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

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

General Fund (Continued)

with replacements not hired right away and hired at a lower pay rate. The police department used some of the savings to hire a police clerk. Culture and recreation came under budget \$115,017 in operations. The City of St. Joseph sold Colts Academy in April 2021. The sale of the building resulting in \$80,798 in budget savings. The General fund budget also included an estimate for employee severance payments in police, streets and parks. The only severance payments came from the police department for the two officers and one administrative staff that resigned in 2021. The result in streets and parks will reflect budget savings. 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 transfers in the General fund include moving the Debt Service Relief and General Capital Outlay funds from separately reported funds to the General fund in 2021. The General fund shows a transfer out to the Fire fund that will now be reported in a separate special revenue fund.

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.

	December 31, 2021	December 31, 2020	Increase (Decrease)	Percent Change
Revenues				
Taxes and franchise fees	\$ 2,252,893	\$ 2,068,872	\$ 184,021	9%
Special assessment	57,840	3,389	54,451	1607%
Licenses and permits	151,811	178,139	(26,328)	-15%
Intergovernmental	1,570,692	2,102,263	(531,571)	-25%
Charges for services	98,913	430,989	(332,076)	-77%
Fines and forfeitures	87,381	43,317	44,064	102%
Miscellaneous	63,651	118,266	(54,615)	-46%
 Total General fund revenue	 \$ 4,283,181	 \$ 4,945,235	 \$ (662,054)	 -13%
 Expenditures				
General government	\$ 1,083,252	\$ 1,092,091	\$ (8,839)	-1%
Public safety	1,750,717	1,983,421	(232,704)	-12%
Public works	466,073	734,424	(268,351)	-37%
Economic development	-	201,414	(201,414)	100%
Culture and recreation	376,312	462,263	(85,951)	-19%
 Total General fund expenditures	 \$ 3,676,354	 \$ 4,473,613	 \$ (797,259)	 -18%

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 made one amendment to the annual operating budget. Historically, the City has minimal budget amendments during the budget year. The amendment was to add the local government aid to the General fund budget.

- Actual revenues were \$112,283 more than expected mainly due to intergovernmental revenues from the American Rescue Plan Act federal grant and state police and street maintenance aids. The City budgets conservatively for revenues not known at the time the budget is set. A couple other points regarding the General fund budget:
 - Due to the sale of Colts Academy, the budgeted rental revenue from the building was less than budget by \$63,154. The offset of the expenditure savings resulted in a budget surplus of \$17,644.
 - Building permit and related development revenues were under budget by \$43,864. A couple development projects that were anticipated were either delayed or canceled due to the economic climate.
 - Special assessments show a \$55,340 surplus. As bonded debts are paid in full, any further assessments for the projects are recorded in the Debt Service Relief fund. This fund is combined with the General fund for financial reporting.
- Actual expenditures were \$365,651 less than budget. As stated earlier, the City of St. Joseph sold Colts Academy resulting in budget savings. 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 2021. Higher paid staff with longevity with the City were replaced with staff lower on the pay scale. The police department used some of the budget savings to hire a police clerk.
 - 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 \$1,722,691 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 2021, the water fund's net position increased \$757,845. Before transfers and capital contributions, the operating income reported a \$184,530 surplus. The change in net position includes depreciation of \$459,783. The water operating revenues are covering 100% of the depreciation. Bonded debt payments in the water fund totaled \$1,311,926, including a debt refinancing. 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 2021, the water fund received an advanced refunding for the 2014A debt. The refunding occurred on the December 1, 2021 call date. 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 2021, the sanitary sewer fund's net position increased \$779,555 and realized \$262,618 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. The debt costs are paid with reserved Sewer Access Charges (SAC), trunk fees and sewer usage rates. The development fees through 2021 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 2021 with a net position of \$230,894, a decrease of \$17,729. 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 lower increases 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 2021, the storm water fund's net position increased \$184,484; a decrease of \$31,072 before capital contributions and transfers. The storm water fund realized an operating loss of \$31,869, covering 80% 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 \$262,151 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, 2021, the street light utility fund's change in net position increased \$18,536, and an operating income of \$17,970. The city council kept rates the same since charges are covering expenses and the fund balance is healthy. 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 \$94,441 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, 2021, amounts to \$52,424,411 (net of accumulated depreciation), a decrease of \$1,667,457. The decrease in net capital assets was attributed to selling Colts Academy and the old fire hall/police station. In addition, construction in progress decreased \$4,689,719. Construction in progress is not depreciated. When completed, depreciation is netted with asset costs, decreasing the net capital assets. Net investment in capital assets decreased \$1,077,716 with the sale of the two buildings.

The table below is a summary of the City of St. Joseph's capital assets. Additional information on the City of St. Joseph's capital assets can be found in Note 5 beginning on page 58 of this report. Total depreciation expense for 2021 was \$2,719,112.

CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 762,197	\$ 763,197	\$ 377,882	\$ 377,882	\$ 1,140,079	\$ 1,141,079
Easements	200,085	200,085	67,915	67,915	268,000	268,000
Construction in progress	1,333,706	5,066,324	1,498,789	2,455,890	2,832,495	7,522,214
Improvements	1,377,030	1,407,225	289,760	289,760	1,666,790	1,696,985
Infrastructure	26,027,162	20,892,974	-	-	26,027,162	20,892,974
Buildings	7,299,059	9,593,578	8,797,686	8,797,686	16,096,745	18,391,264
Intangible assets	200,000	200,000	-	-	200,000	200,000
Plant and lines	-	-	27,068,783	24,853,360	27,068,783	24,853,360
Sewer rights	-	-	10,977,565	10,977,565	10,977,565	10,977,565
Machinery and equipment	4,441,111	4,332,223	1,143,827	1,093,377	5,584,938	5,425,600
Less: accumulated depreciation	(23,562,195)	(22,566,920)	(15,875,951)	(14,710,253)	(39,438,146)	(37,277,173)
Total net capital assets	\$ 18,078,155	\$ 19,888,686	\$ 34,346,256	\$ 34,203,182	\$ 52,424,411	\$ 54,091,868

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 \$26,102,327 as of December 31, 2021, a decrease of \$1,083,701.

The City of St. Joseph issued one debt (two parts) and paid three debts in full (all refunded for interest savings). The debt issuance amounts were lower than the amounts paid in full. The bonds and notes liabilities decreased \$646,138. In addition, one debt was advanced refunded with the sale of Colts Academy. Sale proceeds of \$600,000 and \$765,00 local option sales tax revenues were placed in escrow to pay the bonds in full on the call date of December 1, 2022.

At the end of the current fiscal year, the City of St. Joseph had total net bonded debt outstanding of \$24,337,205. Of this amount, \$16,028,378 comprises debt backed by the full faith and credit of the government. The remainder of the City of St. Joseph's debt represents bonds and notes secured by specified revenue sources (i.e. utility bonds). Other long-term debt includes compensated absences payable and net pension liabilities.

Compensated absences increased \$37,758 in 2021. The general increase in wages including step increases and the relatively low turnover rate caused the compensated absences liability to increase. In addition, two full-time staff were added in the police department. Although their accrual rates just began, they do add to the compensated absences liability.

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 2021, the net pension liability decreased \$475,319.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities (Continued)

OUTSTANDING LONG-TERM LIABILITIES

	2021	2020	Increase (Decrease)	Percent Change
Governmental Activities				
General obligation bonds	\$ 4,577,278	\$ 4,912,000	\$ (334,722)	-7%
General obligation special assessment bonds	10,268,071	8,908,632	1,359,439	15%
General obligation abatement bonds	1,183,029	1,304,669	(121,640)	-9%
Compensated absences payable	529,304	499,362	29,942	6%
Net pension liability	931,517	1,344,287	(412,770)	-31%
 Total governmental activities	 <u>\$ 17,489,199</u>	 <u>\$ 16,968,950</u>	 <u>\$ 520,249</u>	 <u>3%</u>
	2021	2020	Increase (Decrease)	Percent Change
Business-Type Activities				
General obligation revenue bonds	\$ 3,902,202	\$ 5,045,163	\$ (1,142,961)	-23%
Notes payable	4,406,625	4,812,881	(406,256)	-8%
Compensated absences payable	115,242	107,426	7,816	7%
Net pension liability	189,059	251,608	(62,549)	-25%
 Total business-type activities	 <u>\$ 8,613,128</u>	 <u>\$ 10,217,078</u>	 <u>\$ (1,603,950)</u>	 <u>-16%</u>

The City of St. Joseph issued \$3,190,000 general obligation special assessment bonds, series 2021A in fall 2021. The bonds paid for the Minnesota streetscape upgrades, street overlays, phase II of the alley pavements in downtown blocks 7 and 8, 18th Ave SE stormwater improvements and extending the 20th Ave SE parkway to the south.

A second part of the 2021A series bonds was issued to refinance the general obligation crossover water refunding bonds, series 2012A. The 2012A bonds provided funding for the construction of the second water treatment facility and wells 6,7,8. The refunding bonds resulting in interest savings of \$110,969.

In spring 2021 the City of St. Joseph sold Colts Academy. The building had an outstanding debt at the time of the sale that is not callable until December 1, 2022. The City placed the sales proceeds and remaining portion of local option sales tax in an escrow account to pay in full the general obligation abatement bonds, series 2015B on the call date. The early defeasance will result in an interest savings of \$143,588.

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 on the 2021A bond issue, and reaffirmed their AA-/Stable rating on their previous bond ratings. The report stated St. Joseph has maintained a stable history of operational performance through 2020's economic uncertainties and continues to have a very strong reserve and liquidity position. The City maintains reserves at levels above its fund balanced policy of four-to-six months of expenditures, which S&P Global believes provides financial flexibility in times of stress. Based on the City's fiscal 2020 results and 2021 estimates and minimal impact from COVID-19, S&P Global believes the City will continue to produce at least balanced operations over the next two years. 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 with debt service carrying charges at 33.7% of expenditures and net direct debt that is 203.4% of total governmental fund revenue, but rapid amortization, with 85.7% of debt scheduled to be retired in 10 years.

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 \$15,215,406 which significantly exceeds the outstanding pure general obligation debt of \$4,838,000.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The past few years have been exciting in the City of St. Joseph after several years of contracting economies from the 2008 Great Recession. After several years of declining market values and slow development, the City's taxable market value increased 31.52% 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. In 2020, the President of the United States signed into law the Community Reinvestment Fund (CRF) COVID-19 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.

City of St. Joseph Management's Discussion and Analysis

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

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.

In 2021, The President signed the American Rescue Plan Act (ARPA) where direct funding to municipalities was available. The City of St. Joseph received \$402,445 in 2021 and will received another \$402,445 in July 2022. As of December 31, 2021, the City of St. Joseph spent \$85,262 grant dollars on the main server upgrades. The City has until December 31, 2024 to spend the remaining ARPA grant dollars.

Seven new single-family homes were constructed in 2021, along with 52 commercial remodel and improvement projects. College & Minnesota LLC, a developer, purchased a vacant two-story downtown building and remodeled into ground-level commercial retail space with an above level residential unit. Hudson & Company who leases the retail spaces has stated their St. Joseph store performs the best out of the three stores they operate in different communities. College & Minnesota LLC continues to invest significantly in St. Joseph. They purchased a vacant city owned garage and an abutting building in downtown known as the old fire hall/police station from the City of St. Joseph. The buildings are currently being renovated into retail and planned restaurant spaces. They have also purchased four single-family homes to convert them to additional commercial uses in the downtown. In the past three years, new construction as well as remodels/additions and repairs added over \$34 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 7.6% for the 2021 property values.

As stated, single-family residential construction included seven new homes built in 2021. 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 Living Campus development began construction of single-family homes in their first phase of development. The first phase includes 10 detached patio home lots in which six homes have been constructed, one is currently under construction and the remaining three lots have been purchased by Berscheid Builders, LLC. Additionally, Berscheid Builders, LLC purchased the abutting Outlot in the Country Manor Senior Living Campus subdivision which has been preliminary platted for 30 single-family patio home lots. 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.

The City of St. Joseph anticipates industrial development in Northland Business Center, a new Industrial Park that was completed in 2021. 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

City of St. Joseph Management's Discussion and Analysis

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

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 construction fund has an unspent balance of \$227,946. The funds will be applied to expand Fir Street East and 24th Avenue NE to accommodate a large business planned to for construction in 2022.

The City Council approved an application with the Central MN Housing Partnership to secure funding through the Minnesota Small Cities Development Program Grant (SCDP) in the amount of \$178,624 in 2018. The grant provides funding to eligible property owners to complete major repairs on their homes. Participants must meet income level eligibility requirements to receive a loan that is forgivable incrementally over a seven-year period. The rehabilitation projects were completed in 2021.

The City of St. Joseph submitted a bonding request for State Legislative consideration in 2020 for the community center. The State of Minnesota included funding the \$4M request for the Jacob Wetterling Recreation Center in their fall 2020 bonding bill. The City began pre-design phase and hired a firm, Hartsook, to conduct a capital campaign for the project in 2021. In addition, the City of St. Joseph and the YMCA partnered for operations of the new facility. The YMCA is assisting with the design phase and capital campaign to help build the recreational facility to meet the operational needs in the future. In 2022, the capital campaign kicked off, designing by HMA Architect continues and the City hired a construction manager, Gohman Construction, to oversee costs of the project. The community center will be located east of the St. Joseph Government Center on a vacant 8.35 acre lot owned by the City.

The 2021A bond issue was issued at a large premium to meet market demands at the time of the bond issue. The St. Joseph City council agreed to place \$150,000 in the bond fund to reduce the debt levy need for a couple years. The remaining \$200,219 bond premium was placed in the 2021 street improvement project fund. The premium will be used on future street projects.

The 2019 street overlay project was completed in 2021 with a residual balance of \$110,833. The residual balance remaining in the capital outlay fund for future street improvements.

There are exciting developments that have recently located to or are in the process of locating into the City of St. Joseph. As mentioned above, College and Minnesota, LLC has made significant investments into the St. Joseph community by purchasing older homes and commercial buildings in the downtown for remodeling to convert into viable businesses, including retail, fitness/health, and food/restaurant spaces. Bad Habit Brewing Company located in downtown St. Joseph is expanding their brewery and outdoor space, including a taproom, warehouse, outdoor patio seating.. With their expansion, Bad Habit Brewing Company refinanced their loans and paid off a loan they had with the City of Joseph in March 2022. The City was able to then defease a bond early with the proceeds. Bo Diddle's in the downtown is remodeling their restaurant and adding outdoor patio space. Jolie Olie's is a new bakery in our downtown that opened in April 2022. There continues to be interest and prospects reaching out to the city staff to locate in St. Joseph.

Besides downtown, Rivers Bend Plat 4 was approved to add 28 residential townhomes south of town near the Kennedy Community School. A commercial building that has been vacant for several years

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

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

located along Highway 75, a major corridor was purchased and remodeled for a State Farm Insurance office building. Trobec's Bus Service submitted plans to build a new facility on a 10-acre lot in the industrial park known as Northland Business Center. A 22 acre vacant parcel located east of town, south of the U.S. Army Reserve facility known as the River Bats Stadium property is on the market; the property is guided for commercial in the City's Comprehensive Plan.

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 2022 or early 2023. The City of St. Joseph plans to use the reimbursements for future sewer improvements.

With a busy year completed, 2022 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.

(THIS PAGE LEFT BLANK INTENTIONALLY)

BASIC FINANCIAL STATEMENTS

**City of St. Joseph
Statement of Net Position
December 31, 2021**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 10,668,489	\$ 2,994,687	\$ 13,663,176
Cash with fiscal agent	1,207,935	-	1,207,935
Property tax receivable	10,575	24	10,599
Accounts receivable	593,024	518,531	1,111,555
Interest receivable	24,620	8,926	33,546
Due from other governments	221,456	970	222,426
Notes receivable	270,469	-	270,469
Special assessments receivable			
Delinquent	503	178	681
Deferred	4,152,006	34,769	4,186,775
Prepaid items	3,274	-	3,274
Net pension asset	357,561	-	357,561
Capital assets			
Land	762,197	377,882	1,140,079
Easements	200,085	67,915	268,000
Construction in progress	1,333,706	1,498,789	2,832,495
Buildings	7,299,059	8,797,686	16,096,745
Infrastructure	26,027,162	-	26,027,162
Improvements	1,377,030	289,760	1,666,790
Intangible asset	200,000	-	200,000
Plant and lines	-	27,068,783	27,068,783
Machinery and equipment	4,441,111	1,143,827	5,584,938
Sewer rights	-	10,977,565	10,977,565
Less accumulated depreciation	<u>(23,562,195)</u>	<u>(15,875,951)</u>	<u>(39,438,146)</u>
Capital assets (net of accumulated depreciation)	<u>18,078,155</u>	<u>34,346,256</u>	<u>52,424,411</u>
Total assets	<u>35,588,067</u>	<u>37,904,341</u>	<u>73,492,408</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	<u>1,366,961</u>	<u>147,084</u>	<u>1,514,045</u>
Total assets and deferred outflows of resources	<u>\$ 36,955,028</u>	<u>\$ 38,051,425</u>	<u>\$ 75,006,453</u>
Liabilities			
Accounts payable	\$ 133,880	\$ 68,280	\$ 202,160
Contracts payable	841,572	-	841,572
Due to other governments	4,876	65,944	70,820
Salaries and benefits payable	93,337	6,802	100,139
Interest payable	51,247	65,493	116,740
Unearned revenue	317,183	7,013	324,196
Bond principal payable (net)			
Payable within one year	2,658,000	665,000	3,323,000
Payable after one year	13,370,378	3,237,202	16,607,580
Notes payable (net)			
Payable within one year	-	416,950	416,950
Payable after one year	-	3,989,675	3,989,675
Compensated absences payable			
Payable within one year	145,070	12,844	157,914
Payable after one year	384,234	102,398	486,632
Net pension liability	931,517	189,059	1,120,576
Total liabilities	<u>18,931,294</u>	<u>8,826,660</u>	<u>27,757,954</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	1,727,526	176,853	1,904,379
Deferred inflows of resources related to debt	11,895	18,140	30,035
Total deferred inflows of resources	<u>1,739,421</u>	<u>194,993</u>	<u>1,934,414</u>
Net Position			
Net investment in capital assets	7,728,613	26,037,429	30,582,502
Restricted for			
Debt service	5,451,971	-	5,451,971
Other purposes	2,546,731	-	2,546,731
Unrestricted	556,998	2,992,343	6,732,881
Total net position	<u>16,284,313</u>	<u>29,029,772</u>	<u>45,314,085</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 36,955,028</u>	<u>\$ 38,051,425</u>	<u>\$ 75,006,453</u>

City of St. Joseph
Statement of Activities
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 1,139,857	\$ 134,620	\$ 9,283	\$ 85,262	\$ (910,692)	\$ -	\$ (910,692)
Public safety	1,922,977	485,075	228,887	700	(1,208,315)	-	(1,208,315)
Public works	1,464,510	59,669	12,384	1,464,290	71,833	-	71,833
Economic development	326,642	14,308	67,160	-	(245,174)	-	(245,174)
Culture and recreation	1,742,825	35,293	-	36,172	(1,671,360)	-	(1,671,360)
Interest on long-term debt	386,579	-	-	-	(386,579)	-	(386,579)
Total governmental activities	<u>6,983,390</u>	<u>728,965</u>	<u>317,714</u>	<u>1,586,424</u>	<u>(4,350,287)</u>	<u>-</u>	<u>(4,350,287)</u>
Business-type activities							
Water	1,011,714	1,248,990	5,175	336	-	242,787	242,787
Sanitary sewer	1,230,161	1,448,908	4,620	-	-	223,367	223,367
Refuse	368,772	360,030	1,120	-	-	(7,622)	(7,622)
Storm water	216,472	184,603	430	-	-	(31,439)	(31,439)
Street light utility	67,231	85,470	184	-	-	18,423	18,423
Total business-type activities	<u>2,894,350</u>	<u>3,328,001</u>	<u>11,529</u>	<u>336</u>	<u>-</u>	<u>445,516</u>	<u>445,516</u>
Total governmental and business-type activities	<u>\$ 9,877,740</u>	<u>\$ 4,056,966</u>	<u>\$ 329,243</u>	<u>\$ 1,586,760</u>	<u>(4,350,287)</u>	<u>445,516</u>	<u>(3,904,771)</u>
General revenues							
Property taxes					2,976,605	249	2,976,854
Tax increments					150,078	-	150,078
Sales taxes					580,596	-	580,596
Lodging taxes					9,608	-	9,608
Miscellaneous taxes					2,989	-	2,989
Franchise fees					137,382	-	137,382
State aids					1,211,093	-	1,211,093
Unrestricted investment earnings					37,600	4,707	42,307
Transfers					(1,145,619)	1,145,619	-
Total general revenues and transfers					<u>3,960,332</u>	<u>1,150,575</u>	<u>5,110,907</u>
Change in net position					(389,955)	1,596,091	1,206,136
Net position - beginning					<u>16,674,268</u>	<u>27,433,681</u>	<u>44,107,949</u>
Net position - ending					<u>\$ 16,284,313</u>	<u>\$ 29,029,772</u>	<u>\$ 45,314,085</u>

See notes to basic financial statements.

City of St. Joseph
Balance Sheet - Governmental Funds
December 31, 2021

	General Fund (101, 102, 103, 104, 108, 390, 490)	<u>Debt Service</u> G.O. Industrial Park Bonds of 2019A (308)	<u>Capital Projects</u> 2021 Street Overlay Project (411)
Assets			
Cash and investments	\$ 4,481,141	\$ 44	\$ 1,785,290
Cash with fiscal agent	-	-	-
Taxes receivable - delinquent	7,204	-	-
Special assessments receivable			
Delinquent	-	-	-
Deferred	157,809	1,938,536	-
Accounts receivable	566,138	-	-
Interest receivable	9,380	652	-
Due from other funds	13,475	-	-
Due from other governments	56,799	-	-
Notes receivable	-	-	-
Prepaid items	3,274	-	-
	<u>5,295,220</u>	<u>1,939,232</u>	<u>1,785,290</u>
Total assets	\$ 5,295,220	\$ 1,939,232	\$ 1,785,290
Liabilities			
Accounts payable	\$ 73,316	\$ -	\$ 31,918
Contracts payable	-	-	828,020
Due to other funds	-	-	-
Due to other governments	4,876	-	-
Salaries and benefits payable	47,794	-	-
Unearned revenue	317,183	-	-
Total liabilities	<u>443,169</u>	<u>-</u>	<u>859,938</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	7,204	-	-
Unavailable revenue - special assessments	157,809	1,938,536	-
Unavailable revenue - notes receivable	-	-	-
Unavailable revenue - state shared taxes	497,834	-	-
Total deferred inflows of resources	<u>662,847</u>	<u>1,938,536</u>	<u>-</u>
Fund Balances			
Nonspendable	3,274	-	-
Restricted	4,805	696	-
Committed	-	-	-
Assigned	2,098,456	-	925,352
Unassigned	2,082,669	-	-
Total fund balances	<u>4,189,204</u>	<u>696</u>	<u>925,352</u>
	<u>\$ 5,295,220</u>	<u>\$ 1,939,232</u>	<u>\$ 1,785,290</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,295,220	\$ 1,939,232	\$ 1,785,290

Other Governmental Funds	Total Governmental Funds
\$ 4,783,159	\$ 11,049,634
1,207,935	1,207,935
3,371	10,575
503	503
2,055,661	4,152,006
47,286	613,424
14,588	24,620
8,800	22,275
164,657	221,456
270,469	270,469
-	3,274
<u>\$ 8,556,429</u>	<u>\$ 17,576,171</u>
\$ 28,646	\$ 133,880
13,552	841,572
22,275	22,275
-	4,876
45,543	93,337
-	317,183
<u>110,016</u>	<u>1,413,123</u>
3,371	10,575
2,056,164	4,152,509
268,981	268,981
-	497,834
<u>2,328,516</u>	<u>4,929,899</u>
-	3,274
4,522,398	4,527,899
468,259	468,259
1,149,161	4,172,969
(21,921)	2,060,748
<u>6,117,897</u>	<u>11,233,149</u>
<u>\$ 8,556,429</u>	<u>\$ 17,576,171</u>

City of St. Joseph
Reconciliation of the Balance Sheet to
The Statement of Net Position - Governmental Funds
Year Ended December 31, 2021

Total fund balances - governmental funds \$ 11,233,149

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	41,640,350
Less accumulated depreciation	(23,562,195)

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	(16,028,378)
Deferred charges on refunding	(11,895)
Compensated absences payable	(529,304)
Net pension liability	(931,517)

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	10,575
Special assessments	503

Other long-term assets are not available to pay for current expenditures and, therefore, are deferred in the funds.

Deferred special assessments	4,152,006
Notes receivable	268,981
MSA Receivable	497,834

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.

Deferred inflows of resources related to pensions	(1,727,526)
Deferred outflows of resources related to pensions	1,366,961

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	357,561
-------------------------------	---------

The water access capital project fund is proprietary in nature and, therefore, included in the business-type activities in the Statement of Net Position.

(380,641)

The sewer access capital project fund is proprietary in nature and, therefore, included in the business-type activities in the Statement of Net Position.

(20,904)

Governmental funds do not report a liability for accrued interest due and payable.

(51,247)

Total net position - governmental activities

\$ 16,284,313

City of St. Joseph
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2021

	General Fund (101, 102, 103, 104, 108, 390, 490)	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
		G.O. Industrial Park Bonds of 2019A (308)	2021 Street Overlay Project (411)		
Revenues					
Property taxes	\$ 2,112,522	\$ -	\$ -	\$ 892,864	\$ 3,005,386
Tax increments	-	-	-	150,078	150,078
Sales taxes	-	-	-	580,596	580,596
Lodging taxes	-	-	-	9,608	9,608
Miscellaneous taxes	2,989	-	-	-	2,989
Special assessments	57,840	309,120	67,601	313,035	747,596
Franchise fees	137,382	-	-	-	137,382
Licenses and permits	151,811	-	-	-	151,811
Intergovernmental	1,570,692	-	-	135,670	1,706,362
Charges for services	98,913	-	-	475,191	574,104
Fines and forfeitures	87,381	-	-	-	87,381
Miscellaneous					
Investment income	4,947	344	-	7,659	12,950
Contributions and donations	4,184	-	-	1,492	5,676
Revolving loan repayments	-	-	-	14,444	14,444
Other	54,520	-	-	45,074	99,594
Total revenues	<u>4,283,181</u>	<u>309,464</u>	<u>67,601</u>	<u>2,625,711</u>	<u>7,285,957</u>
Expenditures					
Current					
General government	997,357	-	-	-	997,357
Public safety	1,657,557	-	-	312,247	1,969,804
Public works	443,748	-	-	-	443,748
Culture and recreation	362,548	-	-	8,864	371,412
Economic development	-	-	-	326,612	326,612
Debt service					
Principal	-	220,000	-	973,000	1,193,000
Interest and other charges	-	93,269	-	405,610	498,879
Capital outlay					
General government	85,895	-	-	3,522	89,417
Public safety	93,160	-	-	36,903	130,063
Public works	22,325	-	2,503,190	34,071	2,559,586
Culture and recreation	13,764	-	-	20,029	33,793
Economic development	-	-	-	422	422
Total expenditures	<u>3,676,354</u>	<u>313,269</u>	<u>2,503,190</u>	<u>2,121,280</u>	<u>8,614,093</u>
Excess of revenues over (under) expenditures	606,827	(3,805)	(2,435,589)	504,431	(1,328,136)
Other Financing Sources (Uses)					
Insurance recoveries	17,610	-	-	-	17,610
Sale of property	-	-	-	715,000	715,000
Bonds issued	-	-	3,190,000	-	3,190,000
Bond premium	-	-	220,219	150,000	370,219
Refunding bond payment	-	-	-	(1,315,000)	(1,315,000)
Transfers in	1,397,060	3,000	-	1,886,041	3,286,101
Transfers out	(646,248)	-	-	(2,784,963)	(3,431,211)
Total other financing sources (uses)	<u>768,422</u>	<u>3,000</u>	<u>3,410,219</u>	<u>(1,348,922)</u>	<u>2,832,719</u>
Net change in fund balances	1,375,249	(805)	974,630	(844,491)	1,504,583
Fund Balances					
Beginning of year	<u>2,813,955</u>	<u>1,501</u>	<u>(49,278)</u>	<u>6,962,388</u>	<u>9,728,566</u>
End of year	<u>\$ 4,189,204</u>	<u>\$ 696</u>	<u>\$ 925,352</u>	<u>\$ 6,117,897</u>	<u>\$ 11,233,149</u>

See notes to basic 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, 2021

Total net change in fund balances - governmental funds	\$ 1,504,583
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	2,781,593
Depreciation expense	(1,552,028)
Disposal of capital assets	(1,799,587)
Transferred to proprietary funds	(1,240,509)
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.	
	1,193,000
Bonds were refunded during the year. The amount paid off with the new funding is reported in the governmental funds as a use of financing. However, the payments are not expenditures in the Statement of Activities, but rather a reduction in long-term liabilities in the statement of net position.	
	1,315,000
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	(24,947)
Amortization of bond discounts, premiums and issuance charges	137,247
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.	
	(3,190,000)
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.	
	(370,219)
Compensated absence payments are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	
	(29,942)
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	(1,805)
Delinquent property taxes	(28,781)
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	113,255
Notes receivable	(42,220)
MSA receivable	497,834
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	220,971
The water access capital project fund is proprietary in nature and, therefore, is reported with business-type activities.	
	118,750
The sewer access capital project fund is proprietary in nature and, therefore, is reported with business-type activities.	
	<u>7,850</u>
Change in net position - governmental activities	<u>\$ (389,955)</u>

City of St. Joseph
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Property taxes	\$ 2,082,470	\$ 2,082,470	\$ 2,112,522	\$ 30,052
Miscellaneous taxes	4,000	4,000	2,989	(1,011)
Special assessments	2,500	2,500	57,840	55,340
Franchise fees	138,645	138,645	137,382	(1,263)
Licenses and permits	195,675	195,675	151,811	(43,864)
Intergovernmental	1,234,735	1,432,608	1,570,692	138,084
Charges for services	150,975	150,975	98,913	(52,062)
Fines and forfeitures	58,000	58,000	87,381	29,381
Miscellaneous revenues				
Investment income	60,000	60,000	4,947	(55,053)
Contributions and donations	2,500	2,500	4,184	1,684
Other	43,525	43,525	54,520	10,995
Total revenues	<u>3,973,025</u>	<u>4,170,898</u>	<u>4,283,181</u>	<u>112,283</u>
Expenditures				
Current				
General government	1,000,980	1,000,980	997,357	(3,623)
Public safety	1,700,880	1,700,880	1,657,557	(43,323)
Public works	723,165	723,165	443,748	(279,417)
Culture and recreation	477,565	477,565	362,548	(115,017)
Capital outlay				
General government	7,000	7,000	85,895	78,895
Public safety	14,015	14,015	93,160	79,145
Public works	35,000	35,000	22,325	(12,675)
Culture and recreation	83,400	83,400	13,764	(69,636)
Total expenditures	<u>4,042,005</u>	<u>4,042,005</u>	<u>3,676,354</u>	<u>(365,651)</u>
Excess of revenues over expenditures	(68,980)	128,893	606,827	477,934
Other Financing Sources (Uses)				
Insurance recoveries	-	-	17,610	17,610
Transfers in	7,165	7,165	1,397,060	1,389,895
Transfers out	-	-	(646,248)	(646,248)
Total other financing sources (uses)	<u>7,165</u>	<u>7,165</u>	<u>768,422</u>	<u>761,257</u>
Net change in fund balances	<u>\$ (61,815)</u>	<u>\$ 136,058</u>	1,375,249	<u>\$ 1,239,191</u>
Fund Balances				
Beginning of year			<u>2,813,955</u>	
End of year			<u>\$ 4,189,204</u>	

City of St. Joseph
Statement of Net Position - Proprietary Funds
December 31, 2021

	Water (601)	Sanitary Sewer (602)	Refuse (603)
Assets			
Current assets			
Cash and investments	\$ 1,290,923	\$ 772,897	\$ 207,664
Taxes receivable - delinquent	24	-	-
Special assessments receivable			
Delinquent	48	62	45
Deferred	29,092	4,199	969
Accounts receivable	149,724	234,339	57,739
Interest receivable	5,203	2,210	603
Due from other governments	424	280	179
Total current assets	<u>1,475,438</u>	<u>1,013,987</u>	<u>267,199</u>
Noncurrent assets			
Capital assets			
Land	372,941	4,941	-
Easements	-	-	-
Construction in progress	659,693	576,945	-
Buildings	7,502,432	1,295,254	-
Improvements	289,760	-	-
Plants and lines	11,204,078	9,393,030	-
Machinery and equipment	267,826	656,785	46,416
Sewer rights	-	10,977,565	-
Total capital assets	<u>20,296,730</u>	<u>22,904,520</u>	<u>46,416</u>
Less accumulated depreciation	<u>(6,971,768)</u>	<u>(6,933,983)</u>	<u>(46,072)</u>
Net capital assets	<u>13,324,962</u>	<u>15,970,537</u>	<u>344</u>
Total noncurrent assets	<u>13,324,962</u>	<u>15,970,537</u>	<u>344</u>
Total assets	<u>14,800,400</u>	<u>16,984,524</u>	<u>267,543</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	<u>66,397</u>	<u>63,255</u>	<u>4,681</u>
Total assets and deferred outflows of resources	<u>\$ 14,866,797</u>	<u>\$ 17,047,779</u>	<u>\$ 272,224</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 22,896	\$ 13,887	\$ 26,507
Due to other governments	2,575	61,138	2,231
Salaries and benefits payable	2,943	2,687	377
Interest payable	26,866	38,627	-
Unearned revenue	7,013	-	-
Long-term liabilities due			
Within one year	546,011	547,961	216
Total current liabilities	<u>608,304</u>	<u>664,300</u>	<u>29,331</u>
Noncurrent liabilities			
Compensated absences	56,497	56,497	569
Notes payable, net	-	4,406,625	-
Bonds payable, net	2,927,792	974,410	-
Net pension liability	85,345	81,307	6,017
Less amounts due within one year	<u>(546,011)</u>	<u>(547,961)</u>	<u>(216)</u>
Total noncurrent liabilities	<u>2,523,623</u>	<u>4,970,878</u>	<u>6,370</u>
Total liabilities	<u>3,131,927</u>	<u>5,635,178</u>	<u>35,701</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	79,835	76,058	5,629
Deferred inflows of resources related to debt	13,971	4,169	-
Total deferred inflows	<u>93,806</u>	<u>80,227</u>	<u>5,629</u>
Net Position			
Net investment in capital assets	10,397,170	10,589,502	344
Unrestricted	1,243,894	742,872	230,550
Total net position	<u>11,641,064</u>	<u>11,332,374</u>	<u>230,894</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 14,866,797</u>	<u>\$ 17,047,779</u>	<u>\$ 272,224</u>

Storm Water (651)	Street Light Utility (652)	Total
\$ 265,028	\$ 77,030	\$ 2,613,542
-	-	24
14	9	178
349	160	34,769
30,505	25,824	498,131
695	215	8,926
61	26	970
<u>296,652</u>	<u>103,264</u>	<u>3,156,540</u>
-	-	377,882
67,915	-	67,915
262,151	-	1,498,789
-	-	8,797,686
-	-	289,760
6,471,675	-	27,068,783
172,800	-	1,143,827
-	-	10,977,565
6,974,541	-	50,222,207
(1,924,128)	-	(15,875,951)
<u>5,050,413</u>	<u>-</u>	<u>34,346,256</u>
<u>5,050,413</u>	<u>-</u>	<u>34,346,256</u>
5,347,065	103,264	37,502,796
10,410	2,341	147,084
<u>\$ 5,357,475</u>	<u>\$ 105,605</u>	<u>\$ 37,649,880</u>
\$ 217	\$ 4,773	\$ 68,280
-	-	65,944
512	283	6,802
-	-	65,493
-	-	7,013
498	108	1,094,794
<u>1,227</u>	<u>5,164</u>	<u>1,308,326</u>
1,394	285	115,242
-	-	4,406,625
-	-	3,902,202
13,381	3,009	189,059
(498)	(108)	(1,094,794)
<u>14,277</u>	<u>3,186</u>	<u>7,518,334</u>
<u>15,504</u>	<u>8,350</u>	<u>8,826,660</u>
12,517	2,814	176,853
-	-	18,140
<u>12,517</u>	<u>2,814</u>	<u>194,993</u>
5,050,413	-	26,037,429
279,041	94,441	2,590,798
<u>5,329,454</u>	<u>94,441</u>	<u>28,628,227</u>
<u>\$ 5,357,475</u>	<u>\$ 105,605</u>	<u>\$ 37,649,880</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

City of St. Joseph
Reconciliation of the Statement
of Net Position - Business-Type Activities
December 31, 2021

Total net position - proprietary funds	\$ 28,628,227
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.	380,641
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>20,904</u>
Total net position - business-type activities	<u><u>\$ 29,029,772</u></u>

City of St. Joseph
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2021

	Water (601)	Sanitary Sewer (602)	Refuse (603)	Storm Water (651)
Operating revenues				
Charges for services	\$ 1,153,777	\$ 1,395,818	\$ 359,675	\$ 184,603
Operating expenses				
Wages and salaries	174,206	157,075	21,359	34,973
Materials and supplies	54,844	42,712	3,043	555
Repairs and maintenance	45,920	7,149	3,135	14,617
Professional services	47,496	20,003	2,279	7,917
Insurance	15,535	12,532	-	-
Utilities	76,768	19,190	-	1,025
Depreciation	459,783	551,688	115	155,498
Contracted services	-	321,187	337,487	-
Equipment	112	111	111	111
Miscellaneous	11,359	1,553	1,243	1,776
Total operating expenses	<u>886,023</u>	<u>1,133,200</u>	<u>368,772</u>	<u>216,472</u>
Operating income (loss)	267,754	262,618	(9,097)	(31,869)
Nonoperating revenues				
(expenses)				
Investment income	2,744	1,165	318	367
Special assessments	5,300	4,419	1,105	397
Property taxes	249	-	-	-
Interest expense	(152,972)	(105,052)	-	-
Amortization of bond premium	27,281	8,091	-	-
Other income	34,174	1,141	370	33
Total nonoperating revenues	<u>34,174</u>	<u>1,141</u>	<u>370</u>	<u>33</u>
(expenses)	<u>(83,224)</u>	<u>(90,236)</u>	<u>1,793</u>	<u>797</u>
Income (loss) before capital				
contributions and transfers	184,530	172,382	(7,304)	(31,072)
Capital contributions	406,610	571,748	-	262,151
Transfers in	186,000	60,000	-	-
Transfers out	<u>(19,295)</u>	<u>(24,575)</u>	<u>(10,425)</u>	<u>(46,595)</u>
Change in net position	757,845	779,555	(17,729)	184,484
Net position				
Beginning of year	<u>10,883,219</u>	<u>10,552,819</u>	<u>248,623</u>	<u>5,144,970</u>
End of year	<u>\$ 11,641,064</u>	<u>\$ 11,332,374</u>	<u>\$ 230,894</u>	<u>\$ 5,329,454</u>

Street Light Utility (652)	Total
\$ 85,201	\$ 3,179,074
17,210	404,823
-	101,154
2,952	73,773
38	77,733
-	28,067
46,493	143,476
-	1,167,084
-	658,674
-	445
538	16,469
67,231	2,671,698
17,970	507,376
113	4,707
177	11,398
-	249
-	(258,024)
-	35,372
276	35,994
566	(170,304)
18,536	337,072
-	1,240,509
-	246,000
-	(100,890)
18,536	1,722,691
75,905	26,905,536
\$ 94,441	\$ 28,628,227

(THIS PAGE LEFT BLANK INTENTIONALLY)

City of St. Joseph
Reconciliation of the Statement of Revenues, Expenses,
and Changes in Net Position - Business-Type Activities
Year Ended December 31, 2021

Total net change in fund net position - proprietary funds	\$ 1,722,691
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.	(118,750)
Recognized current year activity from the sewer access capital project fund with the business-type activities.	(7,850)
Capital contributions from governmental activities	(1,240,509)
Transfers in of capital assets from governmental activities	<u>1,240,509</u>
Change in net position - business-type activities	<u><u>\$ 1,596,091</u></u>

City of St. Joseph
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2021

	Water (601)	Sanitary Sewer (602)	Refuse (603)
Cash Flows - Operating Activities			
Receipts from customers and users	\$ 1,158,749	\$ 1,403,951	\$ 354,808
Payments to suppliers	(246,181)	(484,568)	(343,445)
Payments to employees	(183,073)	(149,357)	(23,152)
Other miscellaneous receipts	36,333	2,182	1,050
Net cash flows - operating activities	765,828	772,208	(10,739)
Cash Flows - Noncapital Financing Activities			
Transfer from other funds	186,000	60,000	-
Transfer to other funds	(19,295)	(24,575)	(10,425)
Net cash flows - noncapital financing Activities	166,705	35,425	(10,425)
Cash Flows - Capital and Related Financing Activities			
Principal paid on debt	(2,974,547)	(526,256)	-
Interest paid on debt	116,627	(100,065)	-
Bond proceeds	2,185,000	-	-
Acquisition of capital assets	(33,524)	(36,125)	-
Net cash flows - capital and related Financing activities	(706,444)	(662,446)	-
Cash Flows - Investing Activities			
Interest and dividends received	706	(48)	159
Net change in cash and cash equivalents	226,795	145,139	(21,005)
Cash and Cash Equivalents			
Beginning of year	1,064,128	627,758	228,669
End of year	\$ 1,290,923	\$ 772,897	\$ 207,664
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities			
Operating income (loss)	\$ 267,754	\$ 262,618	\$ (9,097)
Adjustments to reconcile operating income (loss) to net cash flows - operating activities			
Depreciation expense	459,783	551,688	115
Pension expense	(12,297)	4,283	(2,206)
Other miscellaneous receipts	36,333	2,182	1,050
Accounts receivable	5,089	8,413	(4,688)
Due from other governments	(422)	(280)	(179)
Accounts payable	6,872	(5)	3,976
Due to other governmental units	(1,019)	(60,126)	(123)
Salaries payable	223	228	142
Compensated absences payable	3,207	3,207	271
Unearned revenue	305	-	-
Total adjustments	498,074	509,590	(1,642)
Net cash flows - operating activities	\$ 765,828	\$ 772,208	\$ (10,739)
Non-Cash Capital and Financing Activities			
Capital asset contributions from governmental funds	\$ 406,610	\$ 571,748	\$ -

Storm Water (651)	Street Light Utility (652)	Total
\$ 179,683	\$ 73,889	\$ 3,171,080
(26,008)	(49,529)	(1,149,731)
(39,917)	(17,265)	(412,764)
257	410	40,232
<u>114,015</u>	<u>7,505</u>	<u>1,648,817</u>
-	-	246,000
<u>(46,595)</u>	<u>-</u>	<u>(100,890)</u>
<u>(46,595)</u>	<u>-</u>	<u>145,110</u>
-	-	(3,500,803)
-	-	16,562
-	-	2,185,000
<u>-</u>	<u>-</u>	<u>(69,649)</u>
<u>-</u>	<u>-</u>	<u>(1,368,890)</u>
188	30	1,035
67,608	7,535	426,072
197,420	69,495	2,187,470
<u>\$ 265,028</u>	<u>\$ 77,030</u>	<u>\$ 2,613,542</u>
<u>\$ (31,869)</u>	<u>\$ 17,970</u>	<u>\$ 507,376</u>
155,498	-	1,167,084
(6,057)	(186)	(16,463)
257	410	40,232
(4,859)	(11,286)	(7,331)
(61)	(26)	(968)
(7)	492	11,328
-	-	(61,268)
148	(35)	706
965	166	7,816
-	-	305
<u>145,884</u>	<u>(10,465)</u>	<u>1,141,441</u>
<u>\$ 114,015</u>	<u>\$ 7,505</u>	<u>\$ 1,648,817</u>
\$ 262,151	\$ -	\$ 1,240,509

(THIS PAGE LEFT BLANK INTENTIONALLY)

City of St. Joseph
Notes to Basic 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 each of 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 2021, the City contributed \$14,081 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 Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Basic 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.

2021 Street Overlay Project – This fund accounts for activity related to the 2021 street overlay 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 Basic 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 118A outlines types of investments allowed, which 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.

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.

City of St. Joseph
Notes to Basic 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 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.

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

<u>Assets</u>	<u>Years</u>
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

City of St. Joseph
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Deferred Outflows/ Inflows of Resources

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 assets 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 assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from four sources: property taxes, special assessments, notes receivable, and state shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statements of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years. The City presents deferred inflows of resources on the Statements of Net Position for the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and reacquisition price.

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.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Long-Term Obligations (Continued)

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.
- **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.

City of St. Joseph
Notes to Basic 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)

- 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.

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 \$3,183,540 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 \$2,546,731 includes \$4,805 PEG Access Fees, \$53,048 for tax increment financing, \$942,487 in state collected sales tax restricted by enabling legislation, \$21,302 restricted for lodging tax, \$264,179 in park dedication fees, \$651 restricted by donors for future projects, \$43,194 DEED Funds, \$26,755 in revolving loan funds restricted for EDA projects, \$692,476 restricted for fire service, and \$497,834 for unused MSA funds.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, Park Dedication, and Fire special revenue funds and debt service funds. Budgetary control for the remaining special revenue fund is done through the use of project controls when the council authorizes the project. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted.
7. Budgeted amounts are as originally adopted by the City Council. Budgeted expenditure appropriations lapse at year-end.

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

City of St. Joseph
Notes to Basic Financial Statements

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balance

The following fund had a deficit fund balance at December 31, 2021.

Nonmajor governmental funds	
Special Revenue	
TIF 2-3 Bayou Blues/Alley Flat	\$ 8,446
Capital Projects	
2022 Street Improvement Project	13,475

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 as follows.

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, 2021, 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, 2021, the City's deposits had a carrying value as shown as follows:

Certificates of deposits	\$ 5,859,889
Checking	11,035
Savings	<u>6,821,338</u>
 Total	 <u><u>\$ 12,692,262</u></u>

City of St. Joseph
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

As of December 31, 2021, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)	Moody's Rating
Brokered cash	\$ 1,207,935	N/A	N/A
Brokered money market	18,317	N/A	N/A
Brokered bond securities	888,969	3.88	Aaa
4M Funds	63,428	N/A	N/A
Total	<u>\$ 2,178,649</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, 2021, 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, 2021, 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 Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The City has the following recurring fair value measurements as of December 31, 2021:

- \$888,969 of investments are valued using a quoted market prices (Level 1 inputs)

C. Deposits and Investments

The following is a summary of deposits and investments as of December 31, 2021:

Deposits (Note 3.A.)	\$ 12,692,262
Investments (Note 3.B.)	2,178,649
Petty cash	<u>200</u>
Total	<u><u>\$ 14,871,111</u></u>

Deposits and investments are presented in the December 31, 2021, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 13,663,176
Cash with fiscal agent	<u>1,207,935</u>
Total deposits and investments	<u><u>\$ 14,871,111</u></u>

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

The composition of interfund balances as of December 31, 2021, is as follows:

	Amounts Due to Other Funds
Amounts Due from Other Funds	Other Governmental Funds
General Fund	\$ 13,475
Other Governmental Funds	<u>8,800</u>
Total	<u><u>\$ 22,275</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 and to cover the 2022 street improvement construction costs prior to bond issue.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 4 – INTERFUND BALANCES AND TRANSFERS (CONTINUED)

B. Transfers

The composition of interfund transfers as of December 31, 2021, is as follows:

Transfer In	Transfer Out	Description	Amount
General Fund	Other Governmental Funds	Transfer to close fund	\$ 601,614
General Fund	Other Governmental Funds	Transfer to close fund	738,806
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
Other Governmental Funds	General Fund	Transfer funds restricted for operations	646,248
Other Governmental Funds	Other Governmental Funds	Transfer for future economic development projects	177,000
Other Governmental Funds	Other Governmental Funds	Transfer sales tax revenue committed for bond payment	20,000
2019 Industrial Park Bonds of 2019A	Other Governmental Funds	Transfer of unused contingency	3,000
Other Governmental Funds	Other Governmental Funds	Transfer to close fund	79,543
Other Governmental Funds	Storm Water	Annual transfer for bond payment	13,250
Other Governmental Funds	Other Governmental Funds	Transfer for defeasement of bond	765,000
Other Governmental Funds	Other Governmental Funds	Transfer sales tax revenue committed for bond payment	160,000
Other Governmental Funds	Storm Water	Transfer for project costs	25,000
Water	Other Governmental Funds	Transfer WAC fees for debt payment	180,000
Water	Sanitary Sewer	Annual transfer for debt payments	6,000
Sanitary Sewer	Other Governmental Funds	Annual transfer for debt payments	60,000
			<u>\$ 3,532,101</u>

City of St. Joseph
Notes to Basic Financial Statements

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 763,197	\$ -	\$ 1,000	\$ 762,197
Easements	200,085	-	-	200,085
Construction in progress	5,066,324	1,092,903	4,825,521	1,333,706
Total capital assets not being depreciated	<u>6,029,606</u>	<u>1,092,903</u>	<u>4,826,521</u>	<u>2,295,988</u>
Capital assets being depreciated				
Buildings	9,593,578	-	2,294,519	7,299,059
Infrastructure	20,892,974	5,134,188	-	26,027,162
Improvements	1,407,225	14,379	44,574	1,377,030
Intangible assets	200,000	-	-	200,000
Machinery and equipment	4,332,223	125,135	16,247	4,441,111
Total capital assets being depreciated	<u>36,426,000</u>	<u>5,273,702</u>	<u>2,355,340</u>	<u>39,344,362</u>
Less accumulated depreciation for				
Buildings	1,920,244	185,707	514,274	1,591,677
Infrastructure	16,732,065	986,294	-	17,718,359
Improvements	734,806	50,944	29,862	755,888
Intangible assets	40,000	10,000	-	50,000
Machinery and equipment	3,139,805	319,083	12,617	3,446,271
Total accumulated depreciation	<u>22,566,920</u>	<u>1,552,028</u>	<u>556,753</u>	<u>23,562,195</u>
Total capital assets being depreciated, net	<u>13,859,080</u>	<u>3,721,674</u>	<u>1,798,587</u>	<u>15,782,167</u>
Governmental activities capital assets, net	<u>\$ 19,888,686</u>	<u>\$ 4,814,577</u>	<u>\$ 6,625,108</u>	<u>\$ 18,078,155</u>

City of St. Joseph
Notes to Basic 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	2,455,890	1,309,957	2,267,058	1,498,789
Total capital assets not being depreciated	<u>2,901,687</u>	<u>1,309,957</u>	<u>2,267,058</u>	<u>1,944,586</u>
Capital assets being depreciated				
Buildings	8,797,686	-	-	8,797,686
Improvements other than building	289,760	-	-	289,760
Plant and lines	24,853,360	2,215,423	-	27,068,783
Machinery and equipment	1,093,377	51,836	1,386	1,143,827
Sewer rights	10,977,565	-	-	10,977,565
Total capital assets being depreciated	<u>46,011,748</u>	<u>2,267,259</u>	<u>1,386</u>	<u>48,277,621</u>
Less accumulated depreciation for				
Buildings	2,824,677	214,141	-	3,038,818
Improvements other than building	43,464	14,488	-	57,952
Plant and lines	8,344,874	558,082	-	8,902,956
Machinery and equipment	719,875	88,377	1,386	806,866
Sewer rights	2,777,363	291,996	-	3,069,359
Total accumulated depreciation	<u>14,710,253</u>	<u>1,167,084</u>	<u>1,386</u>	<u>15,875,951</u>
Total capital assets being depreciated, net	<u>31,301,495</u>	<u>1,100,175</u>	<u>-</u>	<u>32,401,670</u>
Business-type activities capital assets, net	<u>\$ 34,203,182</u>	<u>\$ 2,410,132</u>	<u>\$ 2,267,058</u>	<u>\$ 34,346,256</u>

City of St. Joseph
Notes to Basic Financial Statements

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Governmental activities	
General government	\$ 150,745
Public safety	203,161
Public works	1,018,150
Culture and recreation	179,754
Economic development	<u>218</u>
Total depreciation expense - governmental activities	<u><u>\$ 1,552,028</u></u>
Business-type activities	
Water	\$ 459,783
Sanitary sewer	551,688
Refuse	115
Storm sewer	<u>155,498</u>
Total depreciation expense - business-type activities	<u><u>\$ 1,167,084</u></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 \$1,810,000 for a crossover refunding of G.O. Street Improvement Bonds, Series 2014A and G.O. Utility Bonds, Series 2014A. The issue was 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.

In September 2021, the City issued \$2,185,000 for a current refunding of G.O. Water Revenue Refunding Bonds 2012A. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in a debt service savings of \$110,969 and a net present value benefit of \$104,018.

City of St. Joseph
Notes to Basic 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	\$ 3,365,000	\$ 195,000
G.O. Capital Improvement Plan 2017A	08/30/17	2.75%	337,000	12/15/25	168,000	42,000
G.O. Certificates of Indebtedness 2018A	02/28/18	2.50%	265,000	12/15/23	110,000	54,000
G.O. Certificates of Indebtedness 2020A	03/05/20	1.45%	220,000	12/15/25	177,000	43,000
G.O. Capital Improvement Plan 2020B	11/12/20	0.40%-2.00%	690,000	12/15/33	690,000	60,000
Total G.O. Bonds					<u>4,510,000</u>	<u>394,000</u>
G.O. Special Assessment Bonds						
G.O. Improvement Bonds of 2010B	09/28/10	2.00%-3.25%	790,000	12/01/25	240,000	55,000
G.O. Improvement Bonds of 2015A	08/13/15	1.20%-3.00%	595,000	12/01/25	245,000	60,000
G.O. Improvement Bonds of 2016B	11/03/16	1.00%-3.00%	740,000	12/15/32	540,000	50,000
G.O. Improvement Bonds of 2017B	08/30/17	2.25%-3.00%	344,000	12/15/27	204,000	34,000
G.O. Improvement Bonds of 2019A	09/12/19	4.00%-5.00%	3,705,000	12/15/29	2,955,000	375,000
G.O. Improvement Bonds of 2020B	11/12/20	0.40%-2.00%	625,000	12/15/31	625,000	65,000
G.O. Refunding Improvement Bonds of 2020B	11/12/20	0.40%-2.00%	190,000	12/15/24	145,000	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	145,000
G.O. Improvement Bonds of 2021A	09/14/21	2.00%-4.00%	3,190,000	12/15/36	<u>3,190,000</u>	<u>260,000</u>
Total G.O. Special Assessment Bonds					9,509,000	1,089,000
G.O. Abatement Bonds						
G.O. Tax Abatement Bonds of 2015B	08/13/15	2.00%-3.05%	1,840,000	12/01/30	1,175,000	1,175,000
Unamortized premiums/discounts					834,378	-
Compensated absences					<u>529,304</u>	<u>145,070</u>
Total long-term liabilities, governmental activities					<u>\$ 16,557,682</u>	<u>\$ 2,803,070</u>
Business-type Activities						
G.O. Revenue Bonds						
G.O. Water Improvement Bonds of 2017B	08/30/17	2.25%	353,000	12/15/22	\$ 70,000	\$ 70,000
G.O. Sewer Refunding Bonds of 2020B	11/12/20	0.40%-2.00%	1,045,000	12/15/28	925,000	125,000
Taxable G.O. Crossover Refunding Bonds, Series 2020C	11/12/20	0.40%-1.90%	445,000	12/01/32	445,000	40,000
G.O. Water Revenue Refunding Bonds 2021A	09/14/21	2.00%-4.00%	2,185,000	12/15/28	<u>2,185,000</u>	<u>430,000</u>
Total G.O. Revenue Bonds					<u>3,625,000</u>	<u>665,000</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	395,000	45,000
City of St. Cloud RUE Project PFA Loan	08/01/10	1.77%	4,527,703	08/20/30	2,296,725	237,654
City of St. Cloud Lift Station Improvements	08/24/16	1.00%	469,263	08/20/26	256,641	50,358
City of St. Cloud NR2 Biosolids	10/09/17	1.10%	1,744,736	08/20/37	1,458,259	83,938
Total notes from direct borrowing					<u>4,406,625</u>	<u>416,950</u>
Unamortized premium					277,202	-
Compensated absences					<u>115,242</u>	<u>12,844</u>
Total business-type activities					<u>8,424,069</u>	<u>1,094,794</u>
Total all long-term liabilities					<u>\$ 24,981,751</u>	<u>\$ 3,897,864</u>

City of St. Joseph
Notes to Basic 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, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities				
Bonds payable				
General obligation	\$ 4,838,000	\$ -	\$ 328,000	\$ 4,510,000
G.O. special assessment bonds	8,379,000	3,190,000	2,060,000	9,509,000
G.O. abatement bonds	<u>1,295,000</u>	<u>-</u>	<u>120,000</u>	<u>1,175,000</u>
Total bonds payable	<u>14,512,000</u>	<u>3,190,000</u>	<u>2,508,000</u>	<u>15,194,000</u>
Unamortized premiums/discounts	613,301	370,219	149,142	834,378
Compensated absences	<u>499,362</u>	<u>314,996</u>	<u>285,054</u>	<u>529,304</u>
Total governmental activities	<u>\$ 15,624,663</u>	<u>\$ 3,875,215</u>	<u>\$ 2,942,196</u>	<u>\$ 16,557,682</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-type activities				
Bonds payable				
G.O. utility revenue bonds	\$ 4,965,000	\$ 2,185,000	\$ 3,525,000	\$ 3,625,000
Note from direct borrowing				
City of St. Cloud notes	4,812,881	-	406,256	4,406,625
Unamortized premiums	80,163	250,551	53,512	277,202
Compensated absences	<u>107,426</u>	<u>55,376</u>	<u>47,560</u>	<u>115,242</u>
Total business-type activities	<u>9,965,470</u>	<u>2,490,927</u>	<u>4,032,328</u>	<u>8,424,069</u>
Total long-term liabilities	<u>\$ 25,590,133</u>	<u>\$ 6,366,142</u>	<u>\$ 6,974,524</u>	<u>\$ 24,981,751</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 Basic Financial Statements

NOTE 6 – LONG-TERM DEBT (CONTINUED)

D. Minimum Debt Payments

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

<u>Year Ended</u> <u>December 31,</u>	Governmental Activities			
	G.O. Bonds		G.O. Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 394,000	\$ 101,319	\$ 1,089,000	\$ 330,767
2023	397,000	93,091	1,104,000	268,060
2024	347,000	84,797	1,094,000	230,625
2025	352,000	78,750	1,059,000	194,553
2026	270,000	71,643	924,000	157,145
2027-2031	1,385,000	274,750	3,574,000	327,965
2032-2036	1,365,000	110,079	665,000	38,350
2037	-	-	-	-
Total	\$ 4,510,000	\$ 814,429	\$ 9,509,000	\$ 1,547,465

<u>Year Ended</u> <u>December 31,</u>	Governmental Activities		
	Abatement Bonds		
	Principal	Interest	Total
2022	\$ 1,175,000	\$ 32,935	\$ 3,123,021
2023	-	-	1,862,151
2024	-	-	1,756,422
2025	-	-	1,684,303
2026	-	-	1,422,788
2027-2031	-	-	5,561,715
2032-2036	-	-	2,178,429
Total	\$ 1,175,000	\$ 32,935	\$ 17,588,829

City of St. Joseph
Notes to Basic 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	
2022	\$ 665,000	\$ 132,668	\$ 416,950	\$ 72,059	\$ 1,286,677
2023	640,000	89,140	422,538	64,628	1,216,306
2024	665,000	67,540	428,003	57,331	1,217,874
2025	685,000	46,960	439,037	50,098	1,221,095
2026	250,000	23,460	444,841	42,632	760,933
2027-2031	675,000	34,450	1,678,342	103,048	2,490,840
2032-2036	45,000	855	478,152	21,229	545,236
2037	-	-	98,762	1,081	99,843
Total	<u>\$ 3,625,000</u>	<u>\$ 395,073</u>	<u>\$ 4,406,625</u>	<u>\$ 412,106</u>	<u>\$ 8,838,804</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, 2021, 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>170,000</u>
Total	<u>\$ 21,365,000</u>

City of St. Joseph
Notes to Basic 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	2021 Street Overlay Project	Nonmajor Governmental Fund	Total
Nonspendable					
Prepaid items	\$ 3,274	\$ -	\$ -	\$ -	\$ 3,274
Restricted					
PEG access fees	4,805	-	-	-	4,805
Debt service	-	696	-	2,478,306	2,479,002
Tax increments	-	-	-	53,048	53,048
State collected sales tax projects	-	-	-	942,487	942,487
Park dedication fees	-	-	-	264,179	264,179
Fire services	-	-	-	692,476	692,476
Charitable gambling	-	-	-	651	651
Lodging tax	-	-	-	43,194	43,194
DEED CDAP	-	-	-	21,302	21,302
Revolving loan	-	-	-	26,755	26,755
Total restricted	<u>4,805</u>	<u>696</u>	<u>-</u>	<u>4,522,398</u>	<u>4,527,899</u>
Committed					
Economic development	-	-	-	468,259	468,259
Assigned					
Elections	8,372	-	-	-	8,372
Police forfeiture	38,784	-	-	-	38,784
Severance pay	326,935	-	-	-	326,935
Capital outlay reserves	1,724,365	-	925,352	1,149,161	3,798,878
Debt service relief	-	-	-	-	-
Total assigned	<u>2,098,456</u>	<u>-</u>	<u>925,352</u>	<u>1,149,161</u>	<u>4,172,969</u>
Unassigned	<u>2,082,669</u>	<u>-</u>	<u>-</u>	<u>(21,921)</u>	<u>2,060,748</u>
Total	<u>\$ 4,189,204</u>	<u>\$ 696</u>	<u>\$ 925,352</u>	<u>\$ 6,117,897</u>	<u>\$ 11,233,149</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.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 8 – RISK MANAGEMENT (CONTINUED)

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.

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 2021 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2021, 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, 2021, was \$62,158. The components of pension expense are noted in the following plan summaries.

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

City of St. Joseph
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated 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. 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. 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. The postretirement increase is 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. 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.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2021 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, 2021, were \$91,994. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$131,669. 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, 2021, the City reported a liability of \$649,108 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 \$19,868.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0152% at the end of the measurement period and 0.0145% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 649,108
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>19,868</u>
Total	<u><u>\$ 668,976</u></u>

For the year ended December 31, 2021, the City recognized pension expense of \$31,950 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$1,603 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, 2021, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,542	\$ 19,757
Changes in actuarial assumptions	396,332	13,396
Net collective difference between projected and actual investment earnings	-	564,340
Changes in proportion	59,120	9,708
Contributions paid to PERA subsequent to the measurement date	<u>45,997</u>	<u>-</u>
Total	<u><u>\$ 504,991</u></u>	<u><u>\$ 607,201</u></u>

City of St. Joseph
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The \$45,997 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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2022	\$ (12,982)
2023	13,681
2024	4,423
2025	(153,329)
Total	\$ (148,207)

Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$471,468 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0618% at the end of the measurement period and 0.0555% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2020. 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 supplemental 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. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although it is not anticipated that they will be phased out during the fiscal year ended 2022.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

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, (pension allocation schedules) for the \$9 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, 2021, the City recognized pension expense of \$(16,959) for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$3,907 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 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 supplemental state aid. The City also recognized \$5,562 for the year ended December 31, 2021, 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.

At December 31, 2021, 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.

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 89,168	\$ -
Changes in actuarial assumptions	701,108	230,040
Net collective difference between projected and actual investment earnings	-	920,990
Changes in proportion	87,652	14,564
Contributions paid to PERA subsequent to the measurement date	<u>65,834</u>	<u>-</u>
Total	<u><u>\$ 943,762</u></u>	<u><u>\$ 1,165,594</u></u>

City of St. Joseph
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

The \$65,834 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Pension</u> <u>Expense</u> <u>Amount</u>
2022	\$ (275,083)
2023	(44,781)
2024	(53,931)
2025	(81,195)
2026	<u>167,324</u>
Total	<u>\$ (287,666)</u>

E. Long-Term Expected Return on Investment

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</u>
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	<u>25.0</u>	5.90
Total	<u>100.0 %</u>	

City of St. Joseph
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for 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 the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

Police and Fire Fund (Continued)

Changes in Actuarial Assumptions (Continued)

- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.0%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes resulted in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes resulted in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. 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.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

H. 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 (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 1,323,849	\$ 649,108	\$ 95,442
	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
City's proportionate share of the Police and Fire Fund net pension liability (asset)	\$ 1,508,929	\$ 471,468	\$ (378,992)

I. 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 Basic 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. 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 2021 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,028	\$ 1,028	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 Basic 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, 2021, the following employees were covered by the benefit terms:

Inactive members entitled to but not yet receiving benefits	3
Active members	28
	28
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 \$60,830 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, 2021, 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 Basic 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 %	4.90 %
International equity	10	5.32
Fixed income	40	1.40
Real estate and alternatives	-	4.43
Cash and equivalents	<u>10</u>	0.09
Total	<u><u>100 %</u></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, 2021	\$ 809,933	\$ 1,122,898	\$ (312,965)
Changes for the year			
Service cost	34,333	-	34,333
Interest cost	35,949	-	35,949
Changes of benefit terms	32,566	-	32,566
State contributions	-	60,830	(60,830)
Municipal contributions	-	3,000	(3,000)
Net investment income	-	92,565	(92,565)
Benefit payments	(174,884)	(174,884)	-
Administrative expense	-	(8,951)	8,951
Net changes	<u>(72,036)</u>	<u>(27,440)</u>	<u>(44,596)</u>
Balances at December 31, 2021	<u>\$ 737,897</u>	<u>\$ 1,095,458</u>	<u>\$ (357,561)</u>

City of St. Joseph
Notes to Basic 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:

	<u>1% Decrease In Discount Rate (3.75%)</u>	<u>Current Discount Rate (4.75%)</u>	<u>1% Increase In Discount Rate (5.75%)</u>
City's proportionate share of the Plan net position liability/asset	<u>\$ (333,200)</u>	<u>\$ (357,561)</u>	<u>\$ (381,529)</u>

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, 2021, the City recognized pension expense of \$46,139. At December 31, 2021, the City reported 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 liability	\$ -	\$ 42,190
Changes of assumptions	65,292	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>89,394</u>
Total	<u>\$ 65,292</u>	<u>\$ 131,584</u>

City of St. Joseph
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

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

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

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

<u>Year Ending</u> <u>December 31,</u>	<u>Total</u>
2022	\$ (13,293)
2023	(32,086)
2024	(16,792)
2025	(3,415)
2026	1,430
Thereafter	<u>(2,136)</u>
 Total	 <u><u>\$ (66,292)</u></u>

NOTE 10 – COMMITMENTS

The City has entered into contracts for construction as follows:

<u>Project</u>	<u>Contract</u> <u>Amount</u>	<u>Expended</u> <u>through</u> <u>12/31/21</u>	<u>Commitment</u>
2021 Street Improvements	\$ 2,580,246	\$ 1,895,491	\$ 684,755
20th Ave Watermain	184,438	162,943	21,495
Community Center Design	620,500	15,405	605,095
Community Center Capital Campaign	420,000	-	<u>420,000</u>
 Total			 <u><u>\$ 1,731,345</u></u>

The community center project will be financed with \$4,000,000 State MN bonding and \$6,000,000 from local option sales tax money.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 11 – TAX INCREMENT FINANCING

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

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

During the year ended December 31, 2021, the City generated \$150,078 in tax increment revenue and made \$137,603, in payments to developers.

In addition, the City had an abatement of \$36,396 relating to a development agreement.

NOTE 12 – SUBSEQUENT EVENTS

In February 2022, the city received full payment on their note receivable from Bad Habit. With the collection of this note, the City approved the defeasance of the outstanding balance of the G.O. CIP Bonds 2017A.

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 2022. The City of St. Joseph plans to use the reimbursements for future sewer improvements.

NOTE 13 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2022.

(THIS PAGE LEFT BLANK INTENTIONALLY)

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%
2021	0.0152%	649,108	19,868	668,976	1,096,507	59.20%	87.00%

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%
2021	0.0618%	471,468	21,453	492,921	730,853	67.44%	93.66%

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%
2021	91,994	91,994	-	1,226,587	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%
2021	131,669	131,669	-	743,893	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	<u>(41,168)</u>	<u>(49,000)</u>
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	<u>(8,121)</u>	<u>(7,724)</u>
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	2021
\$ 25,641	\$ 27,172	\$ 28,180	\$ 30,292	\$ 34,333
33,188	32,052	32,323	37,109	35,949
-	(35,760)	-	(9,251)	-
4,299	8,441	-	15,976	-
-	-	28,541	59,260	32,566
(118,151)	-	-	-	(174,884)
<u>(55,023)</u>	<u>31,905</u>	<u>89,044</u>	<u>133,386</u>	<u>(72,036)</u>
<u>610,621</u>	<u>555,598</u>	<u>587,503</u>	<u>676,547</u>	<u>809,933</u>
<u>\$ 555,598</u>	<u>\$ 587,503</u>	<u>\$ 676,547</u>	<u>\$ 809,933</u>	<u>\$ 737,897</u>
\$ 58,310	\$ 56,565	\$ 58,653	\$ 62,075	\$ 63,830
77,946	(50,418)	118,020	117,376	92,565
(118,151)	-	-	-	(174,884)
(8,546)	(7,582)	(9,020)	(8,297)	(8,951)
<u>9,559</u>	<u>(1,435)</u>	<u>167,653</u>	<u>171,154</u>	<u>(27,440)</u>
<u>775,967</u>	<u>785,526</u>	<u>784,091</u>	<u>951,744</u>	<u>1,122,898</u>
<u>\$ 785,526</u>	<u>\$ 784,091</u>	<u>\$ 951,744</u>	<u>\$ 1,122,898</u>	<u>\$ 1,095,458</u>
<u>\$ (229,928)</u>	<u>\$ (196,588)</u>	<u>\$ (275,197)</u>	<u>\$ (312,965)</u>	<u>\$ (357,561)</u>
141.4%	133.5%	140.7%	138.6%	148.5%
n/a	n/a	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>2021</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>	<u>\$ 60,830</u>
n/a	n/a	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

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

City of St. Joseph
Notes to Required Supplementary Information

General Employees Fund (Continued)

2019 Changes (Continued)

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of St. Joseph
Notes to Required Supplementary Information

General Employees Fund (Continued)

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.

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

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.0%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes resulted in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes resulted in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

City of St. Joseph
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

City of St. Joseph
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

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

2021 Changes

Changes in Plan Provisions

- The benefit level increased from \$2,300 to \$2,400 per year.

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%.

SUPPLEMENTARY INFORMATION

City of St. Joseph
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Property taxes	\$ 2,082,470	\$ 2,082,470	\$ 2,112,522	\$ 30,052
Miscellaneous taxes	4,000	4,000	2,989	(1,011)
Special assessments	2,500	2,500	57,840	55,340
Franchise fees	138,645	138,645	137,382	(1,263)
Licenses and permits	195,675	195,675	151,811	(43,864)
Intergovernmental revenue				
Local government aid	1,000,000	1,197,873	1,197,873	-
Police aid	85,500	85,500	96,036	10,536
Federal grants	65,685	65,685	155,624	89,939
State grants	57,150	57,150	89,921	32,771
Other grants and aids	26,400	26,400	31,238	4,838
Total intergovernmental revenue	<u>1,234,735</u>	<u>1,432,608</u>	<u>1,570,692</u>	<u>138,084</u>
Charges for services				
General government	45,450	45,450	56,491	11,041
Public safety	1,900	1,900	2,543	643
Public works	5,000	5,000	4,408	(592)
Culture and recreation	98,625	98,625	35,471	(63,154)
Total charges for services	<u>150,975</u>	<u>150,975</u>	<u>98,913</u>	<u>(52,062)</u>
Fines and forfeitures	58,000	58,000	87,381	29,381
Miscellaneous revenues				
Investment income	60,000	60,000	4,947	(55,053)
Contributions and donations	2,500	2,500	4,184	1,684
Other	43,525	43,525	54,520	10,995
Total miscellaneous revenues	<u>106,025</u>	<u>106,025</u>	<u>63,651</u>	<u>(42,374)</u>
Total revenues	<u>3,969,025</u>	<u>4,170,898</u>	<u>4,283,181</u>	<u>112,283</u>
Expenditures				
General government				
Mayor and council	82,880	82,880	74,175	(8,705)
Administrative and finance	544,475	544,475	524,411	(20,064)
Other general government	373,625	373,625	398,771	25,146
Capital outlay	7,000	7,000	85,895	78,895
Total general government	<u>1,007,980</u>	<u>1,007,980</u>	<u>1,083,252</u>	<u>75,272</u>

City of St. Joseph
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2021

	Original Budget	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures				
Public safety				
Police				
Current	\$ 1,436,810	\$ 1,436,810	\$ 1,392,074	\$ (44,736)
Capital outlay	12,515	12,515	93,160	80,645
Total police	<u>1,449,325</u>	<u>1,449,325</u>	<u>1,485,234</u>	<u>35,909</u>
Fire				
Current	164,310	164,310	164,535	225
Other				
Current	99,760	99,760	100,948	1,188
Capital outlay	1,500	1,500	-	(1,500)
Total other	<u>101,260</u>	<u>101,260</u>	<u>100,948</u>	<u>(312)</u>
Total public safety	<u>1,714,895</u>	<u>1,714,895</u>	<u>1,750,717</u>	<u>35,822</u>
Public works				
Streets and highways				
Street maintenance and storm sewers	523,020	523,020	342,332	(180,688)
Snow and ice removal	155,145	155,145	65,744	(89,401)
Street engineering	45,000	45,000	35,672	(9,328)
Capital outlay	35,000	35,000	22,325	(12,675)
Total public works	<u>758,165</u>	<u>758,165</u>	<u>466,073</u>	<u>(292,092)</u>
Culture and recreation				
Current	477,565	477,565	362,548	(115,017)
Capital outlay	83,400	83,400	13,764	(69,636)
Total culture and recreation	<u>560,965</u>	<u>560,965</u>	<u>376,312</u>	<u>(184,653)</u>
Total expenditures	<u>4,042,005</u>	<u>4,042,005</u>	<u>3,676,354</u>	<u>(365,651)</u>
Excess of revenues over (under) expenditures	(72,980)	128,893	606,827	477,934
Other Financing Sources (Uses)				
Insurance recoveries	-	-	17,610	17,610
Transfers in	7,165	7,165	1,397,060	1,389,895
Transfers out	-	-	(646,248)	(646,248)
Total other financing sources (uses)	<u>7,165</u>	<u>7,165</u>	<u>768,422</u>	<u>761,257</u>
Net change in fund balances	<u>\$ (65,815)</u>	<u>\$ 136,058</u>	1,375,249	<u>\$ 1,239,191</u>
Fund Balances				
Beginning of year			<u>2,813,955</u>	
End of year			<u>\$ 4,189,204</u>	

**City of St. Joseph
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2021**

	Special Revenue		
	Economic Development Authority (150)	TIF 2-1 Millstream Shops and Lofts (157)	TIF 2-3 Bayou Blues/ Alley Flat (159)
Assets			
Cash and investments	\$ 82,443	\$ 36,110	\$ 342
Cash with fiscal agent	-	-	-
Taxes receivable - delinquent	598	-	-
Special assessments receivable			
Delinquent	-	-	-
Deferred	-	-	-
Accounts receivable	265	-	-
Interest receivable	347	102	12
Due from other funds	8,800	-	-
Due from other governments	6,406	-	-
Notes receivable	-	-	-
	-	-	-
Total assets	\$ 98,859	\$ 36,212	\$ 354
Liabilities			
Accounts payable	\$ 6,337	\$ -	\$ -
Contracts payable	-	-	-
Due to other funds	-	-	8,800
Salaries and benefits payable	719	-	-
Total liabilities	7,056	-	8,800
Deferred Inflows of Resources			
Unavailable revenue - property taxes	598	-	-
Unavailable revenue - special assessments	-	-	-
Unavailable revenue - notes receivable	-	-	-
Total deferred inflows of resources	598	-	-
Fund Balances			
Restricted	-	36,212	-
Committed	91,205	-	-
Assigned	-	-	-
Unassigned	-	-	(8,446)
Total fund balances	91,205	36,212	(8,446)
Total liabilities, deferred inflows of resources, and fund balances	\$ 98,859	\$ 36,212	\$ 354

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)
\$ 16,794	\$ 836,236	\$ 237,631	\$ 649	\$ 20,513	\$ 402,927	\$ 43,062
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	25,629	-	809	-	-
42	2,433	614	2	56	662	132
-	-	-	-	-	-	-
-	109,223	305	-	-	-	-
-	-	-	-	-	67,430	-
<u>\$ 16,836</u>	<u>\$ 947,892</u>	<u>\$ 264,179</u>	<u>\$ 651</u>	<u>\$ 21,378</u>	<u>\$ 471,019</u>	<u>\$ 43,194</u>
\$ -	\$ -	\$ -	\$ -	\$ 76	\$ -	\$ -
-	5,405	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	5,405	-	-	76	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	67,210	-
-	-	-	-	-	67,210	-
16,836	942,487	264,179	651	21,302	26,755	43,194
-	-	-	-	-	377,054	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>16,836</u>	<u>942,487</u>	<u>264,179</u>	<u>651</u>	<u>21,302</u>	<u>403,809</u>	<u>43,194</u>
<u>\$ 16,836</u>	<u>\$ 947,892</u>	<u>\$ 264,179</u>	<u>\$ 651</u>	<u>\$ 21,378</u>	<u>\$ 471,019</u>	<u>\$ 43,194</u>

**City of St. Joseph
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2021**

	Debt Service			
	Fire (105)	G.O. Improvement Bonds of 2010B (345)	G.O. Improvement Bonds of 2015A (351)	G.O. Tax Abatement Bonds of 2015B (353)
Assets				
Cash and investments	\$ 743,289	\$ 94,154	\$ 84,770	\$ 179,172
Cash with fiscal agent	-	-	-	1,207,935
Taxes receivable - delinquent	30	46	535	-
Special assessments receivable				
Delinquent	-	-	83	-
Deferred	-	48,695	65,167	-
Accounts receivable	183	-	-	-
Interest receivable	2,135	322	459	440
Due from other funds	-	-	-	-
Due from other governments	193	152	1,695	-
Notes receivable	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 745,830</u>	<u>\$ 143,369</u>	<u>\$ 152,709</u>	<u>\$ 1,387,547</u>
Liabilities				
Accounts payable	\$ 8,500	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Salaries and benefits payable	44,824	-	-	-
Total liabilities	<u>53,324</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	30	46	535	-
Unavailable revenue - special assessments	-	48,695	65,250	-
Unavailable revenue - notes receivable	-	-	-	-
Total deferred inflows of resources	<u>30</u>	<u>48,741</u>	<u>65,785</u>	<u>-</u>
Fund Balances				
Restricted	692,476	94,628	86,924	1,387,547
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>692,476</u>	<u>94,628</u>	<u>86,924</u>	<u>1,387,547</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 745,830</u>	<u>\$ 143,369</u>	<u>\$ 152,709</u>	<u>\$ 1,387,547</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)	G.O. Improvement Bonds of 2019A (307)	2021 Improvement Bond [MN St/Overlays] (311)
\$ 29,555	\$ 244,141	\$ 71,311	\$ 24,874	\$ 2,606	\$ 127,324	\$ 190,854
-	-	-	-	-	-	-
923	15	-	62	175	413	-
-	-	-	-	-	280	-
-	581,569	-	43,926	-	391,211	735,322
-	-	-	-	-	-	-
168	795	733	116	31	762	2,259
-	-	-	-	-	-	-
4,185	78	-	268	903	4,276	-
-	-	203,039	-	-	-	-
<u>\$ 34,831</u>	<u>\$ 826,598</u>	<u>\$ 275,083</u>	<u>\$ 69,246</u>	<u>\$ 3,715</u>	<u>\$ 524,266</u>	<u>\$ 928,435</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
923	15	-	62	175	413	-
-	581,569	-	43,926	-	391,491	735,322
-	-	201,771	-	-	-	-
<u>923</u>	<u>581,584</u>	<u>201,771</u>	<u>43,988</u>	<u>175</u>	<u>391,904</u>	<u>735,322</u>
33,908	245,014	73,312	25,258	3,540	132,362	193,113
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>33,908</u>	<u>245,014</u>	<u>73,312</u>	<u>25,258</u>	<u>3,540</u>	<u>132,362</u>	<u>193,113</u>
<u>\$ 34,831</u>	<u>\$ 826,598</u>	<u>\$ 275,083</u>	<u>\$ 69,246</u>	<u>\$ 3,715</u>	<u>\$ 524,266</u>	<u>\$ 928,435</u>

City of St. Joseph
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2021

	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	\$ 3,790	\$ 8,526	\$ 28,937	\$ 37,248
Cash with fiscal agent	-	-	-	-
Taxes receivable - delinquent	121	-	-	79
Special assessments receivable				
Delinquent	-	-	-	140
Deferred	-	106,480	-	15,106
Accounts receivable	-	-	-	-
Interest receivable	147	1,199	67	158
Due from other funds	-	-	-	-
Due from other governments	309	34,828	-	300
Notes receivable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 4,367</u>	<u>\$ 151,033</u>	<u>\$ 29,004</u>	<u>\$ 53,031</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Salaries and benefits payable	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	121	-	-	79
Unavailable revenue - special assessments	-	106,480	-	15,246
Unavailable revenue - notes receivable	-	-	-	-
Total deferred inflows of resources	<u>121</u>	<u>106,480</u>	<u>-</u>	<u>15,325</u>
Fund Balances				
Restricted	4,246	44,553	29,004	37,706
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>4,246</u>	<u>44,553</u>	<u>29,004</u>	<u>37,706</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,367</u>	<u>\$ 151,033</u>	<u>\$ 29,004</u>	<u>\$ 53,031</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)	2022 Street Improvement Project (415)
\$ 85,268	\$ 1,990	\$ 110,833	\$ 227,984	\$ 18,039	\$ 397,167	\$ 13,475
-	-	-	-	-	-	-
374	-	-	-	-	-	-
-	-	-	-	-	-	-
68,185	-	-	-	-	-	-
-	-	-	-	-	-	-
387	8	-	-	-	-	-
-	-	-	-	-	-	-
1,536	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 155,750</u>	<u>\$ 1,998</u>	<u>\$ 110,833</u>	<u>\$ 227,984</u>	<u>\$ 18,039</u>	<u>\$ 397,167</u>	<u>\$ 13,475</u>
\$ -	\$ -	\$ -	\$ 38	\$ -	\$ 220	\$ 13,475
-	-	-	-	-	8,147	-
-	-	-	-	-	-	13,475
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>38</u>	<u>-</u>	<u>8,367</u>	<u>26,950</u>
374	-	-	-	-	-	-
68,185	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>68,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
87,191	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,998	110,833	227,946	18,039	388,800	-
-	-	-	-	-	-	(13,475)
<u>87,191</u>	<u>1,998</u>	<u>110,833</u>	<u>227,946</u>	<u>18,039</u>	<u>388,800</u>	<u>(13,475)</u>
<u>\$ 155,750</u>	<u>\$ 1,998</u>	<u>\$ 110,833</u>	<u>\$ 227,984</u>	<u>\$ 18,039</u>	<u>\$ 397,167</u>	<u>\$ 13,475</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

**City of St. Joseph
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2021**

	Capital Projects		
	Water Access Fund (501)	Sewer Access Fund (502)	Total Governmental Funds
Assets			
Cash and investments	\$ 369,441	\$ 11,704	\$ 4,783,159
Cash with fiscal agent	-	-	1,207,935
Taxes receivable - delinquent	-	-	3,371
Special assessments receivable			
Delinquent	-	-	503
Deferred	-	-	2,055,661
Accounts receivable	11,200	9,200	47,286
Interest receivable	-	-	14,588
Due from other funds	-	-	8,800
Due from other governments	-	-	164,657
Notes receivable	-	-	270,469
	\$ 380,641	\$ 20,904	\$ 8,556,429
Liabilities			
Accounts payable	\$ -	\$ -	\$ 28,646
Contracts payable	-	-	13,552
Due to other funds	-	-	22,275
Salaries and benefits payable	-	-	45,543
Total liabilities	-	-	110,016
Deferred Inflows of Resources			
Unavailable revenue - property taxes	-	-	3,371
Unavailable revenue - special assessments	-	-	2,056,164
Unavailable revenue - notes receivable	-	-	268,981
Total deferred inflows of resources	-	-	2,328,516
Fund Balances			
Restricted	-	-	4,522,398
Committed	-	-	468,259
Assigned	380,641	20,904	1,149,161
Unassigned	-	-	(21,921)
Total fund balances	380,641	20,904	6,117,897
	\$ 380,641	\$ 20,904	\$ 8,556,429

City of St. Joseph
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2021

	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	\$ 131,029	\$ -	\$ -	\$ -
Tax increments	-	41,126	4,585	35,739
Sales taxes	-	-	-	-
Lodging taxes	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	65,135	-	-	-
Charges for services	3,125	-	-	-
Miscellaneous				
Investment income	186	54	(3)	6
Contributions and donations	-	-	-	-
Revolving loan repayments	-	-	-	-
Other	-	-	-	-
Total revenues	<u>199,475</u>	<u>41,180</u>	<u>4,582</u>	<u>35,745</u>
Expenditures				
Current				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	159,845	38,042	4,910	35,052
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	422	-	-	-
Total expenditures	<u>160,267</u>	<u>38,042</u>	<u>4,910</u>	<u>35,052</u>
Excess of revenues over (under) expenditures	39,208	3,138	(328)	693
Other Financing Sources (Uses)				
Sale of property	115,000	-	-	-
Bond premium	-	-	-	-
Refunding bond payment	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(177,000)	-	-	-
Total other financing sources (uses)	<u>(62,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(22,792)	3,138	(328)	693
Fund Balances				
Beginning of year	<u>113,997</u>	<u>33,074</u>	<u>328</u>	<u>(9,139)</u>
End of year	<u>\$ 91,205</u>	<u>\$ 36,212</u>	<u>\$ -</u>	<u>\$ (8,446)</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)
\$ -	\$ -	\$ 30,000	\$ -	\$ -	\$ -
68,628	-	-	-	-	-
-	580,596	-	-	-	-
-	-	-	-	9,608	-
-	-	-	-	-	-
-	-	-	-	2,025	-
-	-	35,351	-	-	-
22	1,283	324	1	29	331
-	-	119	-	-	-
-	-	-	-	-	14,444
-	-	-	-	3,811	-
<u>68,650</u>	<u>581,879</u>	<u>65,794</u>	<u>1</u>	<u>15,473</u>	<u>14,775</u>
-	-	-	-	-	-
-	-	7,667	-	-	-
62,931	-	-	-	16,411	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	19,553	476	-	-	-
-	-	-	-	-	-
<u>62,931</u>	<u>19,553</u>	<u>8,143</u>	<u>-</u>	<u>16,411</u>	<u>-</u>
5,719	562,326	57,651	1	(938)	14,775
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	177,000
-	(945,000)	-	-	-	-
<u>-</u>	<u>(945,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,000</u>
5,719	(382,674)	57,651	1	(938)	191,775
11,117	1,325,161	206,528	650	22,240	212,034
<u>\$ 16,836</u>	<u>\$ 942,487</u>	<u>\$ 264,179</u>	<u>\$ 651</u>	<u>\$ 21,302</u>	<u>\$ 403,809</u>

City of St. Joseph
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2021

	Special Revenue		Debt Service	
	Deed Housing (225)	Fire (105)	G.O. Improvement Bonds of 2010B (345)	G.O. Improvement Bonds of 2014A (350)
Revenues				
Property taxes	\$ -	\$ 316	\$ 15,070	\$ 110,000
Tax increments	-	-	-	-
Sales taxes	-	-	-	-
Lodging taxes	-	-	-	-
Special assessments	-	-	18,484	10,764
Intergovernmental	-	68,510	-	-
Charges for services	-	294,190	-	-
Miscellaneous				
Investment income	70	1,126	170	82
Contributions and donations	-	1,373	-	-
Revolving loan repayments	-	-	-	-
Other	5,143	120	-	-
Total revenues	5,213	365,635	33,724	120,846
Expenditures				
Current				
Public safety	-	312,247	-	-
Culture and recreation	-	-	-	-
Economic development	9,421	-	-	-
Debt service				
Principal	-	-	55,000	125,000
Interest and other charges	-	-	9,061	42,435
Capital outlay				
General government	-	-	-	-
Public safety	-	7,160	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total expenditures	9,421	319,407	64,061	167,435
Excess of revenues over (under) expenditures	(4,208)	46,228	(30,337)	(46,589)
Other Financing Sources (Uses)				
Sale of property	-	-	-	-
Bond premium	-	-	-	-
Refunding bond payment	-	-	-	(1,315,000)
Transfers in	-	646,248	13,250	-
Transfers out	-	-	-	(79,543)
Total other financing sources (uses)	-	646,248	13,250	(1,394,543)
Net change in fund balances	(4,208)	692,476	(17,087)	(1,441,132)
Fund Balances				
Beginning of year	47,402	-	111,715	1,441,132
End of year	\$ 43,194	\$ 692,476	\$ 94,628	\$ -

Debt Service

G.O. Improvement Bonds of 2015A (351)	G.O. Tax Abatement Bonds of 2015B (353)	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)
\$ 25,573	\$ -	\$ 268,329	\$ 5,059	\$ -	\$ 20,189	\$ 58,178
-	-	-	-	-	-	-
-	-	-	-	-	-	-
22,383	-	-	22,344	-	9,145	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
242	232	88	419	373	61	16
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	36,000	-	-
<u>48,198</u>	<u>232</u>	<u>268,417</u>	<u>27,822</u>	<u>36,373</u>	<u>29,395</u>	<u>58,194</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
60,000	120,000	190,000	50,000	42,000	35,000	53,000
8,514	57,503	82,412	12,343	6,267	6,721	4,569
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>68,514</u>	<u>177,503</u>	<u>272,412</u>	<u>62,343</u>	<u>48,267</u>	<u>41,721</u>	<u>57,569</u>
(20,316)	(177,271)	(3,995)	(34,521)	(11,894)	(12,326)	625
-	600,000	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	925,000	-	20,000	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>1,525,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
(20,316)	1,347,729	(3,995)	(14,521)	(11,894)	(12,326)	625
107,240	39,818	37,903	259,535	85,206	37,584	2,915
<u>\$ 86,924</u>	<u>\$ 1,387,547</u>	<u>\$ 33,908</u>	<u>\$ 245,014</u>	<u>\$ 73,312</u>	<u>\$ 25,258</u>	<u>\$ 3,540</u>

City of St. Joseph
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
December 31, 2021

	Debt Service			
	Debt Service Relief Fund (390)	G.O. Improvement Bonds of 2019A (307)	2021 Improvement Bond [MN St/Overlays] (311)	2020A Equipment Certificate (309)
Revenues				
Property taxes	\$ -	\$ 154,911	\$ -	\$ 47,879
Tax increments	-	-	-	-
Sales taxes	-	-	-	-
Lodging taxes	-	-	-	-
Special assessments	-	79,711	103,277	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous				
Investment income	-	402	1,191	78
Contributions and donations	-	-	-	-
Revolving loan repayments	-	-	-	-
Other	-	-	-	-
Total revenues	<u>-</u>	<u>235,024</u>	<u>104,468</u>	<u>47,957</u>
Expenditures				
Current				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	-	155,000	-	43,000
Interest and other charges	-	66,070	61,355	3,258
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>-</u>	<u>221,070</u>	<u>61,355</u>	<u>46,258</u>
Excess of revenues over (under) expenditures	-	13,954	43,113	1,699
Other Financing Sources (uses)				
Sale of property	-	-	-	-
Bond premium	-	-	150,000	-
Refunding bond payment	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(738,806)	-	-	-
Total other financing sources (uses)	<u>(738,806)</u>	<u>-</u>	<u>150,000</u>	<u>-</u>
Net change in fund balances	(738,806)	13,954	193,113	1,699
Fund Balances				
Beginning of year	<u>738,806</u>	<u>118,408</u>	<u>-</u>	<u>2,547</u>
End of year	<u>\$ -</u>	<u>\$ 132,362</u>	<u>\$ 193,113</u>	<u>\$ 4,246</u>

Debt Service				Capital Projects		
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)	Jacob Wetterling Recreation Center (402)	2019 Street Overlay Project (407)	2019 Industrial Park Project (408)
\$ -	\$ -	\$ 25,200	\$ 1,131	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
38,994	-	7,933	-	-	-	-
-	-	-	-	-	-	-
-	29,125	-	-	-	-	-
632	35	83	122	4	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>39,626</u>	<u>29,160</u>	<u>33,216</u>	<u>1,253</u>	<u>4</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	1,197	-	-
-	-	-	-	-	-	-
-	-	45,000	-	-	-	-
12,700	14,219	3,381	14,802	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	9,630	9,762
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>12,700</u>	<u>14,219</u>	<u>48,381</u>	<u>14,802</u>	<u>1,197</u>	<u>9,630</u>	<u>9,762</u>
26,926	14,941	(15,165)	(13,549)	(1,193)	(9,630)	(9,762)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	79,543	-	-	25,000
-	-	-	-	-	-	(3,000)
-	-	-	<u>79,543</u>	-	-	<u>22,000</u>
26,926	14,941	(15,165)	65,994	(1,193)	(9,630)	12,238
17,627	14,063	52,871	21,197	3,191	120,463	215,708
<u>\$ 44,553</u>	<u>\$ 29,004</u>	<u>\$ 37,706</u>	<u>\$ 87,191</u>	<u>\$ 1,998</u>	<u>\$ 110,833</u>	<u>\$ 227,946</u>

City of St. Joseph
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
December 31, 2021

	Capital Projects			
	2020 Equipment Certificates (409)	2020 20th Avenue Watermain Loop (410)	2022 Street Improvement Project (415)	General Capital Outlay (490)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Sales taxes	-	-	-	-
Lodging taxes	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous				
Investment income	-	-	-	-
Contributions and donations	-	-	-	-
Revolving loan repayments	-	-	-	-
Other	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Current				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	3,522	-	-	-
Public safety	29,743	-	-	-
Public works	-	1,204	13,475	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>33,265</u>	<u>1,204</u>	<u>13,475</u>	<u>-</u>
Excess of revenues over (under) expenditures	(33,265)	(1,204)	(13,475)	-
Other Financing Sources (uses)				
Sale of property	-	-	-	-
Bond premium	-	-	-	-
Refunding bond payment	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	(601,614)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(601,614)</u>
Net change in fund balances	(33,265)	(1,204)	(13,475)	(601,614)
Fund Balances				
Beginning of year	<u>51,304</u>	<u>390,004</u>	<u>-</u>	<u>601,614</u>
End of year	<u>\$ 18,039</u>	<u>\$ 388,800</u>	<u>\$ (13,475)</u>	<u>\$ -</u>

Capital Projects

Water Access Fund (501)	Sewer Access Fund (502)	Total Other Governmental Funds
\$ -	\$ -	\$ 892,864
-	-	150,078
-	-	580,596
-	-	9,608
-	-	313,035
-	-	135,670
61,250	52,150	475,191
-	-	7,659
-	-	1,492
-	-	14,444
-	-	45,074
<u>61,250</u>	<u>52,150</u>	<u>2,625,711</u>
-	-	312,247
-	-	8,864
-	-	326,612
-	-	973,000
-	-	405,610
-	-	3,522
-	-	36,903
-	-	34,071
-	-	20,029
-	-	422
<u>-</u>	<u>-</u>	<u>2,121,280</u>
61,250	52,150	504,431
-	-	715,000
-	-	150,000
-	-	(1,315,000)
-	-	1,886,041
<u>(180,000)</u>	<u>(60,000)</u>	<u>(2,784,963)</u>
<u>(180,000)</u>	<u>(60,000)</u>	<u>(1,348,922)</u>
(118,750)	(7,850)	(844,491)
<u>499,391</u>	<u>28,754</u>	<u>6,962,388</u>
<u>\$ 380,641</u>	<u>\$ 20,904</u>	<u>\$ 6,117,897</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

**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, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 2, 2022.

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 2021-001.

Compliance and Other Matters

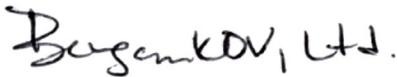
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 the response.

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 result 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 2, 2022

Minnesota Legal Compliance

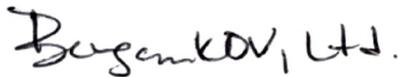
Independent Auditor's Report

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, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 2, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, 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 2, 2022

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

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING

Material Weakness

Audit Finding 2021-001 – 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 4.20. 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 Finance Director records, processes, reconciles, and posts journal entries related to capital assets. Department heads review their listing for accuracy.

Payroll

The Finance Technician enters employee's time, processes and posts payroll, generates a payroll report, distributes paystubs to employees, and posts the journal entries related to payroll. In addition, this same employee reconciles payroll accruals. 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 2021-001 – Improve Segregation of Accounting Duties (Continued)

Cash Reconciliation and Access

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

City's Response

The City Council and City staff are aware of the limited personnel handling the City's financial matters. The processes and internal controls are reviewed frequently to look for ways to improve internal controls. The department heads, City 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, 2021



**City of St. Joseph
Table of Contents**

Report on Matters Identified as a Result of the Audit of the Basic Financial Statements	1
Material Weakness	3
Required Communication	4
Financial Analysis	8
Emerging Issue	22

**Report on Matters Identified as a Result of
the Audit of the Basic 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 basic 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, 2021, 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 basic 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.

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 2, 2022, on such statements.

This communication, which is an integral part of our audit, 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.

St. Cloud, Minnesota
May 2, 2022

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 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. The City Administrator reviews and approves checks for payment.

Capital Assets

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

Payroll

The Finance Technician enters employee's time, processes and posts payroll, generates a payroll report, distributes paystubs to employees, and posts the journal entries related to payroll. In addition, this same employee reconciles payroll accruals. 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.

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 basic 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, 2021. 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 basic 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 basic 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 basic financial statements are free of material misstatement. An audit of the basic 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 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 basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic 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 basic 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 basic 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.

Significant Risks Identified

We have identified the following significant risks of material misstatement:

Misappropriation of assets and segregation of duties - If duties cannot be appropriately segregated within the accounting and finance department, there is a risk of unauthorized disbursements being made from the City and adjustments being made to the City's general ledger. In addition, generally this results in less review taking place as transactions are recorded in the financial statements.

Management override of internal control - Management override of internal control is considered a risk in substantially all engagements as management may be incentivized to produce better results.

Improper revenue recognition - Revenue recognition is considered a fraud risk on substantially all engagements as it generally has a significant impact on the results of the governments operations. In addition, complexities exist surrounding the calculation and recording of various revenue sources.

Qualitative Aspects of the City's 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 basic financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2021. 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 basic 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 basic 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 basic financial statements relate to:

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

City of St. Joseph Required Communication

Qualitative Aspects of the City's Significant Accounting Practices (Continued)

Significant Accounting Estimates (Continued)

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 basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain basic financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The basic 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.

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 basic financial statements taken as a whole and each applicable opinion unit.

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

- Prepaid expenditures

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

Disagreements with Management

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

City of St. Joseph Required Communication

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, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the City, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditor.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the City's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

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 basic financial statements or to the basic financial statements themselves.

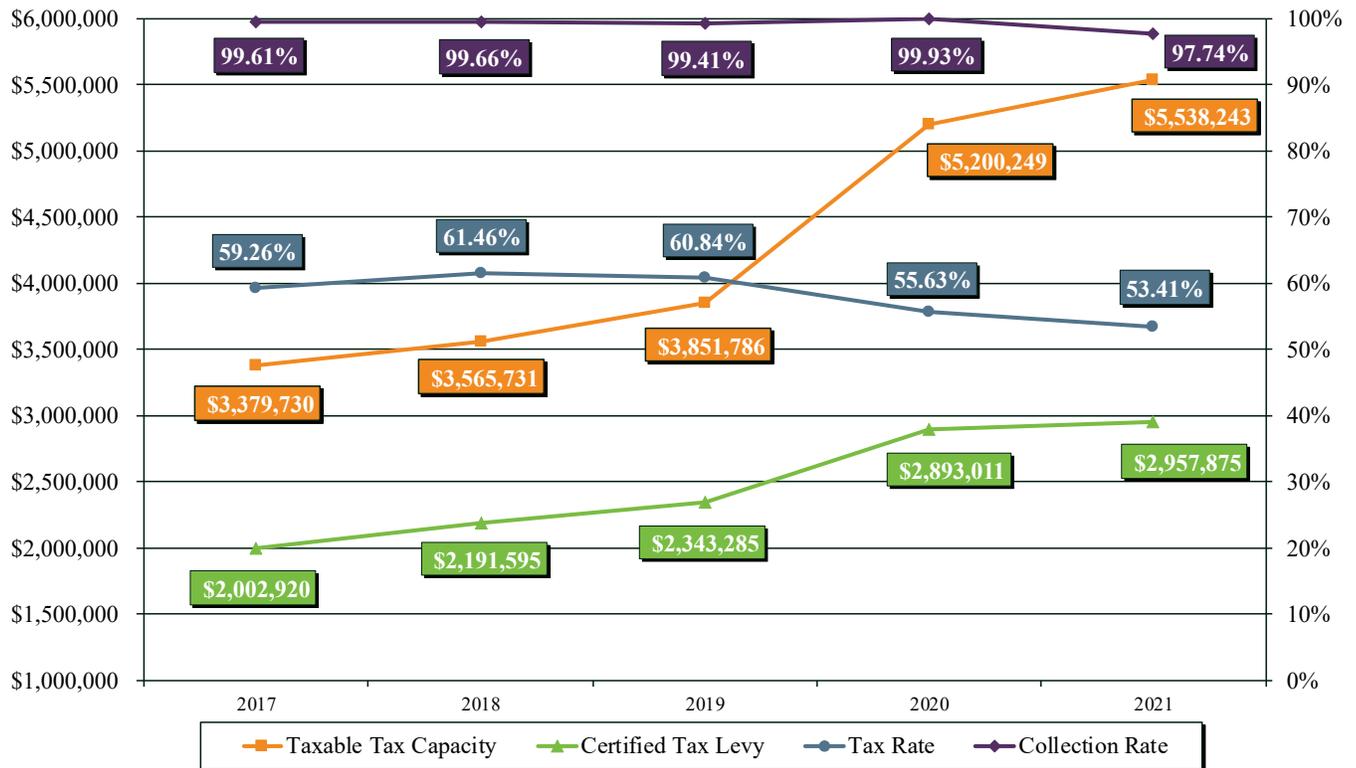
City of St. Joseph Financial Analysis

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 at a higher rate than the increase in the certified levy in 2021, causing the tax rate to decrease.

Tax Capacity, Levy, and Rates



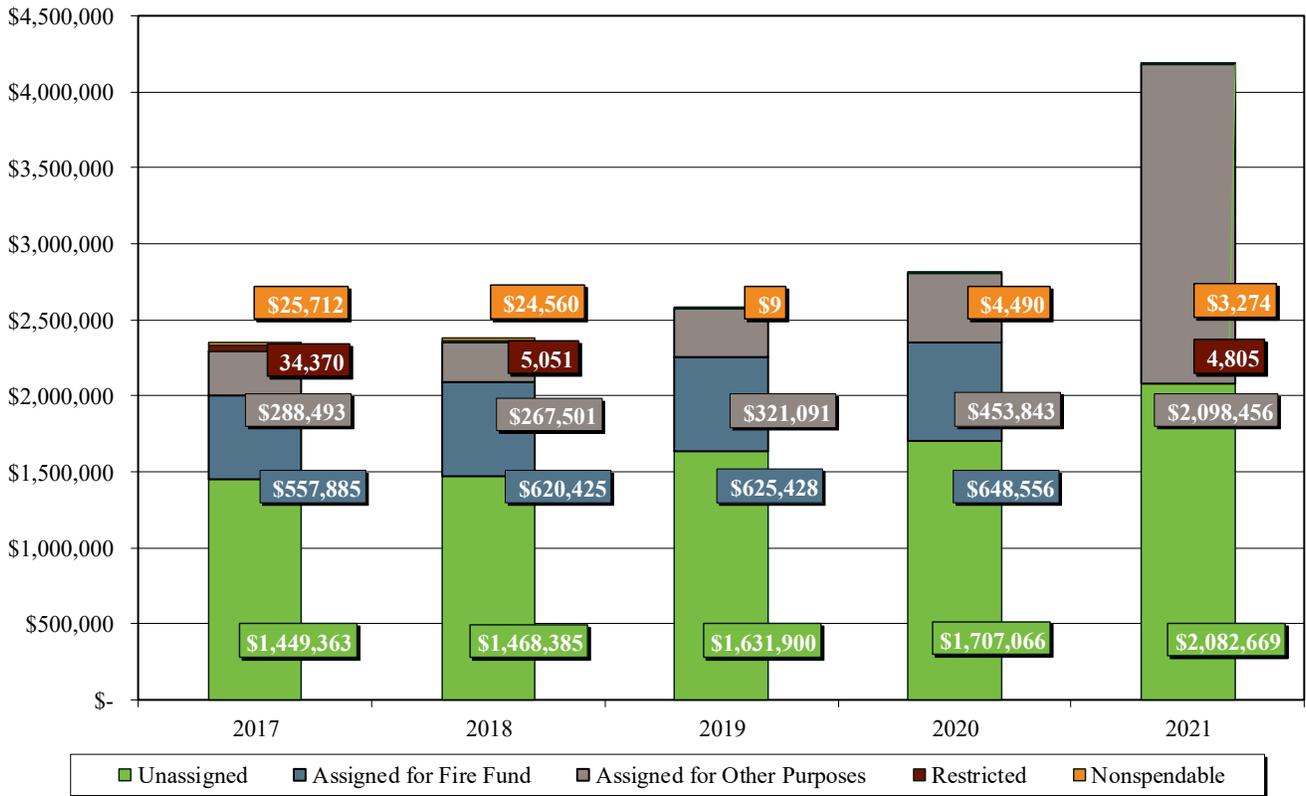
City of St. Joseph Financial Analysis

General Fund

For the year ended December 31, 2021, General Fund revenues exceeded expenditures by \$606,827. In addition to this, the fund had transfers in of \$1,397,060 from other funds and transfers out of \$646,248 to other funds resulting in an increase in the General Fund balance of \$1,375,249. Of the City's General Fund balance at December 31, 2021, \$2,098,456 was assigned for specific expenditures, such as the elections, police forfeiture, severance pay and capital outlay reserves. The City had \$4,805 of its fund balance restricted for PEG access. The City also has \$3,274 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 \$2,082,669 and represents approximately six months of 2021 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.

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.

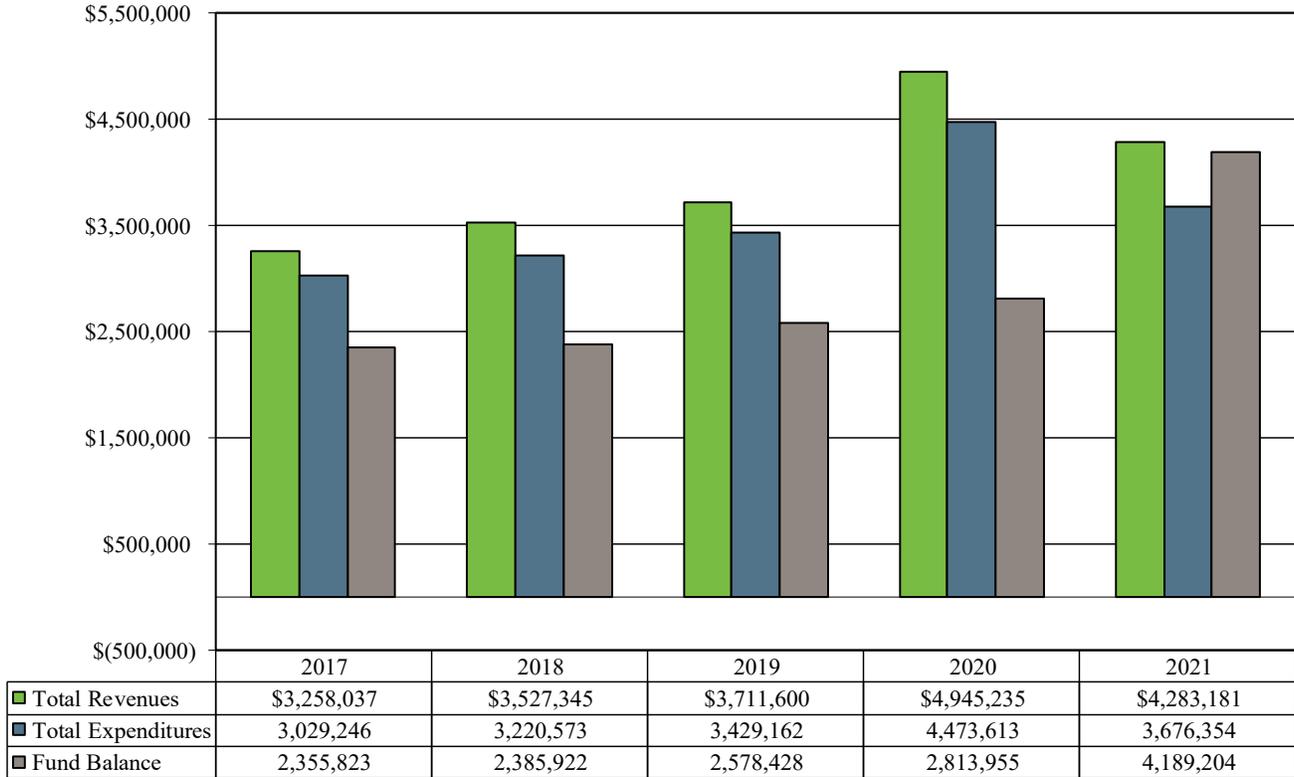
General Fund Balance



**City of St. Joseph
Financial Analysis**

General Fund (Continued)

General Fund



During the year ended December 31, 2021, the City's General Fund revenues decreased \$662,054, or 13.4%, from 2020, while expenditures decreased by \$797,259, or 17.8%. 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 \$1,375,249 from 2020 to 2021. Fund balance has increased \$1,833,381 or 77.8% since 2017.

**City of St. Joseph
Financial Analysis**

General Fund Revenues

	2017	2018	2019	2020	2021
Taxes	\$ 1,125,765	\$ 1,291,758	\$ 1,431,366	\$ 1,935,881	\$ 2,115,511
Special assessments	9,127	5,341	3,558	3,389	57,840
Franchise fees	129,242	131,212	134,704	132,991	137,382
Licenses and permits	356,990	357,138	255,953	178,139	151,811
Intergovernmental	1,133,362	1,227,716	1,230,507	2,102,263	1,570,692
Charges for services	376,946	396,183	406,047	430,989	98,913
Fines and forfeitures	55,474	58,620	52,289	43,317	87,381
Miscellaneous	71,131	59,377	197,176	118,266	63,651
Total Revenues	\$ 3,258,037	\$ 3,527,345	\$ 3,711,600	\$ 4,945,235	\$ 4,283,181

As discussed earlier, the City's revenue decreased \$662,054 from 2020 to 2021. Intergovernmental revenues accounted for the largest decrease from the prior year with a decrease of \$531,571, or 25.3%. Most of this decrease was from federal grants largely related to CARES funding in 2020. The City also received a decrease in charges for service revenue due to presenting the Fire fund as its own fund in 2021 instead of combined with the general fund. Tax revenue accounted for the largest increase, increasing \$179,630 from 2020. This increase was due to an increase in the amount levied for the General Fund. All other revenues stayed consistent with the prior year.

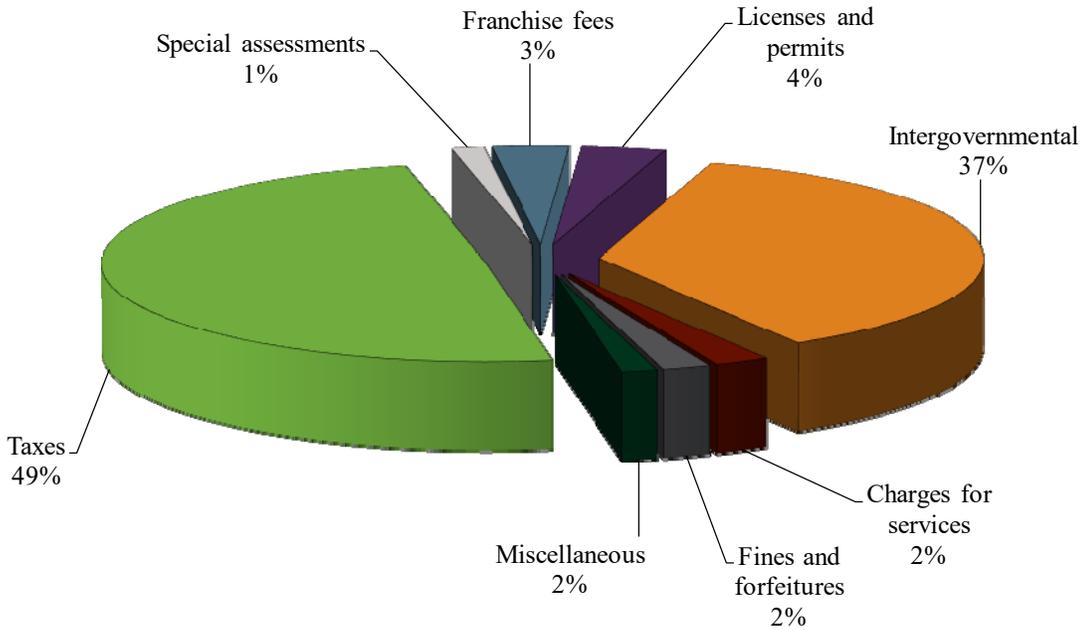
Total revenues have grown \$1,025,144 since 2017, an increase of 31.5%. The largest variances between the types of revenue over the five-year period have been the increases in property taxes and intergovernmental revenues while charges for services and licenses and permit revenue decreased. Other revenues have stayed relatively consistent over that timeframe.

The pie charts on the following page show the General Fund sources of revenues for 2021 and 2020 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 37% and 49% of the total. The total of these two categories accounts for approximately 86% and 81% of General Fund revenues for 2021 and 2020, respectively.

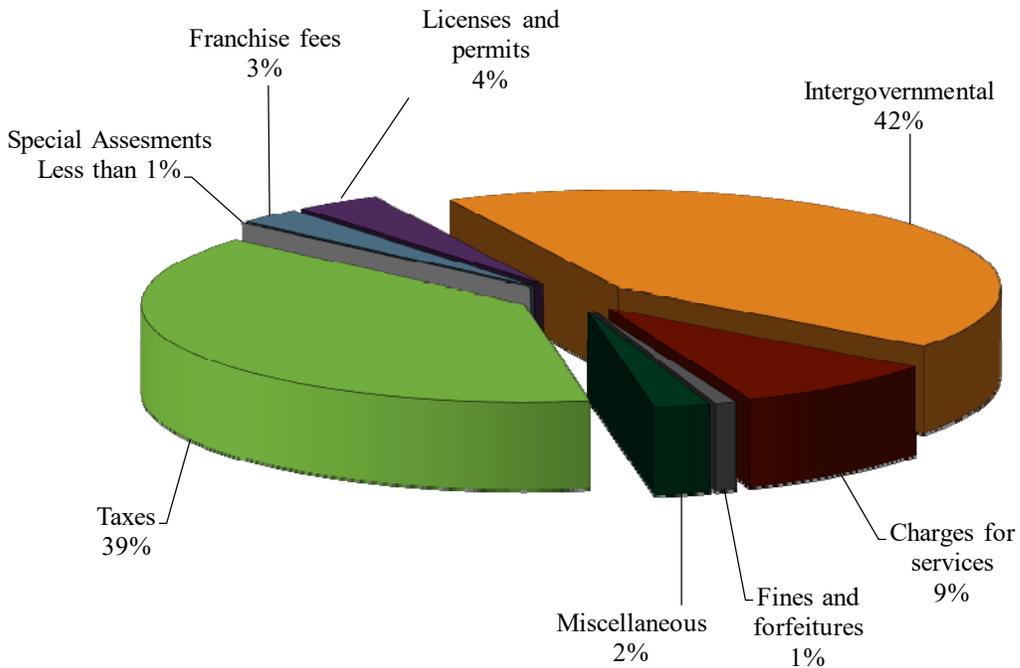
City of St. Joseph Financial Analysis

General Fund Revenues (Continued)

2021 General Fund Revenues



2020 General Fund Revenues



**City of St. Joseph
Financial Analysis**

General Fund Expenditures

	2017	2018	2019	2020	2021
General government	\$ 749,008	\$ 741,374	\$ 815,401	\$ 1,020,077	\$ 997,357
Public safety	1,537,183	1,606,132	1,625,599	1,741,056	1,657,557
Public works	342,806	440,811	486,341	457,226	443,748
Culture and recreation	270,555	331,861	397,204	429,568	362,548
Economic Development	-	-	-	201,414	-
Capital outlay	129,694	100,395	104,617	624,272	215,144
Total Expenditures	3,029,246	3,220,573	3,429,162	4,473,613	3,676,354

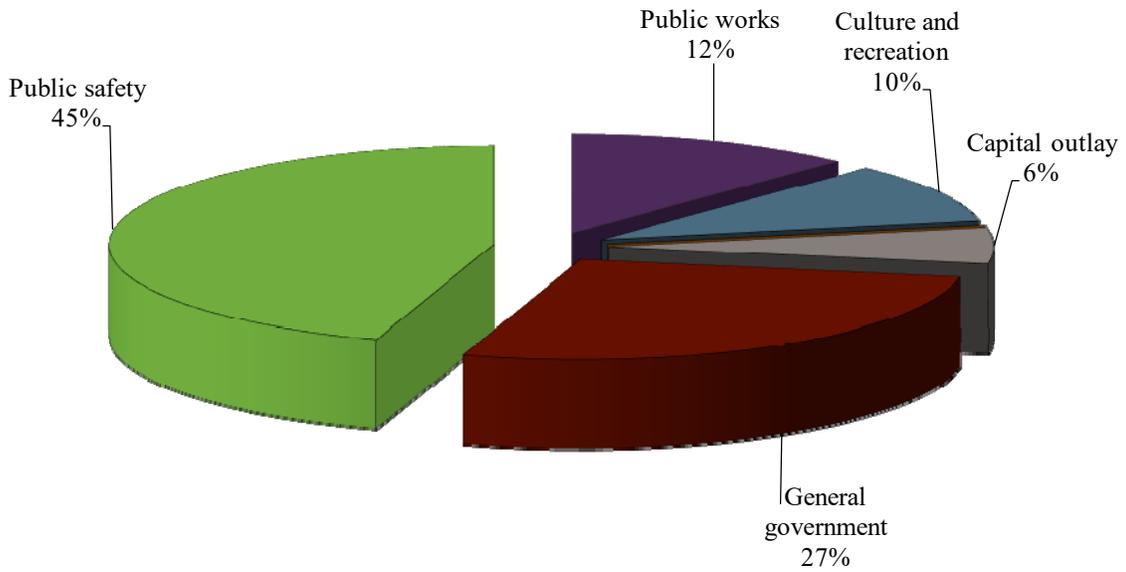
As discussed earlier, General Fund expenditures decreased \$797,259, or 17.8%. The most significant decreases in expenditures were in capital outlay, public safety, and economic development. Capital outlay decreased \$409,128, or 65.5% from 2020. This decrease was due to the City purchasing a new squad car, various equipment for police and fire, various computer hardware in 2020 and significantly less purchases in 2021. Public safety expenditures decreased \$83,499. This decrease was primarily due to the City moving the Fire fund to a separate fund instead of including it with the General Fund. Economic development decreased \$201,414 due to Coronavirus relief funds that went to local businesses in 2020 and nothing similar in 2021. All other expenditures remained consistent with the prior year.

The pie charts on the following page show the General Fund expenditures by function for 2021 and 2020 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 45% of total expenditures, up from 39% in 2020. Capital outlay decreased from 14% to 6% from 2020 to 2021.

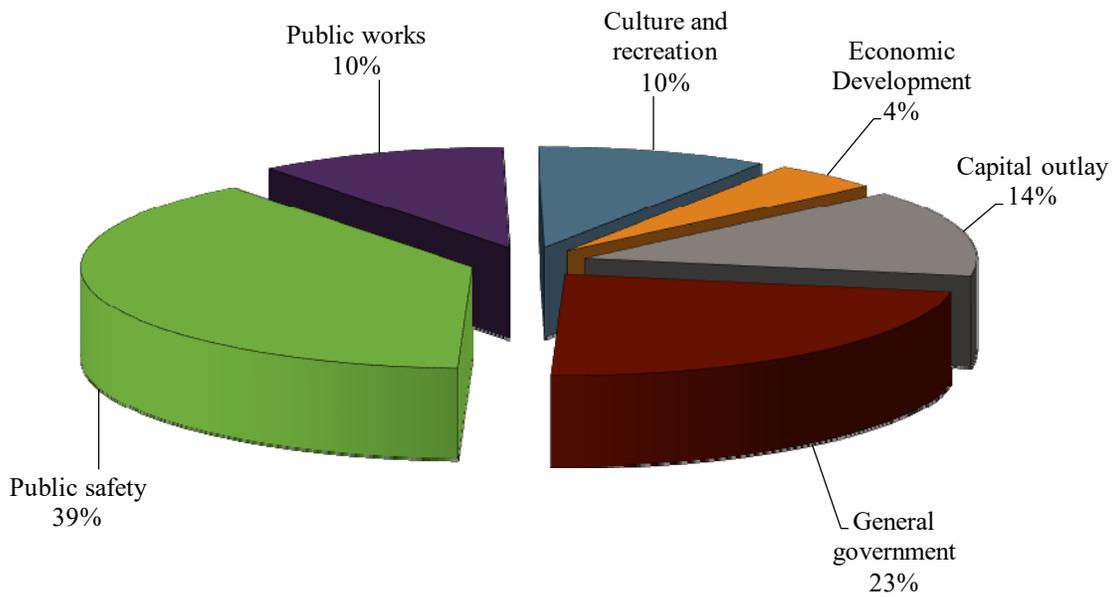
City of St. Joseph Financial Analysis

General Fund Expenditures (Continued)

2021 General Fund Expenditures



2020 General Fund Expenditures



**City of St. Joseph
Financial Analysis**

General Fund Budget

The table below illustrates the General Fund budget and actual for 2021 revenues and expenditures by function.

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget - Over (under)
Revenues				
Taxes	\$ 2,086,470	\$ 2,086,470	\$ 2,115,511	\$ 29,041
Special assessments	2,500	2,500	57,840	55,340
Franchise fees	138,645	138,645	137,382	(1,263)
Licenses and permits	195,675	195,675	151,811	(43,864)
Intergovernmental	1,234,735	1,432,608	1,570,692	138,084
Charges for services	150,975	150,975	98,913	(52,062)
Fines and forfeitures	58,000	58,000	87,381	29,381
Miscellaneous	106,025	106,025	63,651	(42,374)
Total revenues	<u>3,973,025</u>	<u>4,170,898</u>	<u>4,283,181</u>	<u>112,283</u>
Expenditures				
General government	1,000,980	1,000,980	997,357	(3,623)
Public safety	1,700,880	1,700,880	1,657,557	(43,323)
Public works	723,165	723,165	443,748	(279,417)
Culture and recreation	477,565	477,565	362,548	(115,017)
Capital outlay	139,415	139,415	215,144	75,729
Total expenditures	<u>4,042,005</u>	<u>4,042,005</u>	<u>3,676,354</u>	<u>(365,651)</u>
Excess of receipts over (under) disbursements	(68,980)	128,893	606,827	477,934
Other Financing Sources (Uses)				
Insurance recoveries	-	-	17,610	17,610
Transfers in	7,165	7,165	1,397,060	1,389,895
Transfers out	-	-	(646,248)	(646,248)
Total other financing sources	<u>7,165</u>	<u>7,165</u>	<u>768,422</u>	<u>761,257</u>
Net change in fund balance	<u>\$ (61,815)</u>	<u>\$ 136,058</u>	<u>\$ 1,375,249</u>	<u>\$ 1,239,191</u>

City of St. Joseph Financial Analysis

General Fund Budget (Continued)

The City's original budget decreased fund balance by \$61,815. The amended budget increased fund balance by \$136,058, with budgeted revenues of \$4.17 million, budgeted expenditures of \$4.04 million, and other financing sources of \$7,165. General fund revenues were over budget by \$112,283.

Intergovernmental revenues represented the majority of this variance coming in over budget \$138,084. This variance was due to the City not budgeting for the American Rescue Plan funds that were received in 2021. Other revenues were in line with the budget.

Total expenditures were under budget by \$365,651. Public works had the largest budget variance, being \$279,417 under budget in 2021. This variance was due to the City not completing as much seal coating and crack filling as budgeted, being under budget on wages and benefits due to allocating time based on where staff actually worked, and being under budget on snow and ice removal expenditures. Culture and recreation expenditures were under budget \$115,017 largely due to the City selling Colts Academy in April 2021 and budgeting for a full year of costs. Capital outlay was over budget \$75,729, as a result of budgeting conservatively for purchases during the year. Other areas were consistent with budgeted amounts.

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 \$27,352, or 2.4%, from 2020 due to an increase in usage. Operating expenses increased \$947, or 0.1%, from 2020 to 2021. Expenses were consistent with the prior year.

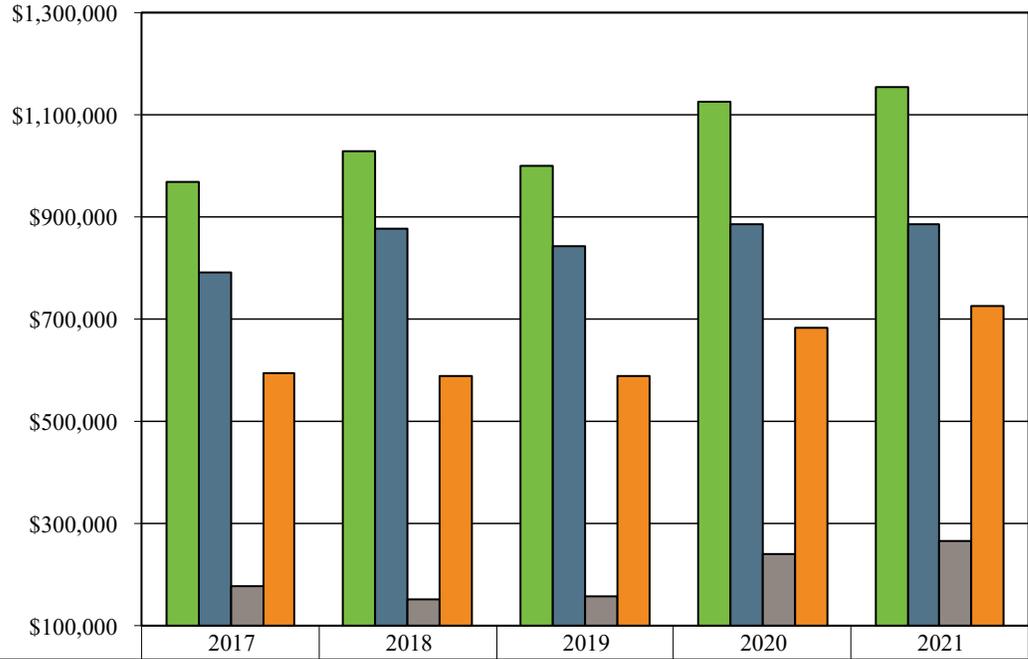
Operations produced operating income of \$267,754, which was the highest in the five years presented. With the exclusion of \$459,783 in depreciation expense, the Fund experienced operating income of \$727,537. However, depreciation should be considered as a true expense in operations, as most equipment 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 \$83,224, 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 \$757,845 to \$11,641,064 at December 31, 2021. The cash and investments balance at December 31, 2021, totaled \$1,290,923, an increase of \$226,795.

**City of St. Joseph
Financial Analysis**

Water Fund (Continued)

Water Fund



Operating Revenues	\$968,823	\$1,030,342	\$1,001,282	\$1,126,425	\$1,153,777
Operating Expenses	791,779	877,947	843,267	885,076	886,023
Operating Income with Depreciation	177,044	152,395	158,015	241,349	267,754
Operating Income without Depreciation	594,056	588,720	590,721	683,204	727,537

Sanitary Sewer Fund

Operating revenues increased \$50,714, or 3.8%, from 2020 to 2021, while operating expenses increased \$137,694, or 13.8%. Revenues increased due to an increase in usage in 2021. Expenses increased due to additional repairs needed during the year. There was a dual force main emergency repair, all cities part of St. Cloud sewer agreement were charged a share of the repair.

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.

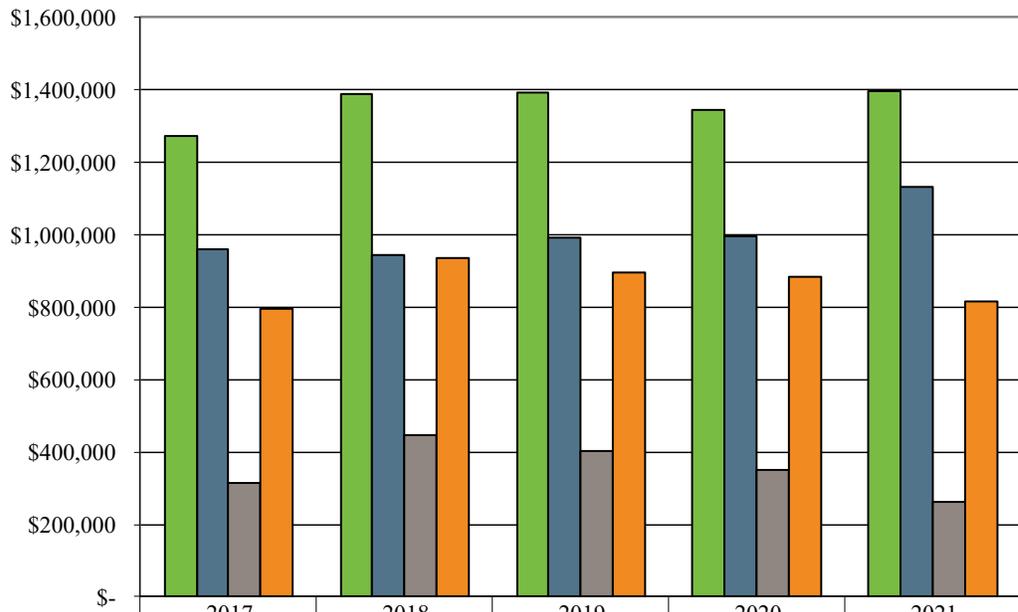
City of St. Joseph Financial Analysis

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 \$90,236, which is primarily due to \$105,052 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 \$779,555 to \$11,332,374 at December 31, 2021. The cash balance at December 31, 2021, totaled \$772,897, an increase of \$145,139.

Sanitary Sewer Fund



	2017	2018	2019	2020	2021
■ Operating Revenues	\$1,271,765	\$1,387,894	\$1,393,095	\$1,345,104	\$1,395,818
■ Operating Expenses	959,148	942,953	992,085	995,506	1,133,200
■ Operating Income (Loss) with Depreciation	312,617	444,941	401,010	349,598	262,618
■ Operating Income without Depreciation	794,023	937,945	894,443	884,242	814,306

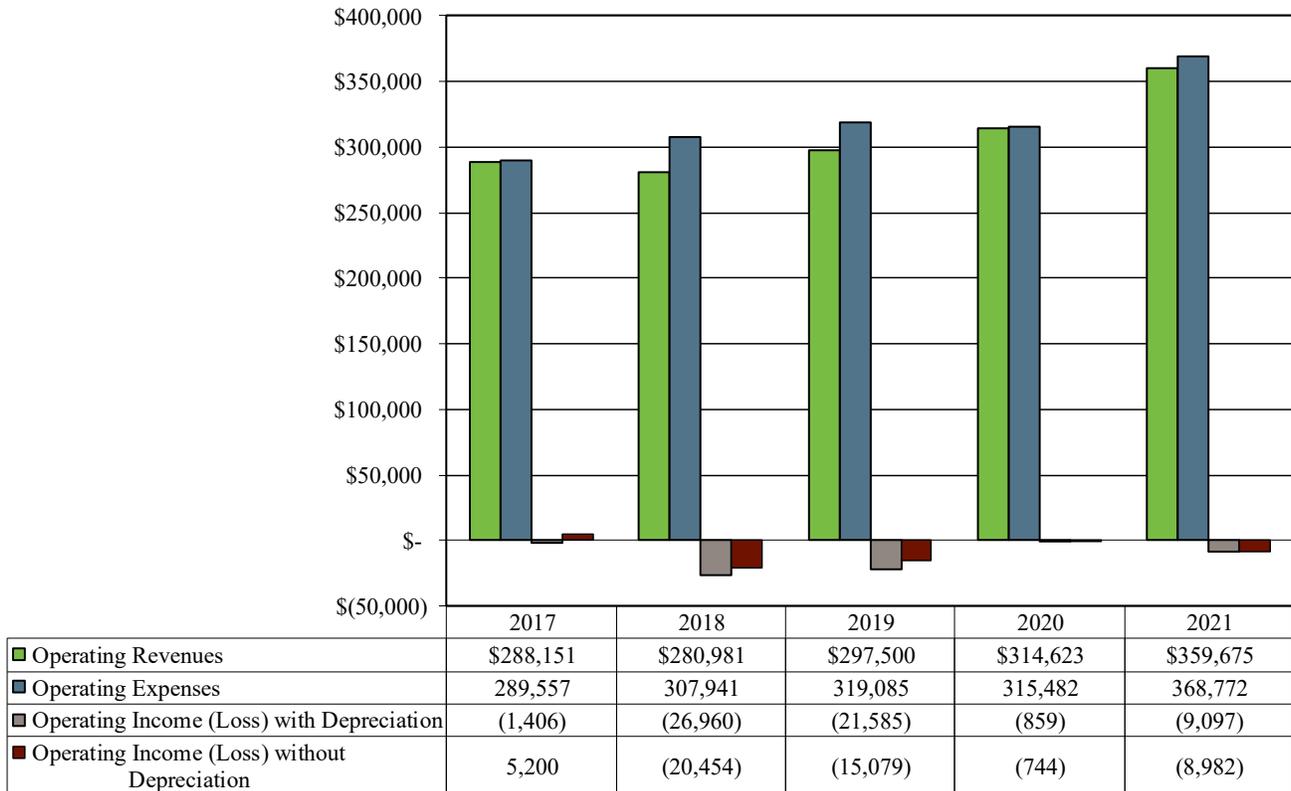
City of St. Joseph Financial Analysis

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. Operating revenues increased \$45,062, or 14.3%, while operating expenses increased \$53,920, or 16.9%, from 2020 to 2021. The increase in revenues was due to an increase in rates in 2021. Expenses increased due to increased fees from their waste collection company. These changes resulted in an operating loss of \$9,097 for 2021. The Fund produced an operating loss of \$8,982 when depreciation is not considered, thus, the fund is not covering any depreciation expense.

In addition to the operating activities of the fund, there were non-operating revenue of \$1,793 which is comprised of investment income and other income. Transfers along with operating and non-operating activities resulted in a decrease in net position of \$17,729. The cash balance decreased \$21,005 in 2021 and totaled \$207,664 at December 31, 2021.

Refuse Fund



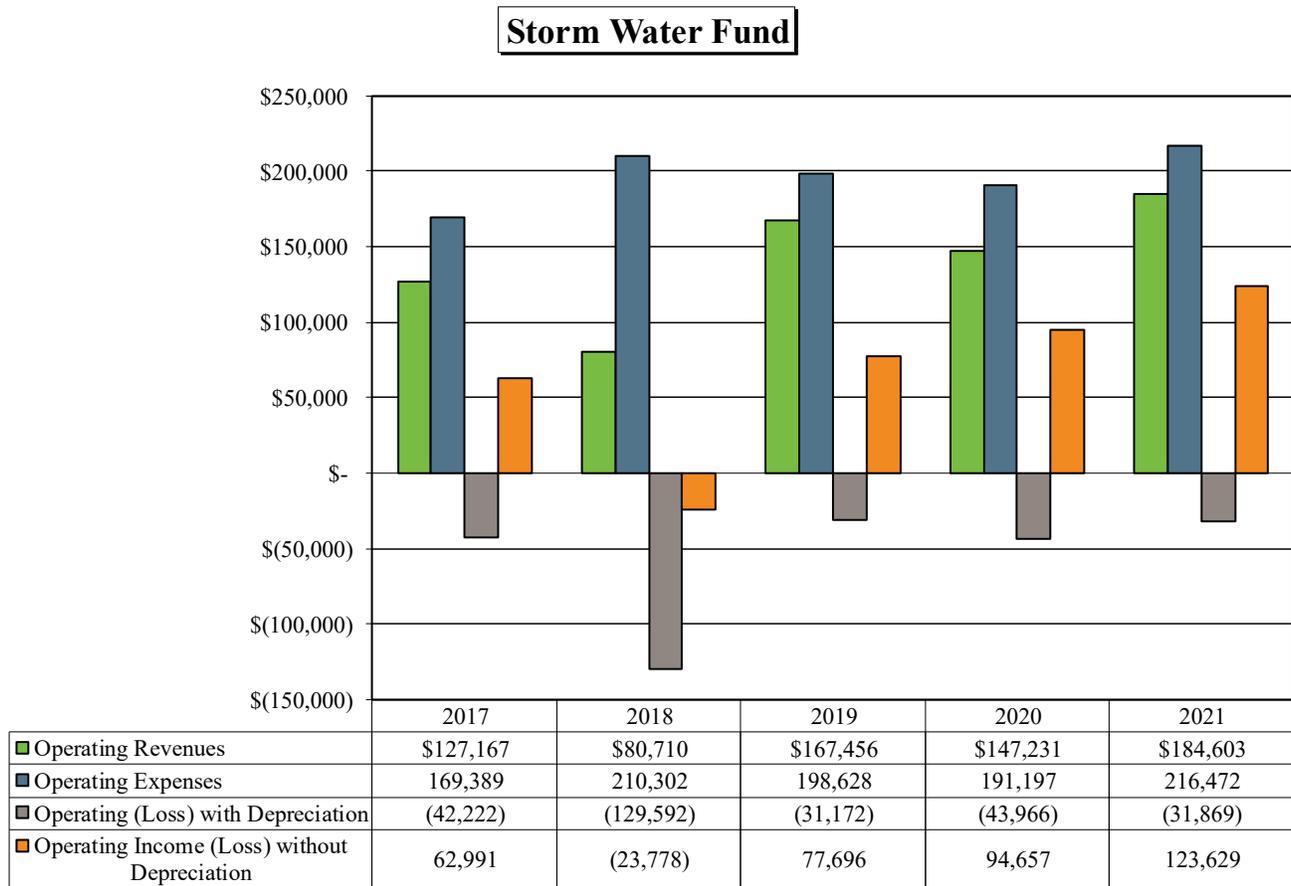
City of St. Joseph Financial Analysis

Storm Water Fund

The Storm Water Fund showed operating losses in all five years presented. Operating revenues increased \$37,372, or 25.4%, from 2020 to 2021, due to increase in rates and customers. Operating expenses increased \$25,275, or 13.2% due to increased depreciation.

The Storm Water Fund produced an operating loss of \$31,869 with depreciation and an operating income of \$123,629 without depreciation expense. The operations of the Storm Water Fund covered 79.5% of depreciation expense. The Storm Water Fund also had nonoperating revenues of \$797, capital contributions totaling \$262,151, and transfers out totaling \$46,595. Fund activity resulted in an increase in net position of \$184,484. The cash balance increased \$67,608 in 2021 and totaled \$265,028 at December 31, 2021.

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



City of St. Joseph Financial Analysis

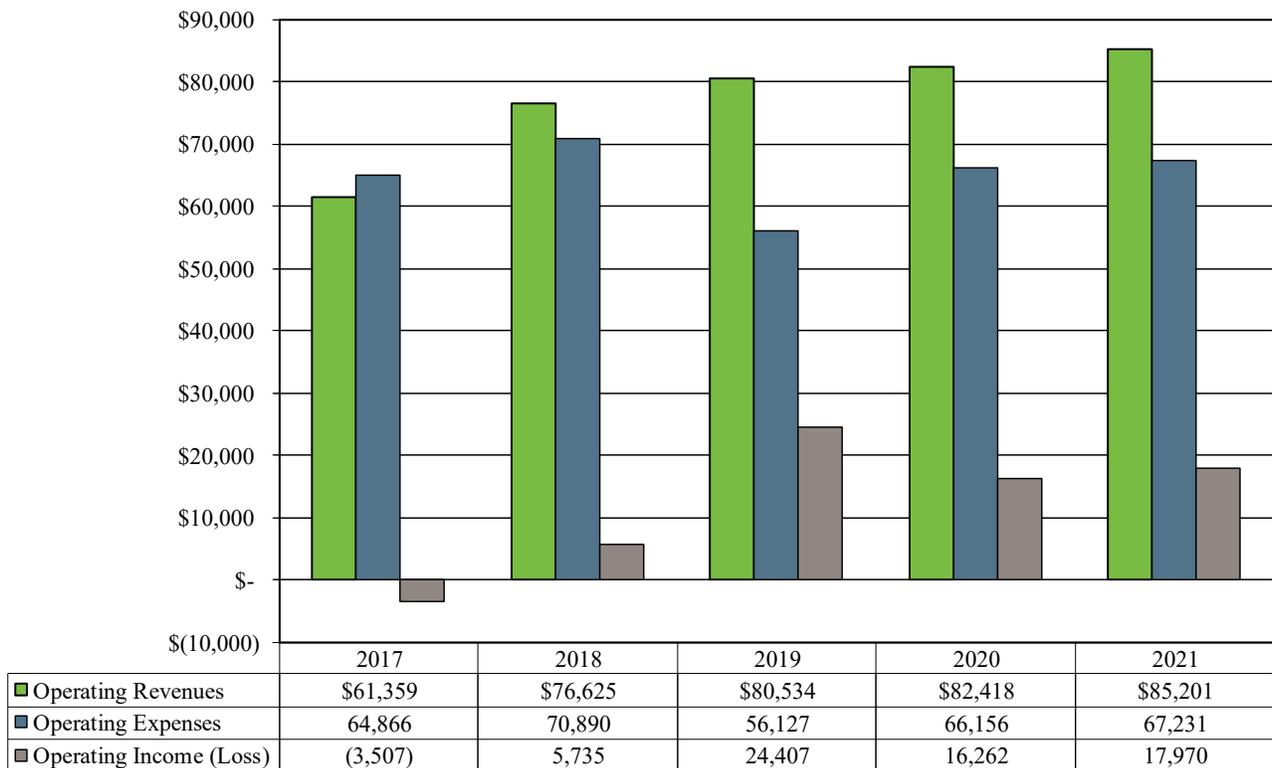
Street Light Utility

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 fourth year in a row. Operating revenues stayed consistent with the prior year, increasing only \$2,783 from 2020 to 2021. Operating expenses increased \$1,075 also staying consistent with 2020.

The Street Light Utility Fund produced operating income of \$17,970. The fund also reported non-operating income including investment income, special assessments, and other income totaling \$566. Operating income along with non-operating income resulted in an increase in net position of \$18,536. The cash balance increased \$7,535 in 2021 and totaled \$77,030 at December 31, 2021.

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' basic 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 basic 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 basic 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.