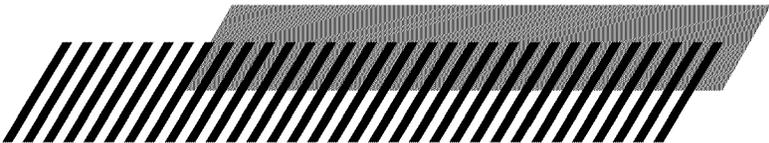


**City of St. Joseph
Stearns County, Minnesota**

Basic Financial Statements

December 31, 2022



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**City of St. Joseph
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**City of St. Joseph
Elected Officials and Administration
December 31, 2022**

<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 through October 2022	Appointed
Jeff O'Neil	Interim 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, each major fund, and the aggregate remaining fund information of City of St. Joseph, as of and for the year ended December 31, 2022, 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, 2022, 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.

Emphasis of Matter – Implementation of GASB 87

The City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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 the 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 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 accompanying supplementary information as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2023, 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
June 21, 2023

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, 2022.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2022 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 \$46,475,140. Of this amount, \$6,705,515 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 \$1,230,539 from 2021 to 2022. The individual funds with the largest increase in net position include the water and sewer funds, resulting in over 50% of the increase in net position.
- ◆ As of the close of the current fiscal year, the City of St. Joseph's governmental funds reported combined ending fund balances of \$16,715,793, an increase of \$5,482,644. Of this amount \$2,191,328 is unassigned for spending at the City's discretion. The remaining balance of \$14,524,465 is set aside for specific future expenditures. The largest contributors for the increase in fund balance include the general fund, St. Joseph Community Center/YMCA project fund and the state collected sales tax fund. The general fund contains budgeted reserves included in the 5-year capital planning. The community center/YMCA project issued bonds in 2022; however, much of the construction will be completed in 2024. The state collected sales tax fund also resulted in an increase in fund balance by \$595,560 with half cent sales tax collections exceeding expectations in 2022. This fund is included in the combined Other Governmental Funds.
- ◆ At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,208,806 or 53% of the total 2023 general fund expenditure budget. The city's goal is 4-6 months of the following year expenditure budget; 2022 ended at six months working capital.
- ◆ The City of St. Joseph's total long-term bonded debt increased by \$3,821,803 during the current fiscal year. The City had five debts paid in full, and issued one new debt for three projects including the St. Joseph Community Center/YMCA, 2022 street improvements and a new pumper/tanker fire truck..

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.

City of St. Joseph Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements. (Continued) 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.

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 26-28 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.

City of St. Joseph Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds. (Continued) 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.

The City of St. Joseph maintains forty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, G.O. industrial park bonds of 2021A fund, G.O. tax abatement bonds of 2015B fund, and St. Joseph Community Center/YMCA 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 fund. A budgetary comparison statement has been provided for this fund on page 35 to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 29-34 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sanitary sewer, refuse, storm water and street light utility, all of which are considered to be major funds of the City of St. Joseph. The basic proprietary fund financial statements can be found on pages 36-42 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 44-79 of this report.

Other Information. The required supplementary information (pages 81-93) and supplemental information including the combined statements referred to earlier in connection with non-major governmental funds can be found on pages 95-112 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.

City of St. Joseph
Management's Discussion and Analysis

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 \$46,475,140 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.

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 21,494,469	\$ 17,509,912	\$ 5,622,221	\$ 3,558,085	\$ 27,116,690	\$ 21,067,997
Capital assets, net	19,029,339	18,078,155	33,426,247	34,346,256	52,455,586	52,424,411
Total assets	40,523,808	35,588,067	39,048,468	37,904,341	79,572,276	73,492,408
Deferred Outflows of Resources						
Deferred outflows of resources related to pensions	2,399,691	1,366,961	114,232	147,084	2,513,923	1,514,045
Total deferred outflows	2,399,691	1,366,961	114,232	147,084	2,513,923	1,514,045
Liabilities						
Current liabilities	1,332,697	1,442,095	1,708,522	213,532	3,041,219	1,655,627
Long-term liabilities	24,705,062	17,489,199	7,619,837	8,613,128	32,324,899	26,102,327
Total liabilities	26,037,759	18,931,294	9,328,359	8,826,660	35,366,118	27,757,954
Deferred Inflows of Resources						
Deferred inflows of resources related to debt	9,515	11,895	14,623	18,140	24,138	30,035
Deferred inflows of resources related to leases	12,402	-	111,618	-	124,020	-
Deferred inflows of resources related to pensions	91,807	1,727,526	4,976	176,853	96,783	1,904,379
Total deferred inflows	113,724	1,739,421	131,217	194,993	244,941	1,934,414
Net Position						
Net investment in capital assets	8,714,573	7,728,613	26,286,102	26,037,429	32,233,696	30,582,502
Restricted	7,535,929	7,998,702	-	-	7,535,929	7,998,702
Unrestricted	521,514	556,998	3,417,022	2,992,343	6,705,515	6,732,881
Total net position	\$ 16,772,016	\$ 16,284,313	\$ 29,703,124	\$ 29,029,772	\$ 46,475,140	\$ 45,314,085

City of St. Joseph Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

An additional portion of the City of St. Joseph's net position (16%) 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 \$6,705,515, or a surplus of \$3,938,536 after removing the unrestricted portion of governmental debt for enterprise assets. The surplus is largely the result of the increase in cash and investments from unspent bond proceeds.

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 and governmental activities.

Governmental Activities. The governmental activities change in net position balance increased \$487,703. The City's investment in capital assets, net related debt increased \$985,960. Restricted net position decreased \$462,773. The unrestricted net position resulted in a net position of \$521,514, a decrease of \$35,484 from last year. As a liquidity indicator, the cash and investment position increased 47% in 2022. The main increase is from unspent 2022A bond proceeds. The proceeds will cover costs of a pumper/tanker fire truck in 2023 and the St. Joseph Community Center/YMCA in 2024. The bonded debt increased in 2022 by \$4,573,535 with the 2022A bond issue. The City paid off five debts in 2022, three of which were early defeasances. The amount paid off is less than the 2022A bond issue. In addition, GASB requires investments to be marked to current market value in the reporting year. In 2022, the market adjustment was negative and resulted in negative interest earnings of \$354,466 in the governmental activities. Interest earnings is reported as unrestricted net position.

Business-Type Activities. There was a 3% increase in the total net position for the business-type activities. The increase is due to paying down bonds and notes, 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 \$263,815. The sewer fund received \$1,449,288 from the City of Foley to purchase wastewater treatment from St. Joseph. The reimbursement will be used in future years for sewer expansions and minimizing increases in future sewer rates. The City of Foley plans to connect to the St. Cloud wastewater facility in 2023. At the time of connection, St. Joseph will realize the capacity purchase from 2022. Finally, the water, sewer and storm water funds recorded a prior period adjustment totaling \$69,484. The adjustment was necessary to properly allocate construction costs from the 2021 street and utility improvements. The construction in progress capital contributions recorded in 2021 were overstated in the water and sewer funds and understated in the storm water fund. The 2021 street and utility improvement project was completed in 2022 with the depreciable assets added to plants and lines in these funds.

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**

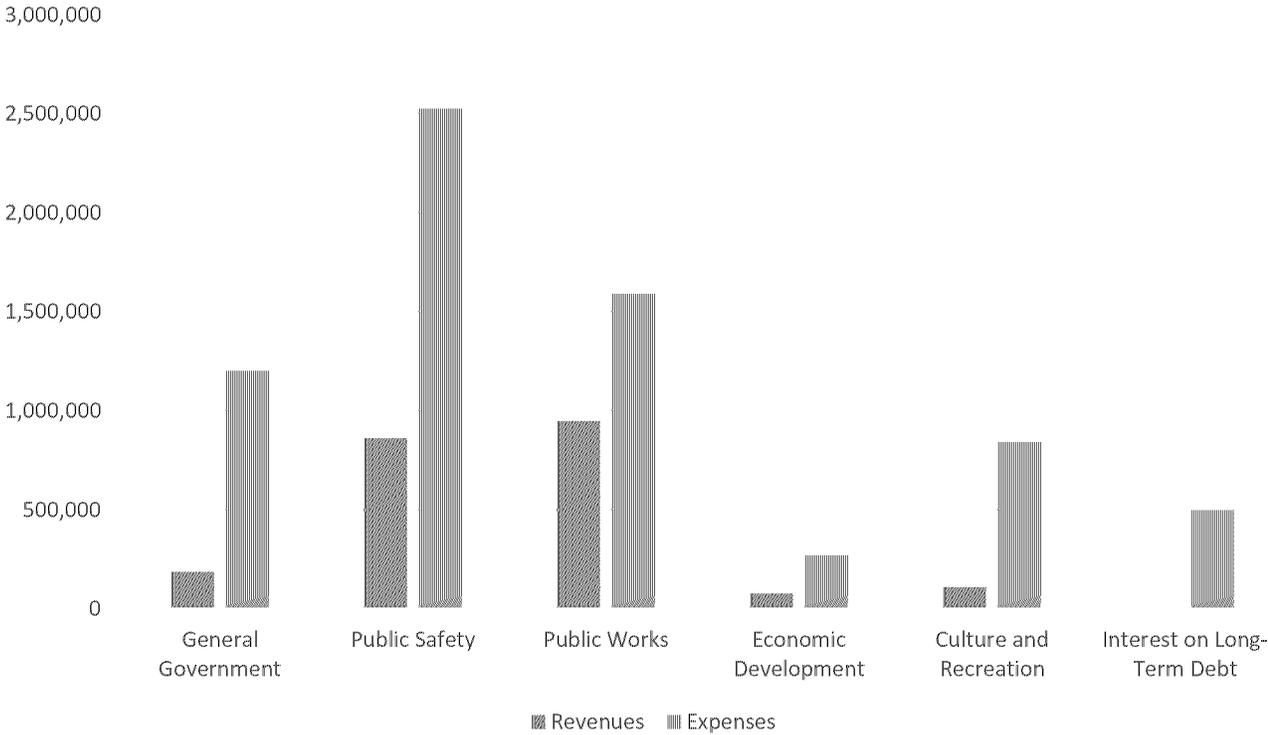
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Change in Net Position

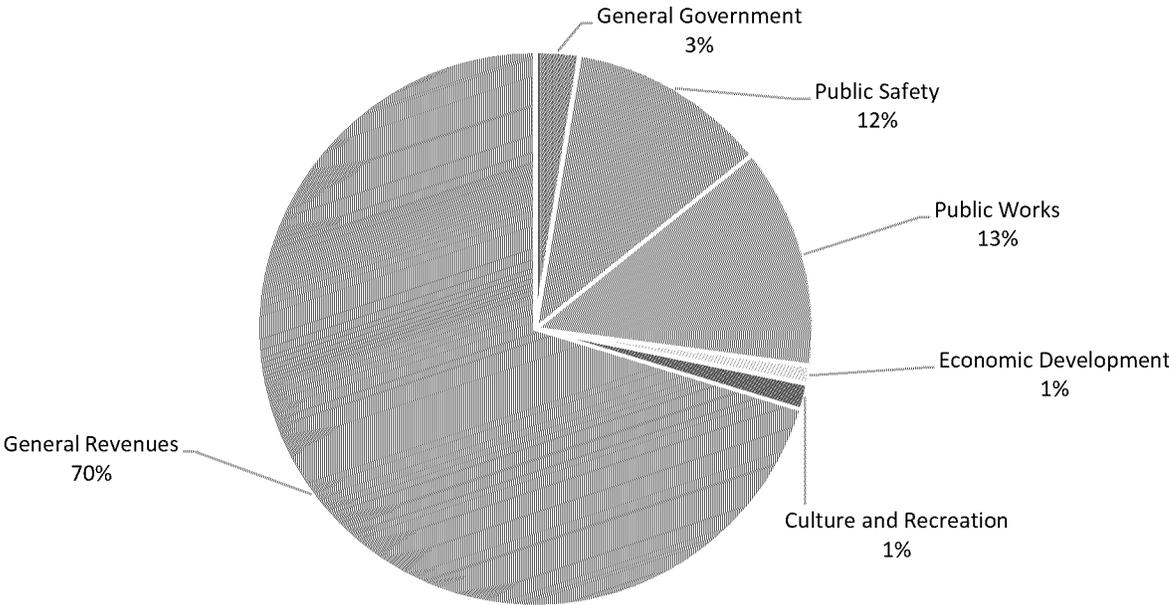
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for services	\$ 732,955	\$ 728,965	\$ 3,654,802	\$ 3,328,001	\$ 4,387,757	\$ 4,056,966
Operating grants and contributions	233,771	317,714	26,677	11,529	260,448	329,243
Capital grants and contributions	1,220,598	1,586,424	205,309	336	1,425,907	1,586,760
General Revenues						
Property taxes	3,290,248	2,976,605	10	249	3,290,258	2,976,854
Tax increments	151,291	150,078	-	-	151,291	150,078
Sales taxes	649,225	580,596	-	-	649,225	580,596
Franchise fees	140,259	137,382	-	-	140,259	137,382
Lodging taxes	15,757	9,608	-	-	15,757	9,608
Miscellaneous taxes	731	2,989	-	-	731	2,989
State aids	1,252,968	1,211,093	-	-	1,252,968	1,211,093
Unrestricted investment earnings	(354,466)	37,600	(104,018)	4,707	(458,484)	42,307
Gain on disposal of assets	35,012	-	-	-	35,012	-
Total revenues	7,368,349	7,739,054	3,782,780	3,344,822	11,151,129	11,083,876
Expenses						
General government	1,203,531	1,139,857	-	-	1,203,531	1,139,857
Public safety	2,528,353	1,922,977	-	-	2,528,353	1,922,977
Public works	1,590,794	1,464,510	-	-	1,590,794	1,464,510
Economic development	271,353	326,642	-	-	271,353	326,642
Culture and recreation	843,718	1,742,825	-	-	843,718	1,742,825
Interest on long-term debt	500,353	386,579	-	-	500,353	386,579
Water	-	-	1,085,920	1,011,714	1,085,920	1,011,714
Sanitary sewer	-	-	1,221,130	1,230,161	1,221,130	1,230,161
Refuse	-	-	391,013	368,772	391,013	368,772
Storm water	-	-	215,283	216,472	215,283	216,472
Street light utility	-	-	69,142	67,231	69,142	67,231
Total expenses	6,938,102	6,983,390	2,982,488	2,894,350	9,920,590	9,877,740
Increase (decrease) in net position before transfers	430,247	755,664	800,292	450,472	1,230,539	1,206,136
Transfers	57,456	(1,145,619)	(57,456)	1,145,619	-	-
Change in net position	487,703	(389,955)	742,836	1,596,091	1,230,539	1,206,136
Net Position						
Net position - beginning	16,284,313	16,674,268	29,029,772	27,433,681	45,314,085	44,107,949
Prior period adjustment	-	-	(69,484)	-	(69,484)	-
Net position - beginning restated	16,284,313	16,674,268	28,960,288	27,433,681	45,244,601	44,107,949
Net position - ending	\$ 16,772,016	\$ 16,284,313	\$ 29,703,124	\$ 29,029,772	\$ 46,475,140	\$ 45,314,085

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

**PROGRAM REVENUES AND EXPENSES
GOVERNMENTAL ACTIVITIES**

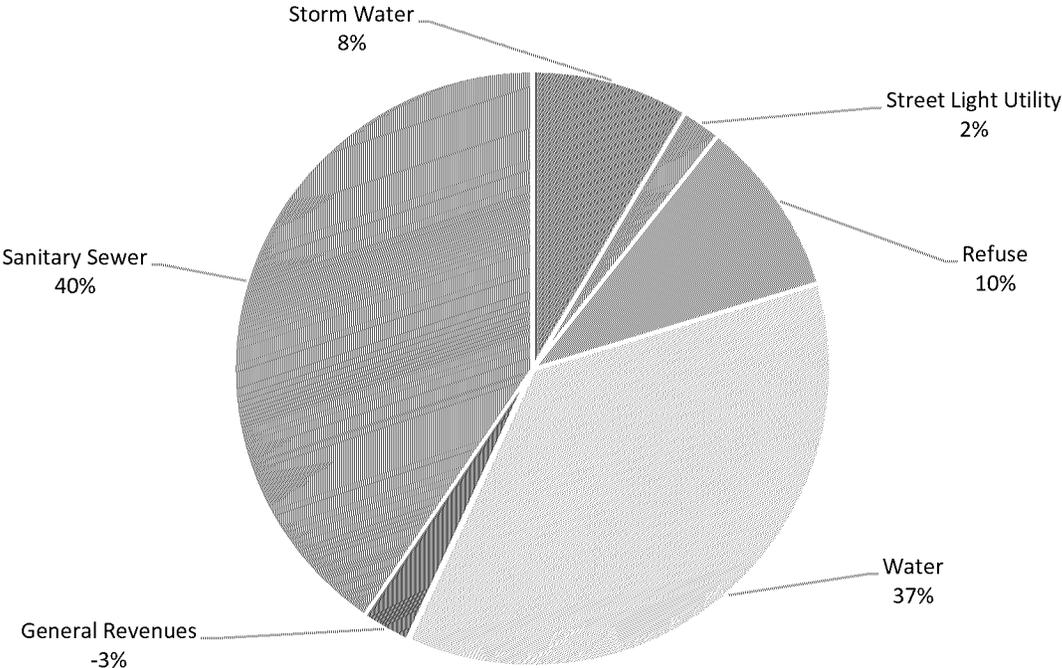


REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES

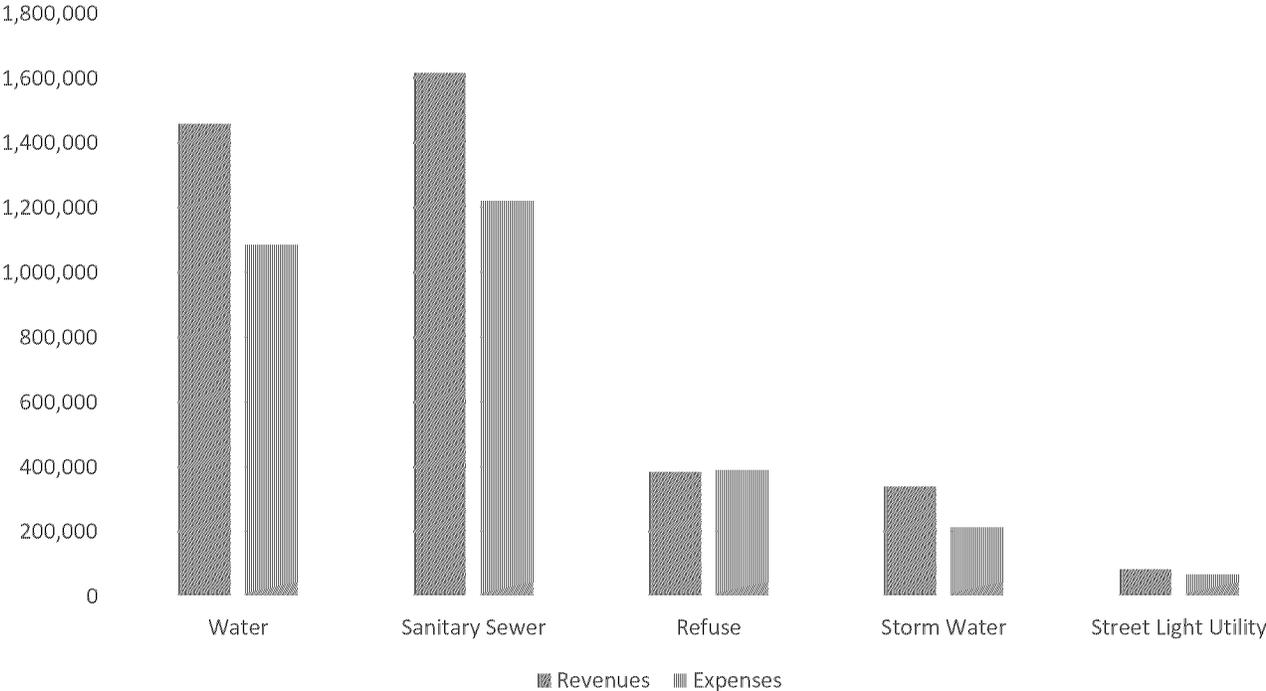


**City of St. Joseph
Management's Discussion and Analysis**

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 2022, its governmental funds reported a combined fund balance of \$16,715,793, an increase of \$5,482,644 from 2021. Revenues for the City's governmental funds were \$8,632,942, while expenditures were \$10,974,648. The excess of expenditures over revenues is largely attributed to the early defeasance of the 2015B G.O. tax abatement bonds and construction costs relating to the 2022 street 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 2022A bond proceeds. By removing the 2022 construction fund, governmental revenues exceeded expenditures by \$5,482,644. The major funds will be discussed further below. Other governmental non-major funds ended the year with a \$825,387 increase in fund balances, and a decrease of \$1,196,984 before other financing sources. A couple non-major funds to recognize are the G.O. improvement bonds of 2010B and 2015A, and state collected sales tax fund. The bond funds were called early with available cash saving future interest payments. The state collected sales tax fund received \$649,225 in local option sales tax revenues in 2022. The sales tax is used for projects approved by state statute and voted on by referendum in the community. 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 community center/YMCA bonds and the Field Street bonds. The 2021 and 2022 street improvement projects completed most of their project expenditures in 2022 resulting in a reduction of fund balances.

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 \$2,208,806, an increase of \$126,137. 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 53% (6.3 months) working capital and 47% (5.6 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, higher than anticipated building and development fees. General fund revenues exceeded budgeted amounts by \$61,996. The largest variance came from licensing and permitting revenues. Development and building permit fees are budgeted conservatively. In 2022, the city issued 1,087 building permits. In a typical year, the city issues about 300 commercial and residential permits. The city experienced a hail storm in spring 2022 resulting in several re-shingling and re-siding permits. Development was also better than anticipated with new homes, commercial and redevelopment permits. Investment income shows an unrealized loss on investments held to maturity. The unrealized loss is a function of rising interest rates. Interest receipts were less than the unrealized losses reported. The income is under budget by \$148,653.

General fund expenditures were under budget by \$174,537. The City of St. Joseph established a five-year capital plan where funds were set aside each year for future purchases. The capital outlay

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

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

General Fund (Continued)

expenditures will report over or under budget each year depending upon when capital equipment is purchased. In 2022 total capital outlay reported over-spent by \$26,076. In addition, general government expenditures reported over budget by \$37,105. As staffing policies were reviewed, the addition of a full-time Administrative Assistant was added in September 2022. There also was staff turnover in this category in 2022 with the City Administrator and Finance Technician resigning. An interim City Administrator was hired in October 2022 and a gap of employment of three months for the Finance Technician position. The culture and recreation category under-spent its operational budget by \$204,065. The City of St. Joseph contracted with Kinetic for the community center capital campaign. Most of the contract was shown in the 2022 budget but will extend through 2023.

The general fund budget also included an estimate for employee severance payments in streets and parks. The only severance payments came from the police and administrative departments for a police sergeant who retired and City Administrator who resigned in 2022. The result in streets and parks will reflect budget savings, police and administrative expenditures will show over-expended. 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.

As a result of the prudent financial policies of the City, the general fund remained stable. The schedule below presents a summary of general fund revenues and expenditures.

Revenues	December 31, 2022	December 31, 2021	Increase (Decrease)	Percent Change
Taxes and franchise fees	\$ 2,243,201	\$ 2,252,893	\$ (9,692)	0%
Special assessment	4,891	57,840	(52,949)	-92%
Licenses and permits	307,357	151,811	155,546	102%
Intergovernmental	1,883,220	1,570,692	312,528	20%
Charges for services	53,057	98,913	(45,856)	-46%
Fines and forfeitures	78,924	87,381	(8,457)	-10%
Miscellaneous	(32,465)	63,651	(96,116)	-151%
 Total General fund revenue	 \$ 4,538,185	 \$ 4,283,181	 \$ 255,004	 6%
 Expenditures	 December 31, 2022	 December 31, 2021	 Increase (Decrease)	 Percent Change
General government	\$ 1,159,390	\$ 1,083,252	\$ 76,138	7%
Public safety	2,004,358	1,750,717	253,641	14%
Public works	827,687	466,073	361,614	78%
Culture and recreation	575,063	376,312	198,751	53%
 Total General fund expenditures	 \$ 4,566,498	 \$ 3,676,354	 \$ 890,144	 24%

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 adjusting budget line items between streets and parks. The overall general fund budget did not change, just reallocated between line items in these two functions. A description of the budget to actual variances were described on the previous two pages.

- Actual revenues were \$61,996 more than budgeted.
- Actual expenditures were \$174,537 less than budget.
- After other financing sources and uses, the general fund ended the year with a \$172,938 reduction in the fund balance. This is better than budgeted projections. The City anticipated spending down \$230,231 in reserved fund balances. This is a positive budget variance of \$57,293.

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 \$767,907 overall. The following five paragraphs provide a brief financial overview of each major proprietary fund.

Water Enterprise Fund

The water fund is used to account for the operations of the city's water utility. In 2022, the water fund's net position increased \$346,372. Before transfers and capital contributions, the operating income reported a \$100,815 surplus. The change in net position includes depreciation of \$455,628. The water operating revenues are covering 100% of the depreciation. Bonded debt payments in the water fund totaled \$615,506. 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 2022, the water fund made the final debt payment for the 2017B water revenue bonds that paid for upgrades to water treatment plant #1. 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. Connections in 2022 were up with new development. 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 2022, the sanitary sewer fund's net position increased \$356,859 and realized \$283,447 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 2022 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. The City of Foley purchased sewer treatment capacity from St. Joseph in 2022.

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

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

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 2022 with a net position of \$219,490, a decrease of \$11,404. 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 few years to offset other utility user fee increases. 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 2022, the storm water fund's net position increased \$62,262; an increase of \$69,417 before capital contributions and transfers. The storm water fund realized an operating income of \$54,332, covering 100% 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 with 2022 the first year showing operational and non-operational solvency. Nominal increases are expected in the future to continue covering operating and nonoperating costs. In addition, the storm water fund received \$46,210 in capital contributions to assist in the increased net position of the fund.

Street Light Utility Enterprise Fund

The street light utility fund is used to account for the operations of the city's street lighting. As of December 31, 2022, the street light utility fund's change in net position increased \$13,818, and an operating income of \$16,578. 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 \$108,259 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, 2022, amounts to \$52,455,586 (net of accumulated depreciation), an increase of \$31,175. The slight increase in net capital assets was attributed to street and utility improvements with only replacing a few old infrastructure assets. The cost of the infrastructure several decades ago was much less than current costs; therefore, the City will realize increases in capital asset values. In addition, construction is progress decreased \$1,315,075. Construction in progress is not depreciated. When completed, depreciation is netted with asset costs, decreasing the net capital assets. Net investment in capital assets increased \$1,651,195 with the asset additions.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

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 6 beginning on page 57 of this report. Total depreciation expense for 2022 was \$2,585,545.

CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 762,197	\$ 762,197	\$ 377,882	\$ 377,882	\$ 1,140,079	\$ 1,140,079
Easements	331,093	200,085	67,915	67,915	399,008	268,000
Construction in progress	1,329,872	1,333,706	187,548	1,498,789	1,517,420	2,832,495
Improvements	1,411,545	1,377,030	289,760	289,760	1,701,305	1,666,790
Infrastructure	27,912,714	26,027,162	-	-	27,912,714	26,027,162
Buildings	7,299,059	7,299,059	8,797,686	8,797,686	16,096,745	16,096,745
Intangible assets	200,000	200,000	-	-	200,000	200,000
Plant and lines	-	-	28,460,768	27,068,783	28,460,768	27,068,783
Sewer rights	-	-	10,977,565	10,977,565	10,977,565	10,977,565
Machinery and equipment	4,668,429	4,441,111	1,150,595	1,143,827	5,819,024	5,584,938
Less: accumulated depreciation	(24,885,570)	(23,562,195)	(16,883,472)	(15,875,951)	(41,769,042)	(39,438,146)
Total net capital assets	<u>\$ 19,029,339</u>	<u>\$ 18,078,155</u>	<u>\$ 33,426,247</u>	<u>\$ 34,346,256</u>	<u>\$ 52,455,586</u>	<u>\$ 52,424,411</u>

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 \$32,324,899 as of December 31, 2022, an increase of \$6,222,572.

The City of St. Joseph issued one debt (three parts) and paid five debts in full. The debt issuance amount was larger than the amounts defeased. The bonds and notes liabilities increased \$3,404,853. The 2022A bonds totaled \$7,405,000. The final principal paid in the five debts paid in full amounted to \$1,898,000. A large portion of the 2022A debt issue is a portion of debt used for the future St. Joseph Community Center/YMCA. Of the debts paid in full, the 2015B G.O. tax abatement bonds were defeased early with the sell proceeds of Colts Academy from 2021. The call date on the 2015B debt was December 1, 2022.

At the end of the current fiscal year, the City of St. Joseph had total net bonded debt outstanding of \$23,752,383. Of this amount, \$20,601,913 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.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities (Continued)

Compensated absences decreased \$35,172 in 2022. The City had one tenured employee retire and the City Administrator resigned in 2022. Both employees received a pay out of their unused accrued compensated absences. The sergeant replacement was promoted at a lower wage and has lower accumulated accruals. The City Administrator was not replaced until 2023. The City did add two full-time positions in 2022. The employees did not accrue many compensated absence hours in 2022.

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 2022, the net pension liability increased \$2,852,891.

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

OUTSTANDING LONG-TERM LIABILITIES

	2022	2021	Increase (Decrease)	Percent Change
Governmental Activities				
General obligation bonds	\$ 4,753,056	\$ 4,577,278	\$ 175,778	4%
General obligation special assessment bonds	9,332,397	10,268,071	(935,674)	-9%
General obligation abatement bonds	6,516,460	1,183,029	5,333,431	451%
Compensated absences payable	479,191	529,304	(50,113)	-9%
Net pension liability	3,623,958	931,517	2,692,441	289%
Total governmental activities	<u>\$ 24,705,062</u>	<u>\$ 17,489,199</u>	<u>\$ 7,215,863</u>	41%
Business-Type Activities				
General obligation revenue bonds	\$ 3,150,470	\$ 3,902,202	\$ (751,732)	-19%
Notes payable	3,989,675	4,406,625	(416,950)	-9%
Compensated absences payable	130,183	115,242	14,941	13%
Net pension liability	349,509	189,059	160,450	85%
Total business-type activities	<u>\$ 7,619,837</u>	<u>\$ 8,613,128</u>	<u>\$ (993,291)</u>	-12%

The City of St. Joseph issued \$620,000 general obligation special assessment bonds, series 2022A in fall 2022. The bonds paid for the 2022 street overlays improvements in the Graceview development, 17th Ave SE, 18th Ave SE, portion of Baker St and 1st Ave NW.

A second part of the 2022A series bonds was issued to finance a new pumper/tanker fire truck. The equipment certificates totaled \$660,000.

The City issued \$6,125,000 general obligation tax abatement bonds, series 2022A to construct the St Joseph Community Center/YMCA.

City of St. Joseph Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities (Continued)

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.

The City of St. Joseph maintained their bond rating AA-/Stable from S&P Global on the 2022A bond issue and reaffirmed their AA-/Stable rating on their previous bond ratings. The report stated St. Joseph has maintained a healthy financial performance including four consecutive years of positive operation, ample budgetary flexibility in line with fund balance policy, and very strong liquidity with total governmental available cash after adjusting or unspent bond proceeds. 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 high debt service fixed costs, but rapid amortization, with 83% 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 \$15,958,257 which significantly exceeds the outstanding pure general obligation debt of \$5,002,000.

Additional information on the City's long-term liabilities can be found in Note 7 beginning on page 59 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 18% the past five years, 6% in 2022 alone, 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 \$804,890 between 2021 and 2022. As of December 31, 2022, the City of St. Joseph spent \$474,426 grant dollars on the main server upgrades, finance software, surveillance cameras, technology updates and cellular meters. The City has until December 31, 2024, to spend the remaining ARPA grant dollars.

In 2022, thirty-six new single-family and townhome permits were issued, along with new commercial construction for Obbink Distillery and Bad Habit Brewery expansion permits. In addition, 86 commercial remodel and improvement projects, and 1,001 residential improvement permits were issued in 2022. An average year sees around 300 building permits issued; 2022 was unusually high for new construction and repairs due to a spring 2022 hail storm. 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 renovated into retail spaces for two boutiques. College & Minnesota, LLC also purchased a few single-family homes in the downtown area and plan to convert them to additional commercial uses in the downtown. A single-family home near the new boutiques offers yoga and homeopathic rejuvenation. Another home is currently under construction for the addition of Kensington Bank in St. Joseph. In the past three years, new construction as well as remodels/additions and repairs added over \$54 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 17% for the 2023 taxable market values.

City of St. Joseph Management's Discussion and Analysis

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

As stated, single-family residential construction included thirty-six new homes built in 2022. 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 patio homes in their first phase of development. The first phase includes ten detached patio home lots in which seven homes have been constructed, and the remaining three lots have been purchased by Berscheid Builders, LLC. 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 homes. Country Manor plans two market rate apartments on the north side of their planned unit development. The apartments are planned for 2023 and 2024 construction years. 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 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. In 2021, the first development began with on a 10-acre parcel for Trobec's commercial and school bussing. In 2022, plans were submitted for a 15-acre parcel for Goodin Company and a one-acre parcel for Granite City Gymnastics. These two businesses will start construction in summer 2023. The construction fund has an unspent balance of \$227,849. The funds will be applied to expand Fir Street East to accommodate Trobec's Bussing Company.

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 St. Joseph Community Center in their fall 2020 bonding bill. The City began pre-design phase and hired a firm, Kinetic, to conduct a capital campaign for the project in 2022 through 2023. In addition, the City of St. Joseph and the YMCA partnered for operations of the new facility. The City of St. Joseph will own the facility and lease the operations to the St. Cloud Area Family YMCA (YMCA). 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, pre-designing by HMA Architect continues and the City hired a construction manager, W. 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. A 45,000 square foot facility is planned for phase I with construction planned to begin in 2024.

City of St. Joseph Management's Discussion and Analysis

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

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 expanded 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 remodel their restaurant and added outdoor patio space. Wandering Cow Ice Cream opened their doors in a vacant downtown space in spring 2022. A Mexican restaurant is also remodeling a space in the downtown area for a summer 2023 opening. On the north side of the downtown, Obbink Distillery purchased an unused warehouse space for an "out of this world" whiskey distillery. The space has a tasting room and large outdoor gathering space. There continues to be interest and prospects reaching out to the city staff to locate in St. Joseph. St. Joseph is becoming a travel destination place.

Besides downtown, Rivers Bend Plat 4 development adds 28 residential townhomes south of town near the Kennedy Community School. The first few permits were issued in fall 2022. StorageLink purchased vacant property along the Highway 75 corridor to construct climate-controlled storage units.

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 amendment was agreed to in that allows contracted cities to sell all or a portion of their pooled capacity to 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 2022 the City of St. Joseph approved selling their pooled capacity to the City of Foley. Under the new amendment, St. Joseph received an upfront reimbursement of \$1,449,288 for their purchased debt through 2023. Once connected to the St. Cloud wastewater treatment facility, the City of Foley will realize their portion of plant capacity debt payments and will reduce the amount owed by the City of St. Joseph. Connection to the St. Cloud plant is anticipated for fall 2023. Future debt savings for St. Joseph is estimated to be \$773,167 from 2024 through 2030. The City of St. Joseph plans to use the reimbursements for future sewer improvements and reduce the sewer service costs to rate payers.

With a busy year completed, 2023 is expected to be eventful as well.

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

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.

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BASIC FINANCIAL STATEMENTS

City of St. Joseph
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 16,951,422	\$ 4,948,034	\$ 21,899,456
Cash with fiscal agent	-	-	-
Property tax receivable	16,066	14	16,080
Accounts receivable	75,235	499,187	574,422
Interest receivable	66,058	18,489	84,547
Due from other governments	778,462	1	778,463
Notes receivable	54,802	-	54,802
Lease receivable	12,402	111,618	124,020
Special assessments receivable			
Delinquent	966	1,486	2,452
Deferred	3,322,123	43,392	3,365,515
Prepaid items	17,500	-	17,500
Net pension asset	199,433	-	199,433
Capital assets not being depreciated			
Land	762,197	377,882	1,140,079
Easements	331,093	67,915	399,008
Construction in progress	1,329,872	187,548	1,517,420
Capital assets being depreciated			
Buildings	7,299,059	8,797,686	16,096,745
Infrastructure	27,912,714	-	27,912,714
Improvements	1,411,545	289,760	1,701,305
Intangible asset	200,000	-	200,000
Plant and lines	-	28,460,768	28,460,768
Machinery and equipment	4,668,429	1,150,595	5,819,024
Sewer rights	-	10,977,565	10,977,565
Less accumulated depreciation	(24,885,570)	(16,883,472)	(41,769,042)
Capital assets (net of accumulated depreciation)	<u>19,029,339</u>	<u>33,426,247</u>	<u>52,455,586</u>
Total assets	<u>40,523,808</u>	<u>39,048,468</u>	<u>79,572,276</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	<u>2,399,691</u>	<u>114,232</u>	<u>2,513,923</u>
Total assets and deferred outflows of resources	<u>\$ 42,923,499</u>	<u>\$ 39,162,700</u>	<u>\$ 82,086,199</u>

City of St. Joseph
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	\$ 201,590	\$ 80,859	\$ 282,449
Contracts payable	526,106	-	526,106
Due to other governments	21,087	131,753	152,840
Salaries and benefits payable	135,518	7,189	142,707
Interest payable	116,806	37,798	154,604
Unearned revenue	331,590	1,450,923	1,782,513
Bond principal payable (net)			
Payable within one year	1,599,000	640,000	2,239,000
Payable after one year	19,002,913	2,510,470	21,513,383
Notes payable (net)			
Payable within one year	-	422,538	422,538
Payable after one year	-	3,567,137	3,567,137
Compensated absences payable			
Payable within one year	124,240	29,213	153,453
Payable after one year	354,951	100,970	455,921
Net pension liability	3,623,958	349,509	3,973,467
Total liabilities	<u>26,037,759</u>	<u>9,328,359</u>	<u>35,366,118</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	91,807	4,976	96,783
Deferred inflows of resources related to debt	9,515	14,623	24,138
Deferred inflows of resources related to leases	12,402	111,618	124,020
Total deferred inflows of resources	<u>113,724</u>	<u>131,217</u>	<u>244,941</u>
Net Position			
Net investment in capital assets	8,714,573	26,286,102	32,233,696
Restricted for			
Debt service	4,387,863	-	4,387,863
Other purposes	3,148,066	-	3,148,066
Unrestricted	521,514	3,417,022	6,705,515
Total net position	<u>16,772,016</u>	<u>29,703,124</u>	<u>46,475,140</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 42,923,499</u>	<u>\$ 39,162,700</u>	<u>\$ 82,086,199</u>

City of St. Joseph
Statement of Activities
Year Ended December 31, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 1,203,531	\$ 109,436	\$ 1,767	\$ 76,735	\$ (1,015,593)	\$ -	\$ (1,015,593)
Public safety	2,528,353	460,961	225,719	174,849	(1,666,824)	-	(1,666,824)
Public works	1,590,794	54,088	-	895,722	(640,984)	-	(640,984)
Economic development	271,353	74,785	4,457	-	(192,111)	-	(192,111)
Culture and recreation	843,718	33,685	1,828	73,292	(734,913)	-	(734,913)
Interest on long-term debt	500,353	-	-	-	(500,353)	-	(500,353)
Total governmental activities	6,938,102	732,955	233,771	1,220,598	(4,750,778)	-	(4,750,778)
Business-type activities							
Water	1,085,920	1,366,126	994	91,984	-	373,184	373,184
Sanitary sewer	1,221,130	1,548,097	556	67,115	-	394,638	394,638
Refuse	391,013	385,244	137	-	-	(5,632)	(5,632)
Storm water	215,283	269,615	24,927	46,210	-	125,469	125,469
Street light utility	69,142	85,720	63	-	-	16,641	16,641
Total business-type activities	2,982,488	3,654,802	26,677	205,309	-	904,300	904,300
Total governmental and business-type activities	\$ 9,920,590	\$ 4,387,757	\$ 260,448	\$ 1,425,907	(4,750,778)	904,300	(3,846,478)
General revenues							
Property taxes					3,290,248	10	3,290,258
Tax increments					151,291	-	151,291
Sales taxes					649,225	-	649,225
Lodging taxes					15,757	-	15,757
Miscellaneous taxes					731	-	731
Franchise fees					140,259	-	140,259
State aids					1,252,968	-	1,252,968
Unrestricted investment earnings					(354,466)	(104,018)	(458,484)
Gain on sale of assets					35,012	-	35,012
Transfers					57,456	(57,456)	-
Total general revenues and transfers					5,238,481	(161,464)	5,077,017
Change in net position					487,703	742,836	1,230,539
Net position - beginning					16,284,313	29,029,772	45,314,085
Prior period adjustment					-	(69,484)	(69,484)
Net position - beginning restated					16,284,313	28,960,288	45,244,601
Net position - ending					\$ 16,772,016	\$ 29,703,124	\$ 46,475,140

See notes to basic financial statements.

City of St. Joseph
Balance Sheet - Governmental Funds
December 31, 2022

	<u>Debt Service</u>		<u>Capital Projects</u>		Total Governmental Funds
	General Fund (101-110)	G.O. Industrial Park Bonds of 2019A (308)	Community Center/YMCA (402)	Other Governmental Funds	
Assets					
Cash and investments	\$ 4,388,209	\$ 93,581	\$ 6,124,499	\$ 6,714,457	\$ 17,320,746
Taxes receivable - delinquent	11,469	-	-	4,597	16,066
Special assessments receivable					
Delinquent	106	-	-	860	966
Deferred	241,932	1,563,156	-	1,517,035	3,322,123
Accounts receivable	64,375	-	-	18,010	82,385
Interest receivable	21,650	2,356	-	42,052	66,058
Due from other funds	9,676	-	-	6,800	16,476
Due from other governments	426,542	-	-	351,920	778,462
Notes receivable	-	-	-	54,802	54,802
Lease receivable	12,402	-	-	-	12,402
Prepaid items	17,500	-	-	-	17,500
	<u>\$ 5,193,861</u>	<u>\$ 1,659,093</u>	<u>\$ 6,124,499</u>	<u>\$ 8,710,533</u>	<u>\$ 21,687,986</u>
Liabilities					
Accounts payable	\$ 117,649	\$ -	\$ -	\$ 83,941	\$ 201,590
Contracts payable	-	-	-	526,106	526,106
Due to other funds	-	-	-	16,476	16,476
Due to other governments	21,087	-	-	-	21,087
Salaries and benefits payable	53,091	-	-	82,427	135,518
Unearned revenue	331,590	-	-	-	331,590
Total liabilities	<u>523,417</u>	<u>-</u>	<u>-</u>	<u>708,950</u>	<u>1,232,367</u>
Deferred Inflows of Resources					
Unavailable revenue - property taxes	11,469	-	-	4,597	16,066
Unavailable revenue - special assessments	242,038	1,563,156	-	1,517,895	3,323,089
Unavailable revenue - state shared taxes	388,269	-	-	-	388,269
Unavailable revenue - lease receivable	12,402	-	-	-	12,402
Total deferred inflows of resources	<u>654,178</u>	<u>1,563,156</u>	<u>-</u>	<u>1,522,492</u>	<u>3,739,826</u>
Fund Balances					
Nonspendable	17,500	-	-	-	17,500
Restricted	10,729	95,937	-	4,085,450	4,192,116
Committed	-	-	-	480,461	480,461
Assigned	1,779,231	-	6,124,499	1,930,658	9,834,388
Unassigned	2,208,806	-	-	(17,478)	2,191,328
Total fund balances	<u>4,016,266</u>	<u>95,937</u>	<u>6,124,499</u>	<u>6,479,091</u>	<u>16,715,793</u>
	<u>\$ 5,193,861</u>	<u>\$ 1,659,093</u>	<u>\$ 6,124,499</u>	<u>\$ 8,710,533</u>	<u>\$ 21,687,986</u>
Total liabilities, deferred inflows of resources, and fund balances					

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City of St. Joseph
Reconciliation of the Balance Sheet to
The Statement of Net Position - Governmental Funds
Year Ended December 31, 2022

Total fund balances - governmental funds	\$ 16,715,793
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	43,914,909
Less accumulated depreciation/amortization	(24,885,570)
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	(20,601,913)
Deferred charges on refunding	(9,515)
Compensated absences payable	(479,191)
Net pension liability	(3,623,958)
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	16,066
Special assessments	966
Other long-term assets are not available to pay for current expenditures and, therefore, are deferred in the funds.	
Deferred special assessments	3,322,123
MSA Receivable	388,269
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	(91,807)
Deferred outflows of resources related to pensions	2,399,691
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	199,433
The water access capital project fund is proprietary in nature and, therefore, included in the business-type activities in the Statement of Net Position.	
	(362,841)
The sewer access capital project fund is proprietary in nature and, therefore, included in the business-type activities in the Statement of Net Position.	
	(13,633)
Governmental funds do not report a liability for accrued interest due and payable.	
	<u>(116,806)</u>
Total net position - governmental activities	<u><u>\$ 16,772,016</u></u>

City of St. Joseph
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2022

	Debt Service		
	General Fund (101-110)	G.O. Industrial Park Bonds of 2019A (308)	G.O. Tax Abatement Bonds of 2015B (353)
Revenues			
Property taxes	\$ 2,102,211	\$ -	\$ -
Tax increments	-	-	-
Sales taxes	-	-	-
Lodging taxes	-	-	-
Miscellaneous taxes	731	-	-
Special assessments	4,891	410,733	-
Franchise fees	140,259	-	-
Licenses and permits	307,357	-	-
Intergovernmental	1,883,220	-	-
Charges for services	53,057	-	-
Fines and forfeitures	78,924	-	-
Miscellaneous			
Investment income	(113,653)	(13,229)	(2,384)
Contributions and donations	7,828	-	-
Revolving loan repayments	-	-	-
Other	73,360	-	-
Total revenues	<u>4,538,185</u>	<u>397,504</u>	<u>(2,384)</u>
Expenditures			
Current			
General government	1,078,866	-	-
Public safety	1,701,616	-	-
Public works	716,500	-	-
Culture and recreation	574,640	-	-
Economic development	-	-	-
Debt service			
Principal	-	220,000	1,175,000
Interest and other charges	-	82,263	32,935
Capital outlay			
General government	80,524	-	-
Public safety	302,742	-	-
Public works	111,187	-	-
Culture and recreation	423	-	-
Total expenditures	<u>4,566,498</u>	<u>302,263</u>	<u>1,207,935</u>
Excess of revenues over (under) expenditures	(28,313)	95,241	(1,210,319)
Other Financing Sources (Uses)			
Insurance recoveries	30,198	-	-
Sale of property	14,850	-	-
Bonds issued	-	-	-
Bond premium	-	-	-
Transfers in	69,391	-	-
Transfers out	(259,064)	-	(177,228)
Total other financing sources (uses)	<u>(144,625)</u>	<u>-</u>	<u>(177,228)</u>
Net change in fund balances	(172,938)	95,241	(1,387,547)
Fund Balances			
Beginning of year	<u>4,189,204</u>	<u>696</u>	<u>1,387,547</u>
End of year	<u>\$ 4,016,266</u>	<u>\$ 95,937</u>	<u>\$ -</u>

See notes to basic financial statements.

Capital Projects

Community Center/YMCA (402)	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,182,546	\$ 3,284,757
-	151,291	151,291
-	649,225	649,225
-	15,757	15,757
-	-	731
-	731,771	1,147,395
-	-	140,259
-	-	307,357
-	477,081	2,360,301
-	426,583	479,640
-	-	78,924
-	(241,486)	(370,752)
10,000	5,997	23,825
-	69,054	69,054
-	221,818	295,178
<u>10,000</u>	<u>3,689,637</u>	<u>8,632,942</u>
-	-	1,078,866
-	396,430	2,098,046
-	-	716,500
1,282	1,207	577,129
-	269,182	269,182
-	1,759,000	3,154,000
-	507,403	622,601
-	1,952	82,476
-	373,536	676,278
-	1,466,942	1,578,129
10,049	110,969	121,441
<u>11,331</u>	<u>4,886,621</u>	<u>10,974,648</u>
(1,331)	(1,196,984)	(2,341,706)
-	-	30,198
-	70,000	84,850
5,721,252	1,683,748	7,405,000
402,580	105,382	507,962
-	799,791	869,182
-	(636,550)	(1,072,842)
<u>6,123,832</u>	<u>2,022,371</u>	<u>7,824,350</u>
6,122,501	825,387	5,482,644
1,998	5,653,704	11,233,149
<u>\$ 6,124,499</u>	<u>\$ 6,479,091</u>	<u>\$ 16,715,793</u>

City of St. Joseph
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement
of Activities - Governmental Funds
Year Ended December 31, 2022

Total net change in fund balances - governmental funds \$ 5,482,644

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	2,349,075
Capital contributions	134,781
Depreciation expense	(1,423,949)
Disposal of capital assets	(49,839)
Transferred to proprietary funds	(58,884)

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. 3,154,000

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	(65,559)
Amortization of bond discounts, premiums and deferred charges	187,807

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. (7,405,000)

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. (507,962)

Compensated absence payments are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. 50,113

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	(257)
Delinquent property taxes	5,491

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	(829,163)
Notes receivable	(268,981)
MSA receivable	(109,565)

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	(182,120)
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The water access capital project fund is proprietary in nature and, therefore, is reported with business-type activities. 17,800

The sewer access capital project fund is proprietary in nature and, therefore, is reported with business-type activities. 7,271

Change in net position - governmental activities \$ 487,703

City of St. Joseph
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Property taxes	\$ 2,095,595	\$ 2,095,595	\$ 2,102,211	\$ 6,616
Miscellaneous taxes	4,000	4,000	731	(3,269)
Special assessments	4,000	4,000	4,891	891
Franchise fees	138,200	138,200	140,259	2,059
Licenses and permits	185,720	185,720	307,357	121,637
Intergovernmental	1,867,364	1,867,364	1,883,220	15,856
Charges for services	43,785	43,785	53,057	9,272
Fines and forfeitures	66,000	66,000	78,924	12,924
Miscellaneous revenues				
Investment income	35,000	35,000	(113,653)	(148,653)
Contributions and donations	3,000	3,000	7,828	4,828
Other	33,525	33,525	73,360	39,835
Total revenues	<u>4,476,189</u>	<u>4,476,189</u>	<u>4,538,185</u>	<u>61,996</u>
Expenditures				
Current				
General government	1,013,035	1,013,035	1,078,866	65,831
Public safety	1,786,140	1,786,140	1,701,616	(84,524)
Public works	676,855	694,355	716,500	22,145
Culture and recreation	776,205	778,705	574,640	(204,065)
Capital outlay				
General government	109,250	109,250	80,524	(28,726)
Public safety	165,550	165,550	302,742	137,192
Public works	188,500	171,000	111,187	(59,813)
Culture and recreation	25,500	23,000	423	(22,577)
Total expenditures	<u>4,741,035</u>	<u>4,741,035</u>	<u>4,566,498</u>	<u>(174,537)</u>
Excess of revenues over (under) expenditures	(264,846)	(264,846)	(28,313)	236,533
Other Financing Sources (Uses)				
Insurance recoveries	-	-	30,198	30,198
Sale of property	7,000	7,000	14,850	7,850
Transfers in	13,340	13,340	69,391	56,051
Transfers out	-	-	(259,064)	(259,064)
Total other financing sources (uses)	<u>20,340</u>	<u>20,340</u>	<u>(144,625)</u>	<u>(164,965)</u>
Net change in fund balances	<u>\$ (244,506)</u>	<u>\$ (244,506)</u>	<u>(172,938)</u>	<u>\$ 71,568</u>
Fund Balances				
Beginning of year			<u>4,189,204</u>	
End of year			<u>\$ 4,016,266</u>	

City of St. Joseph
Statement of Net Position - Proprietary Funds
December 31, 2022

	Water (601)	Sanitary Sewer (602)	Refuse (603)	Storm Water (651)	Street Light Utility (652)	Total
Assets						
Current assets						
Cash and investments	\$ 1,313,076	\$ 2,605,129	\$ 196,647	\$ 360,488	\$ 103,370	\$ 4,578,710
Taxes receivable - delinquent	14	-	-	-	-	14
Special assessments receivable						
Delinquent	542	574	266	72	32	1,486
Deferred	25,868	416	306	16,741	61	43,392
Accounts receivable	151,036	230,721	61,199	34,946	14,135	492,037
Interest receivable	9,425	5,829	1,015	1,753	467	18,489
Due from other governments	1	-	-	-	-	1
Lease receivable	111,618	-	-	-	-	111,618
Total current assets	1,611,580	2,842,669	259,433	414,000	118,065	5,245,747
Noncurrent assets						
Capital assets						
Land	372,941	4,941	-	-	-	377,882
Easements	-	-	-	67,915	-	67,915
Construction in progress	114,549	15,197	-	57,802	-	187,548
Buildings	7,502,432	1,295,254	-	-	-	8,797,686
Improvements	289,760	-	-	-	-	289,760
Plants and lines	11,568,989	9,858,368	-	7,033,411	-	28,460,768
Machinery and equipment	270,129	661,249	46,416	172,801	-	1,150,595
Sewer rights	-	10,977,565	-	-	-	10,977,565
Total capital assets	20,118,800	22,812,574	46,416	7,331,929	-	50,309,719
Less accumulated depreciation	(7,350,219)	(7,407,441)	(46,187)	(2,079,625)	-	(16,883,472)
Net capital assets	12,768,581	15,405,133	229	5,252,304	-	33,426,247
Total noncurrent assets	12,768,581	15,405,133	229	5,252,304	-	33,426,247
Total assets	14,380,161	18,247,802	259,662	5,666,304	118,065	38,671,994
Deferred Outflows of Resources						
Deferred outflows of resources related to pensions	51,785	48,509	3,918	8,061	1,959	114,232
Total assets and deferred outflows of resources	\$ 14,431,946	\$ 18,296,311	\$ 263,580	\$ 5,674,365	\$ 120,024	\$ 38,786,226
Liabilities						
Current liabilities						
Accounts payable	\$ 19,327	\$ 28,357	\$ 28,134	\$ 458	\$ 4,583	\$ 80,859
Due to other governments	1,243	127,966	2,234	-	310	131,753
Salaries and benefits payable	4,361	2,148	109	505	66	7,189
Interest payable	3,538	34,260	-	-	-	37,798
Unearned revenue	1,635	1,449,288	-	-	-	1,450,923
Long-term liabilities due						
Within one year	523,616	566,154	547	1,160	274	1,091,751
Total current liabilities	553,720	2,208,173	31,024	2,123	5,233	2,800,273
Noncurrent liabilities						
Compensated absences	62,352	62,352	1,455	3,296	728	130,183
Notes payable, net	-	3,989,675	-	-	-	3,989,675
Bonds payable, net	2,312,286	838,184	-	-	-	3,150,470
Net pension liability	158,444	148,421	11,987	24,664	5,993	349,509
Less amounts due within one year	(523,616)	(566,154)	(547)	(1,160)	(274)	(1,091,751)
Total noncurrent liabilities	2,009,466	4,472,478	12,895	26,800	6,447	6,528,086
Total liabilities	2,563,186	6,680,651	43,919	28,923	11,680	9,328,359
Deferred Inflows of Resources						
Deferred inflows of resources related to pensions	2,256	2,113	171	351	85	4,976
Deferred inflows of resources related to leases	111,618	-	-	-	-	111,618
Deferred inflows of resources related to debt	7,253	7,370	-	-	-	14,623
Total deferred inflows	121,127	9,483	171	351	85	131,217
Net Position						
Net investment in capital assets	10,456,295	10,577,274	229	5,252,304	-	26,286,102
Unrestricted	1,291,338	1,028,903	219,261	392,787	108,259	3,040,548
Total net position	11,747,633	11,606,177	219,490	5,645,091	108,259	29,326,650
Total liabilities, deferred inflows of resources, and net position	\$ 14,431,946	\$ 18,296,311	\$ 263,580	\$ 5,674,365	\$ 120,024	\$ 38,786,226

City of St. Joseph
Reconciliation of the Statement
of Net Position - Business-Type Activities
December 31, 2022

Total net position - proprietary funds	\$ 29,326,650
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.	362,841
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>13,633</u>
Total net position - business-type activities	<u>\$ 29,703,124</u>

City of St. Joseph
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2022

	Water (601)	Sanitary Sewer (602)	Refuse (603)
Operating revenues			
Charges for services	\$ 1,162,651	\$ 1,414,646	\$ 385,244
Operating expenses			
Wages and salaries	205,966	152,048	28,558
Materials and supplies	90,485	24,792	2,301
Repairs and maintenance	70,796	36,963	1,155
Professional services	77,053	37,715	3,551
Insurance	21,405	13,214	-
Utilities	95,399	23,257	-
Depreciation	455,628	550,356	115
Contracted services	-	288,448	353,936
Equipment	36,035	2,336	-
Miscellaneous	9,069	2,070	1,397
Total operating expenses	<u>1,061,836</u>	<u>1,131,199</u>	<u>391,013</u>
Operating income (loss)	100,815	283,447	(5,769)
Nonoperating revenues (expenses)			
Investment income	(52,921)	(32,730)	(5,702)
Special assessments	676	(96)	84
Loss on disposal of asset	(12,564)	(13,570)	-
Property taxes	10	-	-
Interest expense	(93,744)	(84,386)	-
Amortization of bond premium	82,224	8,025	-
Other income	41,971	1,374	53
Total nonoperating revenues (expenses)	<u>(34,348)</u>	<u>(121,383)</u>	<u>(5,565)</u>
Income (loss) before capital contributions and transfers	66,467	162,064	(11,334)
Capital contributions	140,490	77,115	-
Transfers in	186,000	140,000	-
Transfers out	<u>(46,585)</u>	<u>(22,320)</u>	<u>(70)</u>
Change in net position	346,372	356,859	(11,404)
Net position			
Beginning of year	11,641,064	11,332,374	230,894
Prior period adjustment	<u>(239,803)</u>	<u>(83,056)</u>	<u>-</u>
Beginning of year, restated	<u>11,401,261</u>	<u>11,249,318</u>	<u>230,894</u>
End of year	<u>\$ 11,747,633</u>	<u>\$ 11,606,177</u>	<u>\$ 219,490</u>

Storm Water (651)	Street Light Utility (652)	Total
\$ 269,615	\$ 85,720	\$ 3,317,876
34,050	15,156	435,778
1,056	-	118,634
16,626	1,113	126,653
4,930	247	123,496
-	-	34,619
1,021	52,135	171,812
155,497	-	1,161,596
-	-	642,384
-	-	38,371
2,103	491	15,130
<u>215,283</u>	<u>69,142</u>	<u>2,868,473</u>
54,332	16,578	449,403
(9,842)	(2,823)	(104,018)
24,819	37	25,520
-	-	(26,134)
-	-	10
-	-	(178,130)
-	-	90,249
108	26	43,532
<u>15,085</u>	<u>(2,760)</u>	<u>(148,971)</u>
69,417	13,818	300,432
46,210	-	263,815
-	-	326,000
(53,365)	-	(122,340)
62,262	13,818	767,907
5,329,454	94,441	28,628,227
253,375	-	(69,484)
<u>5,582,829</u>	<u>94,441</u>	<u>28,558,743</u>
<u>\$ 5,645,091</u>	<u>\$ 108,259</u>	<u>\$ 29,326,650</u>

City of St. Joseph
Reconciliation of the Statement of Revenues, Expenses,
and Changes in Net Position - Business-Type Activities
Year Ended December 31, 2022

Total net change in fund net position - proprietary funds	\$ 767,907
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.	(17,800)
Recognized current year activity from the sewer access capital project fund with the business-type activities.	(7,271)
Capital contributions from governmental activities	(58,884)
Transfers in of capital assets from governmental activities	<u>58,884</u>
Change in net position - business-type activities	<u><u>\$ 742,836</u></u>

City of St. Joseph
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2022

	Water (601)	Sanitary Sewer (602)	Refuse (603)
Cash Flows - Operating Activities			
Receipts from customers and users	\$ 1,156,384	\$ 1,418,544	\$ 381,963
Payments to suppliers	(405,143)	(347,497)	(360,710)
Payments to employees	(188,561)	(138,817)	(26,665)
Other miscellaneous receipts	45,397	4,549	579
Net cash flows - operating activities	<u>608,077</u>	<u>936,779</u>	<u>(4,833)</u>
Cash Flows - Noncapital Financing Activities			
Transfer from other funds	186,000	140,000	-
Transfer to other funds	<u>(46,585)</u>	<u>(22,320)</u>	<u>(70)</u>
Net cash flows - noncapital financing activities	<u>139,415</u>	<u>117,680</u>	<u>(70)</u>
Cash Flows - Capital and Related Financing Activities			
Principal paid on debt	(540,000)	(541,950)	-
Interest paid on debt	(117,072)	(88,753)	-
Proceeds from disposal of capital assets	-	1,449,288	-
Acquisition of capital assets	<u>(11,124)</u>	<u>(4,463)</u>	<u>-</u>
Net cash flows - capital and related financing activities	<u>(668,196)</u>	<u>814,122</u>	<u>-</u>
Cash Flows - Investing Activities			
Interest and dividends received	<u>(57,143)</u>	<u>(36,349)</u>	<u>(6,114)</u>
Net change in cash and cash equivalents	22,153	1,832,232	(11,017)
Cash and Cash Equivalents			
Beginning of year	<u>1,290,923</u>	<u>772,897</u>	<u>207,664</u>
End of year	<u>\$ 1,313,076</u>	<u>\$ 2,605,129</u>	<u>\$ 196,647</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities			
Operating income (loss)	\$ 100,815	\$ 283,447	\$ (5,769)
Adjustments to reconcile operating income (loss) to net cash flows - operating activities			
Depreciation expense	455,628	550,356	115
Pension expense	10,132	7,915	1,275
Other miscellaneous receipts	45,397	4,549	579
Accounts receivable	(1,312)	3,618	(3,460)
Due from other governments	423	280	179
Accounts payable	(3,569)	14,470	1,627
Due to other governmental units	(1,332)	66,828	3
Salaries payable	1,418	(539)	(268)
Compensated absences payable	5,855	5,855	886
Unearned revenue	<u>(5,378)</u>	<u>-</u>	<u>-</u>
Total adjustments	<u>507,262</u>	<u>653,332</u>	<u>936</u>
Net cash flows - operating activities	<u>\$ 608,077</u>	<u>\$ 936,779</u>	<u>\$ (4,833)</u>
Non-Cash Capital and Financing Activities			
Capital asset contributions from governmental funds	\$ 140,490	\$ 77,115	\$ -

See notes to basic financial statements.

Storm Water (651)	Street Light Utility (652)	Total
\$ 265,235	\$ 97,435	\$ 3,319,561
(25,495)	(53,866)	(1,192,711)
(30,689)	(14,293)	(399,025)
8,477	139	59,141
<u>217,528</u>	<u>29,415</u>	<u>1,786,966</u>
-	-	326,000
<u>(53,365)</u>	<u>-</u>	<u>(122,340)</u>
<u>(53,365)</u>	<u>-</u>	<u>203,660</u>
-	-	(1,081,950)
-	-	(205,825)
-	-	1,449,288
<u>(57,803)</u>	<u>-</u>	<u>(73,390)</u>
<u>(57,803)</u>	<u>-</u>	<u>88,123</u>
<u>(10,900)</u>	<u>(3,075)</u>	<u>(113,581)</u>
95,460	26,340	1,965,168
<u>265,028</u>	<u>77,030</u>	<u>2,613,542</u>
<u>\$ 360,488</u>	<u>\$ 103,370</u>	<u>\$ 4,578,710</u>
<u>\$ 54,332</u>	<u>\$ 16,578</u>	<u>\$ 449,403</u>
155,497	-	1,161,596
1,466	637	21,425
8,477	139	59,141
(4,441)	11,689	6,094
61	26	969
241	(190)	12,579
-	310	65,809
(7)	(217)	387
1,902	443	14,941
-	-	(5,378)
<u>163,196</u>	<u>12,837</u>	<u>1,337,563</u>
<u>\$ 217,528</u>	<u>\$ 29,415</u>	<u>\$ 1,786,966</u>
\$ 46,210	\$ -	\$ 263,815

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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 2022, the City contributed \$15,789 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.

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.

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)

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.

G.O. Tax Abatement Bonds of 2015B – This fund accounts for the payments made on principal and interest on bonds issued to finance the 2015 tax abatement.

St. Joseph Community Center/YMCA – This fund accounts for activity related to the St. Joseph Community Center/YMCA.

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.

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.

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

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 7 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 four 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, lease 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. Deferred inflows of resources related to lease receivable is reported in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet.

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 (Continued)

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 \$2,766,979 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 \$3,148,066 includes \$10,729 PEG Access Fees, \$60,297 for tax increment financing, \$1,533,047 in state collected sales tax restricted by enabling legislation, \$19,125 restricted for lodging tax, \$300,342 in park dedication fees, \$430 restricted by donors for future projects, \$53,933 DEED Funds, \$84,095 in revolving loan funds restricted for EDA projects, \$697,799 restricted for fire service, and \$388,269 for unused MSA funds.

11. Use of Estimates

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

City of St. Joseph
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

1. In August of each year, City staff submits to the City Council, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General Fund and the Economic Development Authority, State Collected Sales Tax, 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.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balance

The following fund had a deficit fund balance at December 31, 2022.

Nonmajor governmental funds	
Special Revenue	
TIF 2-3 Bayou Blues/Alley Flat	\$ 6,675
Capital project	
2023 Street Overlay Imp/Elm St ROW Acq	9,676
Debt Service	
2020A Equipment Certificate	1,127

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

City of St. Joseph
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash balances of the City’s funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund’s portion of this pool (or pools) is displayed in the financial statements as "cash and cash equivalents" or "investments." For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized 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, 2022, 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, 2022, the City’s deposits had a carrying value as shown as follows:

Certificates of deposits	\$ 5,831,727
Checking	131,349
Savings	<u>315,210</u>
Total	<u><u>\$ 6,278,286</u></u>

B. Investments

As of December 31, 2022, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)	Moody's Rating
Brokered money market	\$ 3,674,825	N/A	N/A
Brokered bond securities	11,354,582	1.75	Aa2 to Aaa
4M Funds	<u>591,563</u>	N/A	N/A
Total	<u><u>\$ 15,620,970</u></u>		

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* 118A.04 and 118A.05 limit investments based on rating level and investment type. The City’s investment policy limits the allowable investments in accordance with these statutes. As of December 31, 2022, 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.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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, 2022, the City's investments in Federal Home Loan Banks (5.6%, 6.9%, 7.0% and 7.3%) exceed 5% of the investment portfolio.

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.

The City has the following recurring fair value measurements as of December 31, 2022:

- \$4,132,430 of investments are valued using a quoted market prices (Level 1 inputs)
- \$11,363,717 of investments are valued using a matrix pricing model (Level 2 inputs)

C. Deposits and Investments

The following is a summary of deposits and investments as of December 31, 2022:

Deposits (Note 3.A.)	\$ 6,278,286
Investments (Note 3.B.)	15,620,970
Petty cash	200
Total	\$ 21,899,456

Deposits and investments are presented in the December 31, 2022, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 21,899,456
Total deposits and investments	\$ 21,899,456

City of St. Joseph
Notes to Basic Financial Statements

NOTE 4 – LEASE RECEIVABLE

The City has a Site lease agreement with Verizon Wireless for certain real property located at 3563 County Road 136, in the City of St. Joseph. This lease was originally entered into on June 12, 2009, with the currently signed amendment extension term ending January 31, 2029. Total rent income earned from this lease was \$20,808 for the year ended December 31, 2022. The Net present value of future lease payments has been recorded as a lease receivable and a deferred inflow of resources, discounted at a 3% discount rate and had an ending balance, at June 30, 2022 of \$124,020. The revenue will be recognized in future years.

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

The composition of interfund balances as of December 31, 2022, is as follows:

	Amounts Due to Other Funds
Amounts Due from Other Funds	Other Governmental Funds
General Fund	\$ 9,676
Other Governmental Funds	6,800
Total	\$ 16,476

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 2023 street improvement construction costs prior to bond issue.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 5 – INTERFUND BALANCES AND TRANSFERS (CONTINUED)

B. Transfers

The composition of interfund transfers as of December 31, 2022, is as follows

Transfer In	Transfer Out	Description	Amount
General Fund	Other Governmental Funds	Transfer to close fund	\$ 28,823
General Fund	G.O. Abatement Bonds 2015B	Transfer to close fund	27,228
General Fund	Water	Transfer retirement reserve funding	6,585
General Fund	Sanitary Sewer	Transfer retirement reserve funding	6,320
General Fund	Refuse	Transfer retirement reserve funding	70
General Fund	Storm Water	Transfer retirement reserve funding	365
Other Governmental Funds	General Fund	Transfer of park dedication fees for budget reserves	49,700
Other Governmental Funds	Other Governmental Funds	Transfer funds for fire debt relief	17,000
Other Governmental Funds	Other Governmental Funds	Transfer for future economic development projects	50,000
Other Governmental Funds	General Fund	Transfer reserves to early redeem bonds	209,364
Other Governmental Funds	Other Governmental Funds	Transfer to close fund	215,727
Other Governmental Funds	Storm Water	Annual transfer for bond payment	53,000
Other Governmental Funds	G.O. Abatement Bonds 2015B	Transfer for bond payment	150,000
Other Governmental Funds	Other Governmental Funds	Transfer sales tax revenue committed for bond payment	5,000
Other Governmental Funds	Water	Transfer budget reserves	40,000
Other Governmental Funds	Sanitary Sewer	Transfer budget reserves	10,000
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	140,000
			<u>\$ 1,195,182</u>

City of St. Joseph
Notes to Basic Financial Statements

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 762,197	\$ -	\$ -	\$ 762,197
Easements	200,085	131,008	-	331,093
Construction in progress	<u>1,333,706</u>	<u>1,918,183</u>	<u>1,922,017</u>	<u>1,329,872</u>
Total capital assets not being depreciated	<u>2,295,988</u>	<u>2,049,191</u>	<u>1,922,017</u>	<u>2,423,162</u>
Capital assets being depreciated				
Buildings	7,299,059	-	-	7,299,059
Infrastructure	26,027,162	1,885,552	-	27,912,714
Improvements	1,377,030	49,710	15,195	1,411,545
Intangible assets	200,000	-	-	200,000
Machinery and equipment	<u>4,441,111</u>	<u>362,536</u>	<u>135,218</u>	<u>4,668,429</u>
Total capital assets being depreciated	<u>39,344,362</u>	<u>2,297,798</u>	<u>150,413</u>	<u>41,491,747</u>
Less accumulated depreciation for				
Buildings	1,591,677	185,707	-	1,777,384
Infrastructure	17,718,359	914,755	-	18,633,114
Improvements	755,888	47,970	15,195	788,663
Intangible assets	50,000	10,000	-	60,000
Machinery and equipment	<u>3,446,271</u>	<u>265,517</u>	<u>85,379</u>	<u>3,626,409</u>
Total accumulated depreciation	<u>23,562,195</u>	<u>1,423,949</u>	<u>100,574</u>	<u>24,885,570</u>
Total capital assets being depreciated, net	<u>15,782,167</u>	<u>873,849</u>	<u>49,839</u>	<u>16,606,177</u>
Governmental activities capital assets, net	<u>\$ 18,078,155</u>	<u>\$ 2,923,040</u>	<u>\$ 1,971,856</u>	<u>\$ 19,029,339</u>

City of St. Joseph
Notes to Basic Financial Statements

NOTE 6 – 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	1,498,789	379,633	1,690,874	187,548
Total capital assets not being depreciated	<u>1,944,586</u>	<u>379,633</u>	<u>1,690,874</u>	<u>633,345</u>
Capital assets being depreciated				
Buildings	8,797,686	-	-	8,797,686
Improvements other than buildings	289,760	-	-	289,760
Plant and lines	27,068,783	1,572,195	180,210	28,460,768
Machinery and equipment	1,143,827	6,768	-	1,150,595
Sewer rights	10,977,565	-	-	10,977,565
Total capital assets being depreciated	<u>48,277,621</u>	<u>1,578,963</u>	<u>180,210</u>	<u>49,676,374</u>
Less accumulated depreciation for				
Buildings	3,038,818	214,142	-	3,252,960
Improvements other than buildings	57,952	14,488	-	72,440
Plant and lines	8,902,956	551,848	154,075	9,300,729
Machinery and equipment	806,866	89,122	-	895,988
Sewer rights	3,069,359	291,996	-	3,361,355
Total accumulated depreciation	<u>15,875,951</u>	<u>1,161,596</u>	<u>154,075</u>	<u>16,883,472</u>
Total capital assets being depreciated, net	<u>32,401,670</u>	<u>417,367</u>	<u>26,135</u>	<u>32,792,902</u>
Business-type activities capital assets, net	<u>\$ 34,346,256</u>	<u>\$ 797,000</u>	<u>\$ 1,717,009</u>	<u>\$ 33,426,247</u>

City of St. Joseph
Notes to Basic Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Governmental activities	
General government	\$ 122,731
Public safety	173,187
Public works	952,149
Culture and recreation	175,664
Economic development	<u>218</u>
	<u>\$ 1,423,949</u>
Business-type activities	
Water	\$ 455,628
Sanitary sewer	550,356
Refuse	115
Storm sewer	<u>155,497</u>
	<u>\$ 1,161,596</u>

NOTE 7 – 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.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 7 – 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	\$ 3,170,000	\$ 195,000
G.O. Certificates of Indebtedness 2018A	02/28/18	2.50%	265,000	12/15/23	56,000	56,000
G.O. Certificates of Indebtedness 2020A	03/05/20	1.45%	220,000	12/15/25	134,000	44,000
G.O. Capital Improvement Plan 2020B	11/12/20	0.40%-2.00%	690,000	12/15/33	630,000	60,000
G.O. Certificates of Indebtedness 2022A	08/30/22	4.00%	660,000	12/15/31	660,000	55,000
Total G.O. Bonds					<u>4,650,000</u>	<u>410,000</u>
G.O. Special Assessment Bonds						
G.O. Improvement Bonds of 2016B	11/03/16	1.00%-3.00%	740,000	12/15/32	490,000	50,000
G.O. Improvement Bonds of 2017B	08/30/17	2.25%-3.00%	344,000	12/15/27	170,000	34,000
G.O. Improvement Bonds of 2019A	09/12/19	4.00%-5.00%	3,705,000	12/15/29	2,580,000	375,000
G.O. Improvement Bonds of 2020B	11/12/20	0.40%-2.00%	625,000	12/15/31	560,000	65,000
G.O. Refunding Improvement Bonds of 2020B	11/12/20	0.40%-2.00%	190,000	12/15/24	100,000	50,000
Taxable G.O. Crossover Refunding Bonds, Series 2020C	11/12/20	0.40%-1.60%	1,365,000	12/01/30	1,220,000	150,000
G.O. Improvement Bonds of 2021A	09/14/21	2.00%-4.00%	3,190,000	12/15/36	2,930,000	260,000
G.O. Improvement Bonds of 2022A	08/30/22	4.00%	620,000	12/15/32	620,000	65,000
Total G.O. Special Assessment Bonds					8,670,000	1,049,000
G.O. Abatement Bonds						
G.O. Tax Abatement Bonds of 2022A	08/30/22	4.00%	6,125,000	12/15/42	6,125,000	140,000
Unamortized premiums/discounts						
					1,156,913	-
Compensated absences						
					479,191	124,240
Total long-term liabilities, governmental activities					<u>\$ 21,081,104</u>	<u>\$ 1,723,240</u>
	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Business-type Activities						
G.O. Revenue Bonds						
G.O. Sewer Refunding Bonds of 2020B	11/12/20	0.40%-2.00%	\$ 1,045,000	12/15/28	\$ 800,000	\$ 130,000
Taxable G.O. Crossover Refunding Bonds, Series 2020C	11/12/20	0.40%-1.90%	445,000	12/01/32	405,000	40,000
G.O. Water Revenue Refunding Bonds 2021A	09/14/21	2.00%-4.00%	2,185,000	12/15/28	1,755,000	470,000
Total G.O. Revenue Bonds					<u>2,960,000</u>	<u>640,000</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	350,000	45,000
City of St. Cloud RUE Project PFA Loan	08/01/10	1.77%	4,527,703	08/20/30	2,059,071	241,945
City of St. Cloud Lift Station Improvements	08/24/16	1.00%	469,263	08/20/26	206,283	50,820
City of St. Cloud NR2 Biosolids	10/09/17	1.10%	1,744,736	08/20/37	1,374,321	84,773
Total notes from direct borrowing					<u>3,989,675</u>	<u>422,538</u>
Unamortized premium					190,470	-
Compensated absences					130,183	29,213
Total business-type activities					<u>7,270,328</u>	<u>1,091,751</u>
Total all long-term liabilities					<u>\$ 28,351,432</u>	<u>\$ 2,814,991</u>

City of St. Joseph
Notes to Basic Financial Statements

NOTE 7 – 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, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities				
Bonds payable				
General obligation	\$ 4,510,000	\$ 660,000	\$ 520,000	\$ 4,650,000
G.O. special assessment bonds	9,509,000	620,000	1,459,000	8,670,000
G.O. abatement bonds	<u>1,175,000</u>	<u>6,125,000</u>	<u>1,175,000</u>	<u>6,125,000</u>
Total bonds payable	<u>15,194,000</u>	<u>7,405,000</u>	<u>3,154,000</u>	<u>19,445,000</u>
Unamortized premiums/discounts	834,378	507,962	185,427	1,156,913
Compensated absences	<u>529,304</u>	<u>306,443</u>	<u>356,556</u>	<u>479,191</u>
Total governmental activities	<u>\$ 16,557,682</u>	<u>\$ 8,219,405</u>	<u>\$ 3,695,983</u>	<u>\$ 21,081,104</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	\$ 3,625,000	\$ -	\$ 665,000	\$ 2,960,000
Note from direct borrowing				
City of St. Cloud notes	4,406,625	-	416,950	3,989,675
Unamortized premiums	277,202	-	86,732	190,470
Compensated absences	<u>115,242</u>	<u>65,251</u>	<u>50,310</u>	<u>130,183</u>
Total business-type activities	<u>8,424,069</u>	<u>65,251</u>	<u>1,218,992</u>	<u>7,270,328</u>
Total long-term liabilities	<u>\$ 24,981,751</u>	<u>\$ 8,284,656</u>	<u>\$ 4,914,975</u>	<u>\$ 28,351,432</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 7 – LONG-TERM DEBT (CONTINUED)

D. Minimum Debt Payments

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

Year Ended December 31,	Governmental Activities			
	G.O. Bonds		G.O. Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2023	\$ 410,000	\$ 123,726	\$ 1,049,000	\$ 288,741
2024	370,000	106,688	1,039,000	245,013
2025	380,000	99,195	994,000	210,090
2026	340,000	90,443	989,000	174,145
2027	350,000	82,243	979,000	138,025
2028-2032	1,730,000	278,103	3,125,000	254,090
2033-2037	1,070,000	73,684	495,000	24,600
Total	<u>\$ 4,650,000</u>	<u>\$ 854,082</u>	<u>\$ 8,670,000</u>	<u>\$ 1,334,704</u>

Year Ended December 31,	Governmental Activities		
	Abatement Bonds		Total
	Principal	Interest	
2023	\$ 140,000	\$ 316,458	\$ 2,327,925
2024	215,000	239,400	2,215,101
2025	225,000	230,800	2,139,085
2026	235,000	221,800	2,050,388
2027	245,000	212,400	2,006,668
2028-2032	1,375,000	907,000	7,669,193
2033-2037	1,660,000	610,600	3,933,884
2038-2042	2,030,000	246,000	2,276,000
Total	<u>\$ 6,125,000</u>	<u>\$ 2,984,458</u>	<u>\$ 24,618,244</u>

City of St. Joseph
Notes to Basic Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

D. Minimum Debt Payments (Continued)

Year Ended December 31,	Business-Type Activities				Total
	Utility Revenue Bonds		Notes From Direct Borrowing		
	Principal	Interest	Principal	Interest	
2023	\$ 640,000	\$ 89,140	\$ 422,538	\$ 64,628	\$ 1,216,306
2024	665,000	67,540	428,004	57,331	1,217,875
2025	685,000	46,960	439,037	50,098	1,221,095
2026	250,000	23,460	444,841	42,632	760,933
2027	270,000	17,210	397,975	34,978	720,163
2028-2032	450,000	18,095	1,373,909	74,387	1,916,391
2033-2037	-	-	483,371	15,993	499,364
Total	<u>\$ 2,960,000</u>	<u>\$ 262,405</u>	<u>\$ 3,989,675</u>	<u>\$ 340,047</u>	<u>\$ 7,552,127</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, 2022, the City’s outstanding conduit debt balance consisted of the following:

\$21,195,000 Senior Housing and Healthcare Revenue Bonds, Series 2019A	<u><u>\$ 21,075,000</u></u>
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City of St. Joseph
Notes to Basic Financial Statements

NOTE 8 – FUND BALANCE

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

	<u>General</u>	<u>G.O. Industrial Park Bonds of 2019A</u>	<u>Jacob Wetterling Recreation Center</u>	<u>Nonmajor Governmental Fund</u>	<u>Total</u>
Nonspendable					
Prepaid items	\$ 17,500	\$ -	\$ -	\$ -	\$ 17,500
Restricted					
PEG access fees	10,729	-	-	-	10,729
Debt service	-	95,937	-	1,336,382	1,432,319
Tax increments	-	-	-	60,297	60,297
State collected sales tax projects	-	-	-	1,533,047	1,533,047
Park dedication fees	-	-	-	300,342	300,342
Fire services	-	-	-	697,799	697,799
Charitable gambling	-	-	-	430	430
Lodging tax	-	-	-	19,125	19,125
DEED CDAP	-	-	-	53,933	53,933
Revolving loan	-	-	-	84,095	84,095
Total restricted	<u>10,729</u>	<u>95,937</u>	<u>-</u>	<u>4,085,450</u>	<u>4,192,116</u>
Committed					
Economic development	-	-	-	480,461	480,461
Assigned					
Elections	143	-	-	-	143
Police forfeiture	83,396	-	-	-	83,396
Severance pay	375,770	-	-	-	375,770
Capital outlay reserves	1,319,921	-	6,124,499	1,930,658	9,375,078
Debt service relief	-	-	-	-	-
Total assigned	<u>1,779,230</u>	<u>-</u>	<u>6,124,499</u>	<u>1,930,658</u>	<u>9,834,387</u>
Unassigned	<u>2,208,807</u>	<u>-</u>	<u>-</u>	<u>(17,478)</u>	<u>2,191,329</u>
Total	<u>\$ 4,016,266</u>	<u>\$ 95,937</u>	<u>\$ 6,124,499</u>	<u>\$ 6,479,091</u>	<u>\$ 16,715,793</u>

NOTE 9 – RISK MANAGEMENT

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

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

City of St. Joseph
Notes to Basic Financial Statements

NOTE 9 – RISK MANAGEMENT (CONTINUED)

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2022 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2022, 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 10 – PENSION PLANS

The City participates in various pension plans, total pension expense for the year ended December 31, 2022, was \$540,080. The components of pension expense are noted in the following plan summaries.

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

B. Benefits Provided

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

City of St. Joseph
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. 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.

C. Contributions

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

City of St. Joseph
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees’ Retirement Association (Continued)

C. Contributions (Continued)

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022 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, 2022, were \$93,278. 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 2022 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, 2022, were \$140,357. 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, 2022, the City reported a liability of \$1,227,605 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 \$36,093.

General Employees Fund Pension Costs (Continued)

The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0155% at the end of the measurement period and 0.0152% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 1,227,605
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>36,093</u>
Total	<u><u>\$ 1,263,698</u></u>

City of St. Joseph
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees’ Retirement Association (Continued)

D. Pension Costs (Continued)

For the year ended December 31, 2022, the City recognized pension expense of \$191,212 for its proportionate share of General Employees Plan’s pension expense. Included in the amount, the City recognized \$5,393 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, 2022, 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	\$ 10,254	\$ 12,806
Changes in actuarial assumptions	272,616	4,671
Net collective difference between projected and actual investment earnings	27,299	-
Changes in proportion	44,415	-
Contributions paid to PERA subsequent to the measurement date	46,639	-
Total	\$ 401,223	\$ 17,477

General Employees Fund Pension Costs (Continued)

The \$46,639 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, 2023. 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
2023	\$ 134,119
2024	124,861
2025	(32,891)
2026	111,018
Total	\$ 337,107

City of St. Joseph
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$2,745,862 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0631% at the end of the measurement period and 0.0618% 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, 2022. 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, 2021. 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.

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, 2022, the City recognized pension expense of \$290,410 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$23,283 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 \$120,034 for the year ended December 31, 2022, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees’ Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

At December 31, 2022, 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
Differences between expected and actual economic experience	\$ 164,915	\$ -
Changes in actuarial assumptions	1,604,562	14,731
Net collective difference between projected and actual investment earnings	43,545	-
Changes in proportion	72,948	9,946
Contributions paid to PERA subsequent to the measurement date	70,178	-
Total	\$ 1,956,148	\$ 24,677

The \$70,178 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2023	\$ 366,153
2024	357,007
2025	329,738
2026	578,261
2027	230,134
Total	\$ 1,861,293

City of St. Joseph
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees’ Retirement Association (Continued)

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	25.0	5.90
Total	<u>100.0 %</u>	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, 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 27 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.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021

Changes in Plan Provisions

- There have been no changes since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.
- The single discount rate was changed from 6.5% to 5.4%.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

G. Discount Rate

The discount rate for the General Employee Plan used to measure the total pension liability in 2022 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.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in the fiscal year ended June 30, 2061, projected benefit payments exceed the fund's projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.4% for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5% applied to all years of projected benefits through the point of asset depletion and 3.69% thereafter.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 10 – 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	\$ 1,939,067	\$ 1,227,605	\$ 644,097
	1% Decrease in Discount Rate (4.4%)	Current Discount Rate (5.4%)	1% Increase in Discount Rate (6.4%)
City's proportionate share of the Police and Fire Fund net pension liability (asset)	\$ 4,155,511	\$ 2,745,862	\$ 1,606,246

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 10 – 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 2022 were:

Employee	Employer	Employee	Employer	Required Rate
\$ 977	\$ 977	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 10 – PENSION PLANS (CONTINUED)

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

C. Employees Covered by Benefit Terms

At December 31, 2022, the following employees were covered by the benefit terms:

Inactive members entitled to but not yet receiving benefits	5
Active members	26
	26
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 \$61,568 made by the State of Minnesota for the Relief Association. The City also contributed \$6,000 to the Relief Association.

E. Net Pension Liability

The City’s net pension liability was measured as of December 31, 2022, 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, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
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 disabled were based on Pub-2010 tables, with mortality improvement scale MP-2021, 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 10 – 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	45 %	4.10 %
International equity	10	4.64
Fixed income	40	1.05
Real estate and alternatives	-	3.54
Cash and equivalents	5	-0.45
Total	<u>100 %</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 (Asset) (a) - (b)</u>
Balances at January 1, 2022	\$ 737,897	\$ 1,095,458	\$ (357,561)
Changes for the year			
Service cost	36,598	-	36,598
Interest cost	36,789	-	36,789
Differences between expected and actual experience	(19,521)	-	(19,521)
Changes of assumptions	(2,834)	-	(2,834)
State and local contributions	-	67,568	(67,568)
Net investment income	-	(165,717)	165,717
Administrative expense	-	(8,947)	8,947
Net changes	<u>51,032</u>	<u>(107,096)</u>	<u>158,128</u>
Balances at December 31, 2021	<u>\$ 788,929</u>	<u>\$ 988,362</u>	<u>\$ (199,433)</u>

City of St. Joseph
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

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

F. Changes in the Net Pension Liability (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 4.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.75%) or 1-percentage-point higher (5.75%) than the current rate:

	1% Decrease In Discount Rate (3.75%)	Current Discount Rate (4.75%)	1% Increase In Discount Rate (5.75%)
City's proportionate share of the Plan net position liability (asset)	\$ (171,249)	\$ (199,433)	\$ (226,932)

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, 2022, the City recognized pension expense of \$57,481. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	\$ -	\$ 52,124
Changes of assumptions	52,020	2,505
Net difference between projected and actual earnings on pension plan investments	104,532	-
Total	\$ 156,552	\$ 54,629

City of St. Joseph
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

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

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

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

Year Ending December 31,	Total
2023	\$ 8,988
2024	24,282
2025	37,659
2026	42,505
2027	(4,476)
Therafter	(7,035)
Total	\$ 101,923

NOTE 11 – COMMITMENTS

The City has entered into contracts for construction as follows:

Project	Contract Amount	Expended through 12/31/22	Commitment
2022 Street Improvements	\$ 589,678	\$ 561,218	\$ 28,460
Pumper/Tanker	744,980	336,748	408,232
Community Center Construction Manager	718,462	10,049	708,413
Community Center Design	620,500	23,225	597,275
Community Center Capital Campaign	420,000	227,500	192,500
Total			\$ 1,934,880

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 12 – 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, 2022, the City generated \$151,291 in tax increment revenue and made \$136,161, in payments to developers.

In addition, the City had an abatement of \$36,389 relating to a development agreement.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$239,051 in the water fund, \$83,056 in the sanitary sewer fund and \$253,375 in the storm water fund was made to reallocated construction in progress costs, which were overbooked in the water fund and sanitary sewer fund and under booked in the storm water fund in the previous year.

NOTE 14 – SUBSEQUENT EVENTS

In April 2021 the City approved selling a portion of their pooled capacity in the St. Cloud wastewater treatment facility to the City of Foley. The City of St. Joseph received reimbursements from the City of Foley in 2022 of \$1,449,288. The City of St. Joseph plans to use the reimbursements for future sewer improvements. The City has this recorded in unearned revenue and will recognize the revenue in 2023 when the City of Foley connects to the sewer system.

NOTE 15 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* establishes that a Subscription-Based Information Technology Arrangement (SBITA) results in a right-to-use subscription asset and a corresponding liability. Under this statement, a governmental entity generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. This statement will be effective for the year ending December 31, 2023.

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%
2022	0.0155%	1,227,605	36,093	1,263,698	1,164,720	105.40%	76.67%

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%
2022	0.0631%	2,745,862	120,034	2,865,896	767,124	373.59%	70.53%

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%
2022	93,278	93,278	-	1,243,707	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%
2022	140,356	140,356	-	792,972	17.70%

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

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

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

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

Measurement Date						
2017	2018	2019	2020	2021	2022	
\$ 25,641	\$ 27,172	\$ 28,180	\$ 30,292	\$ 34,333	\$ 36,598	
33,188	32,052	32,323	37,109	35,949	36,789	
-	(35,760)	-	(9,251)	-	(19,521)	
4,299	8,441	-	15,976	-	(2,834)	
-	-	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>51,032</u>	
<u>610,621</u>	<u>555,598</u>	<u>587,503</u>	<u>676,547</u>	<u>809,933</u>	<u>737,897</u>	
<u>\$ 555,598</u>	<u>\$ 587,503</u>	<u>\$ 676,547</u>	<u>\$ 809,933</u>	<u>\$ 737,897</u>	<u>\$ 788,929</u>	
\$ 58,310	\$ 56,565	\$ 58,653	\$ 62,075	\$ 63,830	\$ 67,568	
77,946	(50,418)	118,020	117,376	92,565	(165,717)	
(118,151)	-	-	-	(174,884)	-	
(8,546)	(7,582)	(9,020)	(8,297)	(8,951)	(8,947)	
<u>9,559</u>	<u>(1,435)</u>	<u>167,653</u>	<u>171,154</u>	<u>(27,440)</u>	<u>(107,096)</u>	
<u>775,967</u>	<u>785,526</u>	<u>784,091</u>	<u>951,744</u>	<u>1,122,898</u>	<u>1,095,458</u>	
<u>\$ 785,526</u>	<u>\$ 784,091</u>	<u>\$ 951,744</u>	<u>\$ 1,122,898</u>	<u>\$ 1,095,458</u>	<u>\$ 988,362</u>	
<u>\$ (229,928)</u>	<u>\$ (196,588)</u>	<u>\$ (275,197)</u>	<u>\$ (312,965)</u>	<u>\$ (357,561)</u>	<u>\$ (199,433)</u>	
141.4%	133.5%	140.7%	138.6%	148.5%	125.3%	
n/a	n/a	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>2022</u>
\$ - <u>3,000</u>	\$ - <u>6,000</u>				
<u>\$ (3,000)</u>	<u>\$ (6,000)</u>				
<u>\$ 55,310</u>	<u>\$ 53,565</u>	<u>\$ 55,653</u>	<u>\$ 59,075</u>	<u>\$ 60,830</u>	<u>\$ 61,568</u>
n/a	n/a	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

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

City of St. Joseph
Notes to Required Supplementary Information

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.
- The single discount rate was changed from 6.5% to 5.4%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

City of St. Joseph
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

City of St. Joseph
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of St. Joseph
Notes to Required Supplementary Information

Fire Relief Association

2022 Changes

Changes in Plan Provisions

- The disability, mortality and withdrawal assumptions were updated from the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation to the rates use in the July 1, 2022 Minnesota PERA Police & Fire Plan actuarial valuation.
- The inflation assumption decreased from 2.50% to 2.25%.

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%.

REQUIRED SUPPLEMENTARY INFORMATION

City of St. Joseph
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Property taxes	\$ 2,095,595	\$ 2,095,595	\$ 2,102,211	\$ 6,616
Miscellaneous taxes	4,000	4,000	731	(3,269)
Special assessments	4,000	4,000	4,891	891
Franchise fees	138,200	138,200	140,259	2,059
Licenses and permits	185,720	185,720	307,357	121,637
Intergovernmental revenue				
Local government aid	1,217,349	1,217,349	1,217,348	(1)
Police aid	85,500	85,500	101,131	15,631
Federal grants	452,270	452,270	437,117	(15,153)
State grants	86,245	86,245	99,798	13,553
Other grants and aids	26,000	26,000	27,826	1,826
Total intergovernmental revenue	<u>1,867,364</u>	<u>1,867,364</u>	<u>1,883,220</u>	<u>15,856</u>
Charges for services				
General government	18,175	18,175	12,874	(5,301)
Public safety	1,800	1,800	2,987	1,187
Public works	5,060	5,060	4,586	(474)
Culture and recreation	18,750	18,750	32,610	13,860
Total charges for services	<u>43,785</u>	<u>43,785</u>	<u>53,057</u>	<u>9,272</u>
Fines and forfeitures	66,000	66,000	78,924	12,924
Miscellaneous revenues				
Investment income	35,000	35,000	(113,653)	(148,653)
Contributions and donations	3,000	3,000	7,828	4,828
Other	47,800	47,800	73,360	25,560
Total miscellaneous revenues	<u>85,800</u>	<u>85,800</u>	<u>(32,465)</u>	<u>(118,265)</u>
Total revenues	<u>4,497,464</u>	<u>4,490,464</u>	<u>4,538,185</u>	<u>47,721</u>
Expenditures				
General government				
Mayor and council	81,955	81,955	101,101	19,146
Administrative and finance	592,190	592,190	653,209	61,019
Other general government	338,890	338,890	324,556	(14,334)
Capital outlay	109,250	109,250	80,524	(28,726)
Total general government	<u>1,122,285</u>	<u>1,122,285</u>	<u>1,159,390</u>	<u>37,105</u>

City of St. Joseph
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2022

	Original Budget	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures				
Public safety				
Police				
Current	\$ 1,677,100	\$ 1,677,100	\$ 1,572,170	\$ (104,930)
Capital outlay	68,050	68,050	121,249	53,199
Total police	<u>1,745,150</u>	<u>1,745,150</u>	<u>1,693,419</u>	<u>(51,731)</u>
Fire				
Current	10,000	10,000	15,044	5,044
Capital outlay	96,000	96,000	179,228	83,228
Total fire	<u>106,000</u>	<u>106,000</u>	<u>194,272</u>	<u>88,272</u>
Other				
Current	99,040	99,040	114,402	15,362
Capital outlay	1,500	1,500	2,265	765
Total other	<u>100,540</u>	<u>100,540</u>	<u>116,667</u>	<u>16,127</u>
Total public safety	<u>1,951,690</u>	<u>1,951,690</u>	<u>2,004,358</u>	<u>52,668</u>
Public works				
Streets and highways				
Street maintenance and storm sewers	484,880	487,380	543,381	56,001
Snow and ice removal	146,975	161,975	160,786	(1,189)
Street engineering	45,000	45,000	12,333	(32,667)
Capital outlay	188,500	171,000	111,187	(59,813)
Total public works	<u>865,355</u>	<u>865,355</u>	<u>827,687</u>	<u>(37,668)</u>
Culture and recreation				
Current	776,205	778,705	574,640	(204,065)
Capital outlay	25,500	23,000	423	(22,577)
Total culture and recreation	<u>801,705</u>	<u>801,705</u>	<u>575,063</u>	<u>(226,642)</u>
Total expenditures	<u>4,741,035</u>	<u>4,741,035</u>	<u>4,566,498</u>	<u>(174,537)</u>
Excess of revenues over (under) expenditures	(243,571)	(250,571)	(28,313)	222,258
Other Financing Sources (Uses)				
Insurance recoveries	-	-	30,198	30,198
Sale of property	7,000	7,000	14,850	7,850
Transfers in	13,340	13,340	69,391	56,051
Transfers out	-	-	(259,064)	(259,064)
Total other financing sources (uses)	<u>20,340</u>	<u>20,340</u>	<u>(144,625)</u>	<u>(164,965)</u>
Net change in fund balances	<u>\$ (223,231)</u>	<u>\$ (230,231)</u>	<u>(172,938)</u>	<u>\$ 57,293</u>
Fund Balances				
Beginning of year			4,189,204	
End of year			<u>\$ 4,016,266</u>	

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

	Special Revenue		
	Economic Development Authority (250)	TIF 2-1 Millstream Shops and Lofts (257)	TIF 2-3 Bayou Blues/ Alley Flat (259)
Assets			
Cash and investments	\$ 47,521	\$ 38,005	\$ 18,064
Taxes receivable - delinquent	877	-	-
Special assessments receivable			
Delinquent	-	-	-
Deferred	-	-	-
Accounts receivable	-	-	-
Interest receivable	394	193	20
Due from other funds	6,800	-	-
Due from other governments	5,680	-	-
Notes receivable	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 61,272</u>	<u>\$ 38,198</u>	<u>\$ 18,084</u>
Liabilities			
Accounts payable	\$ 6,195	\$ -	\$ 17,959
Contracts payable	-	-	-
Due to other funds	-	-	6,800
Salaries and benefits payable	793	-	-
Total liabilities	<u>6,988</u>	<u>-</u>	<u>24,759</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	877	-	-
Unavailable revenue - special assessments	-	-	-
Total deferred inflows of resources	<u>877</u>	<u>-</u>	<u>-</u>
Fund Balances			
Restricted	-	38,198	-
Committed	53,407	-	-
Assigned	-	-	-
Unassigned	-	-	(6,675)
Total fund balances	<u>53,407</u>	<u>38,198</u>	<u>(6,675)</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 61,272</u>	<u>\$ 38,198</u>	<u>\$ 18,084</u>

Special Revenue

TIF 4-1 Fortitude Senior Housing (253)	State Collected Sales Tax (200)	Park Dedication (205)	Charitable Gambling (215)	Lodging Tax (220)	Revolving Loan (251)	Deed Housing (225)
\$ 21,997	\$ 1,349,442	\$ 298,893	\$ 428	\$ 19,169	\$ 454,232	\$ 53,695
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	31	-	1,252	-	-
102	5,388	1,404	2	94	2,115	238
-	-	-	-	-	-	-
-	183,622	317	-	-	-	-
-	-	-	-	-	54,802	-
<u>\$ 22,099</u>	<u>\$ 1,538,452</u>	<u>\$ 300,645</u>	<u>\$ 430</u>	<u>\$ 20,515</u>	<u>\$ 511,149</u>	<u>\$ 53,933</u>
\$ -	\$ -	\$ 303	\$ -	\$ 1,390	\$ -	\$ -
-	5,405	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	5,405	303	-	1,390	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
22,099	1,533,047	300,342	430	19,125	84,095	53,933
-	-	-	-	-	427,054	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>22,099</u>	<u>1,533,047</u>	<u>300,342</u>	<u>430</u>	<u>19,125</u>	<u>511,149</u>	<u>53,933</u>
<u>\$ 22,099</u>	<u>\$ 1,538,452</u>	<u>\$ 300,645</u>	<u>\$ 430</u>	<u>\$ 20,515</u>	<u>\$ 511,149</u>	<u>\$ 53,933</u>

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

	Special Revenue	Debt Service		
	St. Joseph Fire Services (210)	G.O. Capital Improvement Plan Bonds of 2016A (301)	G.O. Improvement Bonds of 2016B (304)	G.O. Improvement Bonds of 2017B (305)
Assets				
Cash and investments	\$ 778,425	\$ 261,426	\$ 203,284	\$ 12,600
Taxes receivable - delinquent	19	1,256	22	92
Special assessments receivable				
Delinquent	-	-	-	-
Deferred	-	-	557,856	37,428
Accounts receivable	-	-	9,577	-
Interest receivable	3,768	1,143	1,254	137
Due from other funds	-	-	-	-
Due from other governments	5,260	2,009	8	241
Notes receivable	-	-	-	-
	<u>\$ 787,472</u>	<u>\$ 265,834</u>	<u>\$ 772,001</u>	<u>\$ 50,498</u>
Liabilities				
Accounts payable	\$ 8,020	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Salaries and benefits payable	81,634	-	-	-
Total liabilities	<u>89,654</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	19	1,256	22	92
Unavailable revenue - special assessments	-	-	557,856	37,428
Total deferred inflows of resources	<u>19</u>	<u>1,256</u>	<u>557,878</u>	<u>37,520</u>
Fund Balances				
Restricted	697,799	264,578	214,123	12,978
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>697,799</u>	<u>264,578</u>	<u>214,123</u>	<u>12,978</u>
	<u>\$ 787,472</u>	<u>\$ 265,834</u>	<u>\$ 772,001</u>	<u>\$ 50,498</u>
Total liabilities, deferred inflows of resources, and fund balances				

Debt Service

2018A Equipment Certificate (306)	G.O. Improvement Bonds of 2019A (307)	2021 Improvement Bond [MN St/Overlays] (311)	2020A Equipment Certificate (309)	G.O. Improvement Bond of 2020B (310)	G.O. Capital Improvement Bonds of 2020B (312)
\$ 1,875	\$ 240,892	\$ 71,281	\$ 2,076	\$ 97,866	\$ 12,428
260	608	138	333	-	-
-	-	720	-	-	-
-	314,251	351,343	-	24,840	-
-	-	-	-	-	-
60	1,293	6,550	147	2,447	169
-	-	-	-	-	-
445	2,116	679	355	508	453
-	-	-	-	-	-
<u>\$ 2,640</u>	<u>\$ 559,160</u>	<u>\$ 430,711</u>	<u>\$ 2,911</u>	<u>\$ 125,661</u>	<u>\$ 13,050</u>
\$ -	\$ -	\$ -	\$ 3,705	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	3,705	-	-
260	608	138	333	-	-
-	314,251	352,063	-	24,840	-
<u>260</u>	<u>314,859</u>	<u>352,201</u>	<u>333</u>	<u>24,840</u>	<u>-</u>
2,380	244,301	78,510	-	100,821	13,050
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(1,127)	-	-
<u>2,380</u>	<u>244,301</u>	<u>78,510</u>	<u>(1,127)</u>	<u>100,821</u>	<u>13,050</u>
<u>\$ 2,640</u>	<u>\$ 559,160</u>	<u>\$ 430,711</u>	<u>\$ 2,911</u>	<u>\$ 125,661</u>	<u>\$ 13,050</u>

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

	Debt Service			
	G.O. Improvement Bonds of 2013A/2020B (313)	Crossover Improvement Bonds of 2014A/2020C (314)	G.O. Abatement Bonds 2022A (302)	G.O. Improvement Bonds of 2022 (315)
Assets				
Cash and investments	\$ 27,010	\$ 51,320	\$ 204,843	\$ 103,782
Taxes receivable - delinquent	181	811	-	-
Special assessments receivable				
Delinquent	140	-	-	-
Deferred	7,426	61,172	-	162,719
Accounts receivable	-	-	-	-
Interest receivable	213	502	12,770	776
Due from other funds	-	-	-	-
Due from other governments	302	925	-	-
Notes receivable	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 35,272</u>	<u>\$ 114,730</u>	<u>\$ 217,613</u>	<u>\$ 267,277</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 16,400	\$ 1,600
Contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Salaries and benefits payable	-	-	-	-
Total liabilities	<u> </u>	<u> </u>	<u>16,400</u>	<u>1,600</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	181	811	-	-
Unavailable revenue - special assessments	7,566	61,172	-	162,719
Total deferred inflows of resources	<u>7,747</u>	<u>61,983</u>	<u> </u>	<u>162,719</u>
Fund Balances				
Restricted	27,525	52,747	201,213	102,958
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>27,525</u>	<u>52,747</u>	<u>201,213</u>	<u>102,958</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 35,272</u>	<u>\$ 114,730</u>	<u>\$ 217,613</u>	<u>\$ 267,277</u>

Debt Service	Capital Projects				
G.O. Equipment Certificate 2022A (316)	2021 Street Overlay Project (411)	2019 Industrial Park Project (408)	2020 20th Avenue Watermain Loop (410)	2022 Street Improvement Project (415)	2022 Fire Truck Equipment Certificate (416)
\$ 22,325	\$ 903,345	\$ 227,849	\$ 396,194	\$ 59,379	\$ 355,811
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
873	-	-	-	-	-
-	-	-	-	-	-
-	149,000	-	-	-	-
-	-	-	-	-	-
<u>\$ 23,198</u>	<u>\$ 1,052,345</u>	<u>\$ 227,849</u>	<u>\$ 396,194</u>	<u>\$ 59,379</u>	<u>\$ 355,811</u>
\$ 2,000	\$ 14,475	\$ -	\$ -	\$ 2,218	\$ -
-	493,743	-	10,091	16,867	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,000</u>	<u>508,218</u>	<u>-</u>	<u>10,091</u>	<u>19,085</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
21,198	-	-	-	-	-
-	-	-	-	-	-
-	544,127	227,849	386,103	40,294	355,811
-	-	-	-	-	-
<u>21,198</u>	<u>544,127</u>	<u>227,849</u>	<u>386,103</u>	<u>40,294</u>	<u>355,811</u>
<u>\$ 23,198</u>	<u>\$ 1,052,345</u>	<u>\$ 227,849</u>	<u>\$ 396,194</u>	<u>\$ 59,379</u>	<u>\$ 355,811</u>

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

	Capital Projects			Total Governmental Funds
	2023 Street Imp/Elm St ROW Acq (417)	Water Access Fund (501)	Sewer Access Fund (502)	
Assets				
Cash and investments	\$ 9,676	\$ 359,266	\$ 10,058	\$ 6,714,457
Taxes receivable - delinquent	-	-	-	4,597
Special assessments receivable				
Delinquent	-	-	-	860
Deferred	-	-	-	1,517,035
Accounts receivable	-	3,575	3,575	18,010
Interest receivable	-	-	-	42,052
Due from other funds	-	-	-	6,800
Due from other governments	-	-	-	351,920
Notes receivable	-	-	-	54,802
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 9,676</u>	<u>\$ 362,841</u>	<u>\$ 13,633</u>	<u>\$ 8,710,533</u>
Liabilities				
Accounts payable	\$ 9,676	\$ -	\$ -	\$ 83,941
Contracts payable	-	-	-	526,106
Due to other funds	9,676	-	-	16,476
Salaries and benefits payable	-	-	-	82,427
Total liabilities	<u>19,352</u>	<u>-</u>	<u>-</u>	<u>708,950</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	4,597
Unavailable revenue - special assessments	-	-	-	1,517,895
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,522,492</u>
Fund Balances				
Restricted	-	-	-	4,085,450
Committed	-	-	-	480,461
Assigned	-	362,841	13,633	1,930,658
Unassigned	(9,676)	-	-	(17,478)
Total fund balances	<u>(9,676)</u>	<u>362,841</u>	<u>13,633</u>	<u>6,479,091</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows	<u>\$ 9,676</u>	<u>\$ 362,841</u>	<u>\$ 13,633</u>	<u>\$ 8,710,533</u>

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City of St. Joseph
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2022

	Special Revenue		
	Economic Development Authority (250)	TIF 2-1 Millstream Shops and Lofts (257)	TIF 2-3 Bayou Blues/Alley Flat (259)
Revenues			
Property taxes	\$ 114,941	\$ -	\$ -
Tax increments	-	41,456	39,909
Sales taxes	-	-	-
Lodging taxes	-	-	-
Special assessments	-	-	-
Intergovernmental	4,457	-	-
Charges for services	4,061	-	-
Miscellaneous			
Investment income	(2,211)	(1,085)	(113)
Contributions and donations	-	-	-
Revolving loan repayments	-	-	-
Other	-	-	-
Total revenues	121,248	40,371	39,796
Expenditures			
Current			
Public safety	-	-	-
Culture and recreation	-	-	-
Economic development	109,046	38,385	38,025
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Economic development	-	-	-
Total expenditures	109,046	38,385	38,025
Excess of revenues over (under) expenditures	12,202	1,986	1,771
Other Financing Sources (Uses)			
Sale of property	-	-	-
Bonds issued	-	-	-
Bond premium	-	-	-
Transfers in	-	-	-
Transfers out	(50,000)	-	-
Total other financing sources (uses)	(50,000)	-	-
Net change in fund balances	(37,798)	1,986	1,771
Fund Balances			
Beginning of year	91,205	36,212	(8,446)
End of year	\$ 53,407	\$ 38,198	\$ (6,675)

Special Revenue

TIF 4-1 Fortitude Senior Housing (253)	State Collected Sales Tax (200)	Park Dedication (205)	Charitable Gambling (215)	Lodging Tax (220)	Revolving Loan (251)
\$ -	\$ -	\$ 30,000	\$ -	\$ -	\$ -
69,926	-	-	-	-	-
-	649,225	-	-	-	-
-	-	-	-	15,757	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	182	-	-	-
(571)	(30,254)	(7,881)	(14)	(526)	(11,714)
-	-	1,033	1,000	-	-
-	-	-	-	-	69,054
-	-	-	-	1,444	-
<u>69,355</u>	<u>618,971</u>	<u>23,334</u>	<u>986</u>	<u>16,675</u>	<u>57,340</u>
-	-	-	-	-	-
-	-	-	1,207	-	-
64,092	-	-	-	18,852	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	23,411	86,871	-	-	-
-	-	-	-	-	-
<u>64,092</u>	<u>23,411</u>	<u>86,871</u>	<u>1,207</u>	<u>18,852</u>	<u>-</u>
5,263	595,560	(63,537)	(221)	(2,177)	57,340
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	99,700	-	-	50,000
-	(5,000)	-	-	-	-
<u>-</u>	<u>(5,000)</u>	<u>99,700</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
5,263	590,560	36,163	(221)	(2,177)	107,340
<u>16,836</u>	<u>942,487</u>	<u>264,179</u>	<u>651</u>	<u>21,302</u>	<u>403,809</u>
<u>\$ 22,099</u>	<u>\$ 1,533,047</u>	<u>\$ 300,342</u>	<u>\$ 430</u>	<u>\$ 19,125</u>	<u>\$ 511,149</u>

City of St. Joseph
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2022

	Special Revenue		Debt Service	
	Deed Housing (225)	St. Joseph Fire Services (210)	G.O. Improvement Bonds of 2010B (345)	G.O. Improvement Bonds of 2015A (351)
Revenues				
Property taxes	\$ -	\$ 181,646	\$ 12,000	\$ 28,000
Tax increments	-	-	-	-
Sales taxes	-	-	-	-
Lodging taxes	-	-	-	-
Special assessments	-	-	16,372	21,231
Intergovernmental	-	72,066	-	-
Charges for services	-	127,411	-	-
Miscellaneous				
Investment income	(1,340)	(21,159)	(2,504)	(3,021)
Contributions and donations	-	3,964	-	-
Revolving loan repayments	-	-	-	-
Other	12,861	4,793	-	-
Total revenues	<u>11,521</u>	<u>368,721</u>	<u>25,868</u>	<u>46,210</u>
Expenditures				
Current				
Public safety	-	396,430	-	-
Culture and recreation	-	-	-	-
Economic development	782	-	-	-
Debt service				
Principal	-	-	240,000	245,000
Interest and other charges	-	-	8,148	7,498
Capital outlay				
General government	-	-	-	-
Public safety	-	19,968	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>782</u>	<u>416,398</u>	<u>248,148</u>	<u>252,498</u>
Excess of revenues over (under) expenditures	10,739	(47,677)	(222,280)	(206,288)
Other Financing Sources (Uses)				
Sale of property	-	70,000	-	-
Bonds issued	-	-	-	-
Bond premium	-	-	-	-
Transfers in	-	-	143,000	119,364
Transfers out	-	(17,000)	(15,348)	-
Total other financing sources (uses)	<u>-</u>	<u>53,000</u>	<u>127,652</u>	<u>119,364</u>
Net change in fund balances	10,739	5,323	(94,628)	(86,924)
Fund Balances				
Beginning of year	<u>43,194</u>	<u>692,476</u>	<u>94,628</u>	<u>86,924</u>
End of year	<u>\$ 53,933</u>	<u>\$ 697,799</u>	<u>\$ -</u>	<u>\$ -</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)
\$ 254,667	\$ 993	\$ -	\$ 19,969	\$ 56,414	\$ 129,804
-	-	-	-	-	-
-	-	-	-	-	-
-	31,921	-	8,585	-	91,876
-	-	-	-	-	-
-	-	-	-	-	-
(5,286)	(7,043)	(1,130)	(767)	(338)	(7,261)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	202,720	-	-	-
<u>249,381</u>	<u>25,871</u>	<u>201,590</u>	<u>27,787</u>	<u>56,076</u>	<u>214,419</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
195,000	50,000	168,000	34,000	54,000	155,000
78,605	11,762	2,008	6,067	3,236	58,313
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>273,605</u>	<u>61,762</u>	<u>170,008</u>	<u>40,067</u>	<u>57,236</u>	<u>213,313</u>
(24,224)	(35,891)	31,582	(12,280)	(1,160)	1,106
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
254,894	5,000	-	-	-	110,833
-	-	(104,894)	-	-	-
<u>254,894</u>	<u>5,000</u>	<u>(104,894)</u>	<u>-</u>	<u>-</u>	<u>110,833</u>
230,670	(30,891)	(73,312)	(12,280)	(1,160)	111,939
33,908	245,014	73,312	25,258	3,540	132,362
<u>\$ 264,578</u>	<u>\$ 214,123</u>	<u>\$ -</u>	<u>\$ 12,978</u>	<u>\$ 2,380</u>	<u>\$ 244,301</u>

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

	Debt Service			
	2021	2020A	G.O.	G.O. Capital
	Improvement Bond [MN St/Overlays] (311)	Equipment Certificate (309)	Improvement Bond of 2020B (310)	Improvement Bonds of 2020B (312)
Revenues				
Property taxes	\$ 39,862	\$ 44,788	\$ 65,000	\$ 58,000
Tax increments	-	-	-	-
Sales taxes	-	-	-	-
Lodging taxes				
Special assessments	274,106	-	81,640	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous				
Investment income	(36,779)	(827)	(13,740)	(951)
Contributions and donations	-	-	-	-
Revolving loan repayments	-	-	-	-
Other	-	-	-	-
Total revenues	<u>277,189</u>	<u>43,961</u>	<u>132,900</u>	<u>57,049</u>
Expenditures				
Current				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	260,000	43,000	65,000	60,000
Interest and other charges	131,792	2,629	11,632	13,003
Capital outlay				
General government	-	-	-	-
Public safety	-	3,705	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>391,792</u>	<u>49,334</u>	<u>76,632</u>	<u>73,003</u>
Excess of revenues over (under) expenditures	(114,603)	(5,373)	56,268	(15,954)
Other Financing Sources (uses)				
Sale of property	-	-	-	-
Bonds issued	-	-	-	-
Bond premium	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(114,603)	(5,373)	56,268	(15,954)
Fund Balances				
Beginning of year	<u>193,113</u>	<u>4,246</u>	<u>44,553</u>	<u>29,004</u>
End of year	<u>\$ 78,510</u>	<u>\$ (1,127)</u>	<u>\$ 100,821</u>	<u>\$ 13,050</u>

Debt Service					Capital Projects
G.O. Improvement Bonds of 2013A/2020B (313)	Taxable Crossover Improvement Bonds of 2014A/2020C (314)	G.O. Abatement Bonds 2022A (302)	G.O. Improvement Bonds of 2022 (315)	G.O. Equipment Certificate 2022A (316)	2021 Street Overlay Project (411)
\$ 29,898	\$ 116,564	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,351	10,764	-	53,258	-	-
-	-	-	-	-	400,558
-	-	-	-	-	-
(1,194)	(2,820)	(71,699)	(4,357)	(4,901)	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>37,055</u>	<u>124,508</u>	<u>(71,699)</u>	<u>48,901</u>	<u>(4,901)</u>	<u>400,558</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
45,000	145,000	-	-	-	-
2,236	13,952	130,836	12,179	13,507	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	781,783
-	-	-	-	-	-
-	-	-	-	-	-
<u>47,236</u>	<u>158,952</u>	<u>130,836</u>	<u>12,179</u>	<u>13,507</u>	<u>781,783</u>
(10,181)	(34,444)	(202,535)	36,722	(18,408)	(381,225)
-	-	-	-	-	-
-	-	403,748	21,236	22,606	-
-	-	-	45,000	-	-
-	-	-	-	17,000	-
-	-	-	-	-	-
-	-	<u>403,748</u>	<u>66,236</u>	<u>39,606</u>	<u>-</u>
(10,181)	(34,444)	201,213	102,958	21,198	(381,225)
37,706	87,191	-	-	-	925,352
<u>\$ 27,525</u>	<u>\$ 52,747</u>	<u>\$ 201,213</u>	<u>\$ 102,958</u>	<u>\$ 21,198</u>	<u>\$ 544,127</u>

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

	Capital Projects			
	2019 Street Overlay Project (407)	2020 Equipment Certificates (409)	2020 20th Avenue Watermain Loop (410)	2022 Street Improvement Project (415)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Sales taxes	-	-	-	-
Lodging taxes	-	-	-	-
Special assessments	-	-	-	133,667
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous				
Investment income	-	-	-	-
Contributions and donations	-	-	-	-
Revolving loan repayments	-	-	-	-
Other	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,667</u>
Expenditures				
Current				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	1,952	-	-
Public safety	-	13,115	-	-
Public works	-	2,285	2,697	670,404
Culture and recreation	-	687	-	-
Economic development	-	-	-	-
Total expenditures	<u>-</u>	<u>18,039</u>	<u>2,697</u>	<u>670,404</u>
Excess of revenues over (under) expenditures	-	(18,039)	(2,697)	(536,737)
Other Financing Sources (uses)				
Sale of property	-	-	-	-
Bonds issued	-	-	-	598,764
Bond premium	-	-	-	5,217
Transfers in	-	-	-	-
Transfers out	(110,833)	-	-	(13,475)
Total other financing sources (uses)	<u>(110,833)</u>	<u>-</u>	<u>-</u>	<u>590,506</u>
Net change in fund balances	(110,833)	(18,039)	(2,697)	53,769
Fund Balances				
Beginning of year	<u>110,833</u>	<u>18,039</u>	<u>388,800</u>	<u>(13,475)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 386,103</u>	<u>\$ 40,294</u>

Capital Projects

2022 Fire Truck Equipment Certificate (416)	2023 Street Imp/Elm St ROW Acq (417)	Water Access Fund (501)	Sewer Access Fund (502)	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,182,546
-	-	-	-	151,291
-	-	-	-	649,225
-	-	-	-	15,757
-	-	-	-	731,771
-	-	-	-	477,081
-	-	162,200	132,729	426,583
-	-	-	-	(241,486)
-	-	-	-	5,997
-	-	-	-	69,054
-	-	-	-	221,818
-	-	162,200	132,729	3,689,637
-	-	-	-	396,430
-	-	-	-	1,207
-	-	-	-	269,182
-	-	-	-	1,759,000
-	-	-	-	507,403
-	-	-	-	1,952
336,748	-	-	-	373,536
-	9,676	-	-	1,466,942
-	-	-	-	110,969
-	-	-	-	-
336,748	9,676	-	-	4,886,621
(336,748)	(9,676)	162,200	132,729	(1,196,984)
-	-	-	-	70,000
637,394	-	-	-	1,683,748
55,165	-	-	-	105,382
-	-	-	-	799,791
-	-	(180,000)	(140,000)	(636,550)
692,559	-	(180,000)	(140,000)	2,022,371
355,811	(9,676)	(17,800)	(7,271)	825,387
-	-	380,641	20,904	5,653,704
\$ 355,811	\$ (9,676)	\$ 362,841	\$ 13,633	\$ 6,479,091

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Joseph, Minnesota, as of and for the year ended December 31, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 21, 2023.

Report on 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 2022-001.

Report on 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
June 21, 2023

Minnesota Legal Compliance

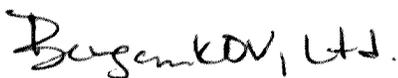
Independent Auditor's Report

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, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 21, 2023.

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
June 21, 2023

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

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING

Material Weakness

Audit Finding 2022-001 – 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 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 2022-001 – Improve Segregation of Accounting Duties (Continued)

Cash Reconciliation and Access

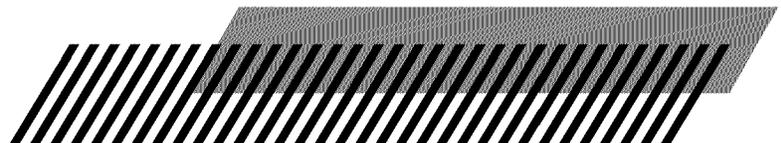
The Finance Director performs the above noted responsibilities, while also reconciling cash, and generating manual journal entries.

In addition, during our audit, we noted a prior period adjustment that was necessary to restate the beginning balances of CIP between the enterprise funds.

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, 2022



**City of St. Joseph
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**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, 2022, 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 June 21, 2023, 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.

BergankDV, Ltd.

St. Cloud, Minnesota
June 21, 2023

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 Administrative assistant opens mail, enters cash and checks into the point-of-sale system, and reconcile daily receipts. The Account Technician sends late notices/calculates penalties. The Police Clerk will accept cash/checks as well. A police officer takes the deposit to the bank.

Cash Disbursements

The Finance Director also is an authorized signer and has access to the Mayor's electronic signature. At year-end, the Finance Director reconciles and records 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 reconciles 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. The Account Technician can enter manual adjustments, calculates, and enters final bills, prints, and mails utility bills. The Administrative Assistant reconciles receipts to billed amounts and enters receipts batches. Finance Director approves adjustments and rate changes are approved by councils. The Account Technician has the ability to adjust bills without detection.

Cash Reconciliation and Access

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

In addition, during our audit, we noted a prior period adjustment that was necessary to restate the beginning balances of CIP between the Enterprise Funds.

**City of St. Joseph
Material Weakness**

Improve Segregation of Accounting Duties (Continued)

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

City of St. Joseph Required Communication

We have audited the 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, 2022. 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 2022. 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
- Lease receivable and deferred inflow
- Lease liability and leased asset

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.

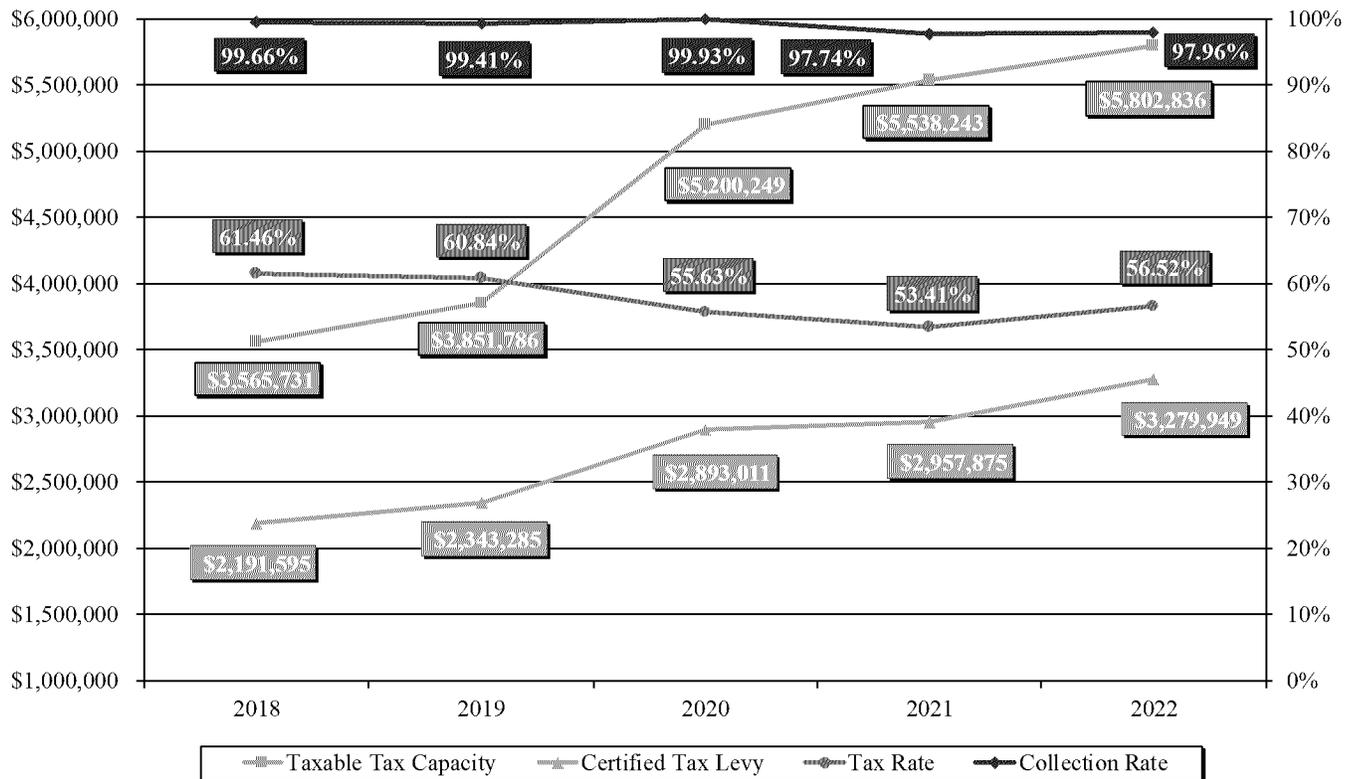
City of St. Joseph Financial Analysis

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 similar rate to the increase in the certified levy in 2022, causing the tax rate to increase to 56.52%.

Tax Capacity, Levy, and Rates



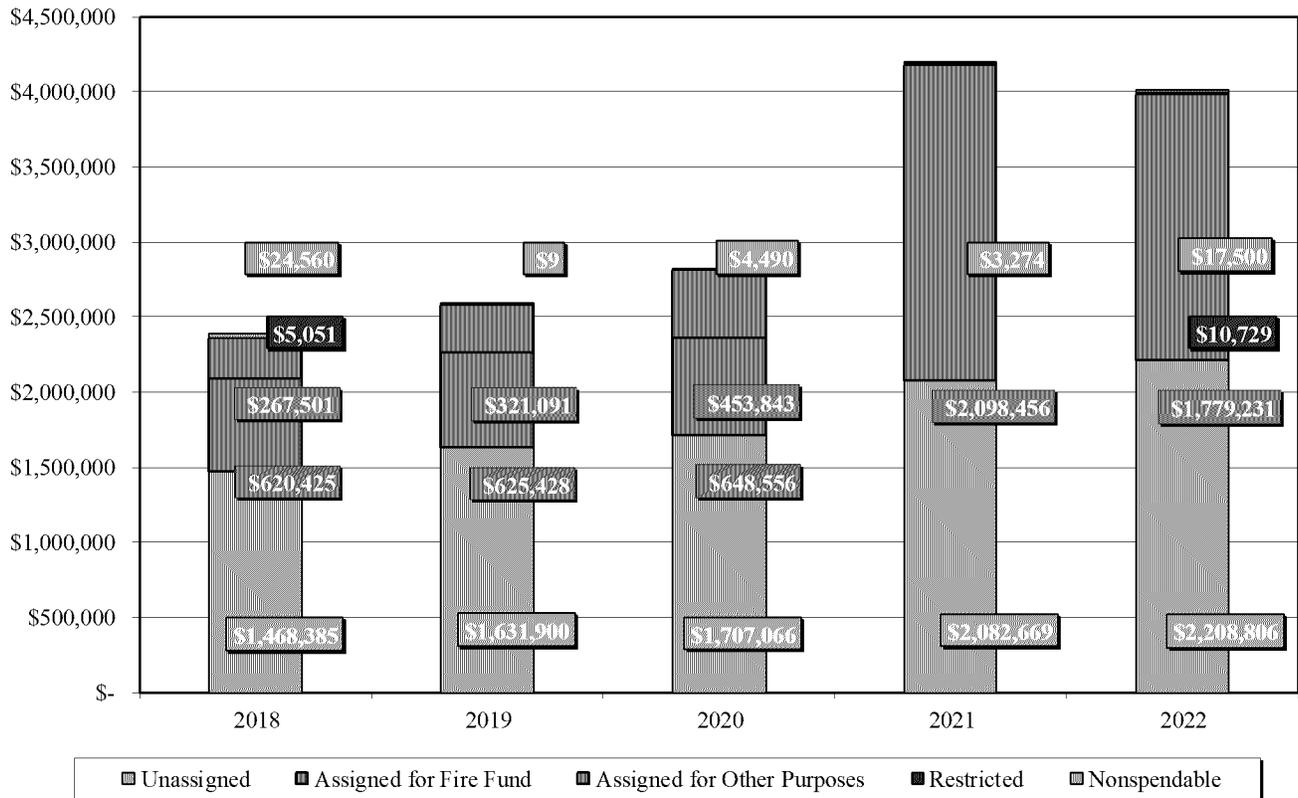
City of St. Joseph Financial Analysis

General Fund

For the year ended December 31, 2022, General Fund expenditures exceeded revenue by \$28,313. In addition to this, the fund had transfers in of \$69,391 from other funds and transfers out of \$259,064 to other funds resulting in a decrease in the General Fund balance of \$172,938. Of the City's General Fund balance at December 31, 2022, \$1,779,231 was assigned for specific expenditures, such as the elections, police forfeiture, severance pay and capital outlay reserves. The City had \$10,729 of its fund balance restricted for PEG access. The City also has \$17,500 of its fund balance in nonspendable form as the funds have already been spent on prepaid professional services. The unassigned portion of the fund balance, which includes monies set aside for working capital, totaled \$2,208,806 and represents approximately six months of 2022 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.

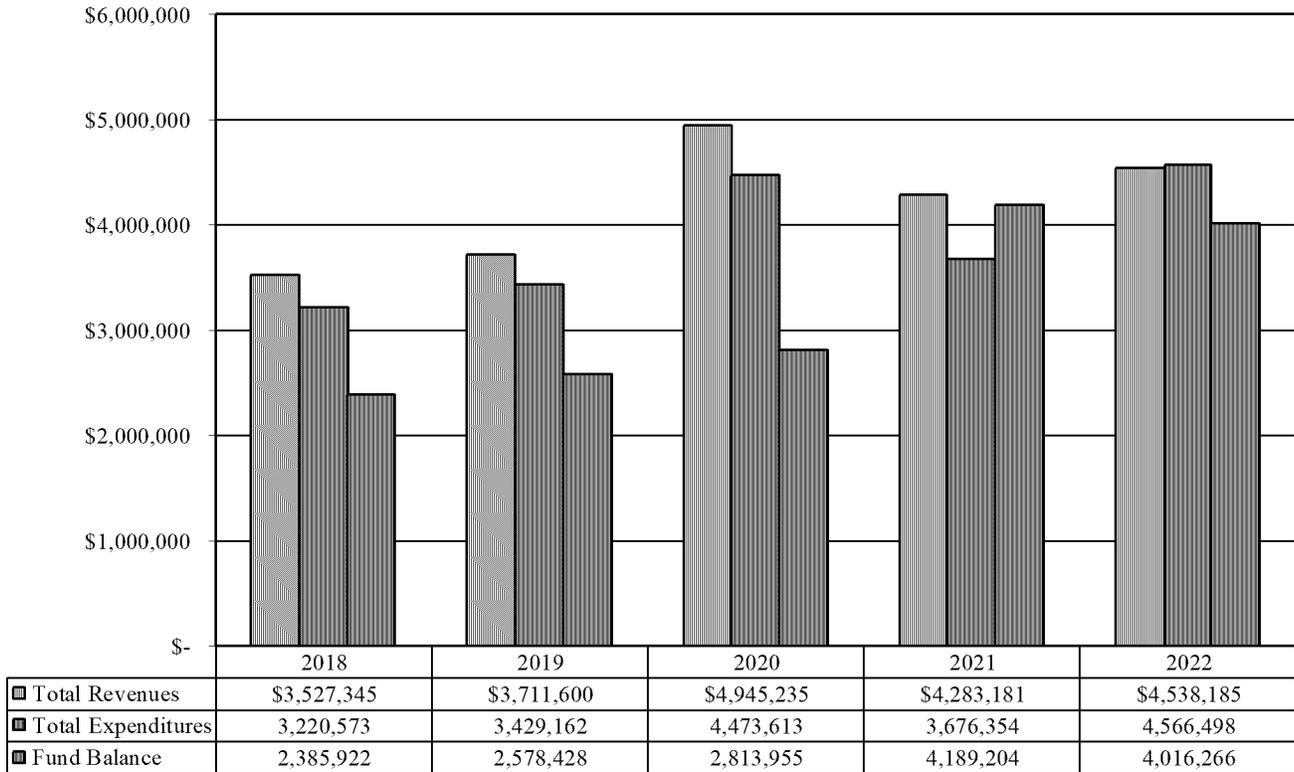
General Fund Balance



**City of St. Joseph
Financial Analysis**

General Fund (Continued)

General Fund



During the year ended December 31, 2022, the City's General Fund revenues increased \$255,004, or 5.9%, from 2021, while expenditures increased by \$890,144, or 24.2%. These changes in revenues and expenditures will be discussed by source and function, respectively, on the following pages.

As discussed earlier, fund balance did decrease \$172,938 from 2021 to 2022. Fund balance has increased \$1,630,344 or 68.3% since 2018.

**City of St. Joseph
Financial Analysis**

General Fund Revenues

	2018	2019	2020	2021	2022
Taxes	\$ 1,291,758	\$ 1,431,366	\$ 1,935,881	\$ 2,115,511	\$ 2,102,942
Special assessments	5,341	3,558	3,389	57,840	4,891
Franchise fees	131,212	134,704	132,991	137,382	140,259
Licenses and permits	357,138	255,953	178,139	151,811	307,357
Intergovernmental	1,227,716	1,230,507	2,102,263	1,570,692	1,883,220
Charges for services	396,183	406,047	430,989	98,913	53,057
Fines and forfeitures	58,620	52,289	43,317	87,381	78,924
Miscellaneous	59,377	197,176	118,266	63,651	(32,465)
Total Revenues	\$ 3,527,345	\$ 3,711,600	\$ 4,945,235	\$ 4,283,181	\$ 4,538,185

As discussed earlier, the City's revenue increased \$255,004 from 2021 to 2022. Intergovernmental revenues accounted for the largest increase from the prior year with an increase of \$312,528, or 19.9%. Most of this increase was from federal grants largely related to ARPA funding in 2022. The City also received an increase of \$155,546 or 103% in licenses and permits revenue due in part to hailstorm damage resulting in increased building permits also, permits were issued in 2022 for 32 new homes. Miscellaneous revenue account decreased by \$96,116 from 2021. This decrease was primarily due to market value adjustments relating to investments. All other revenues stayed consistent with the prior year.

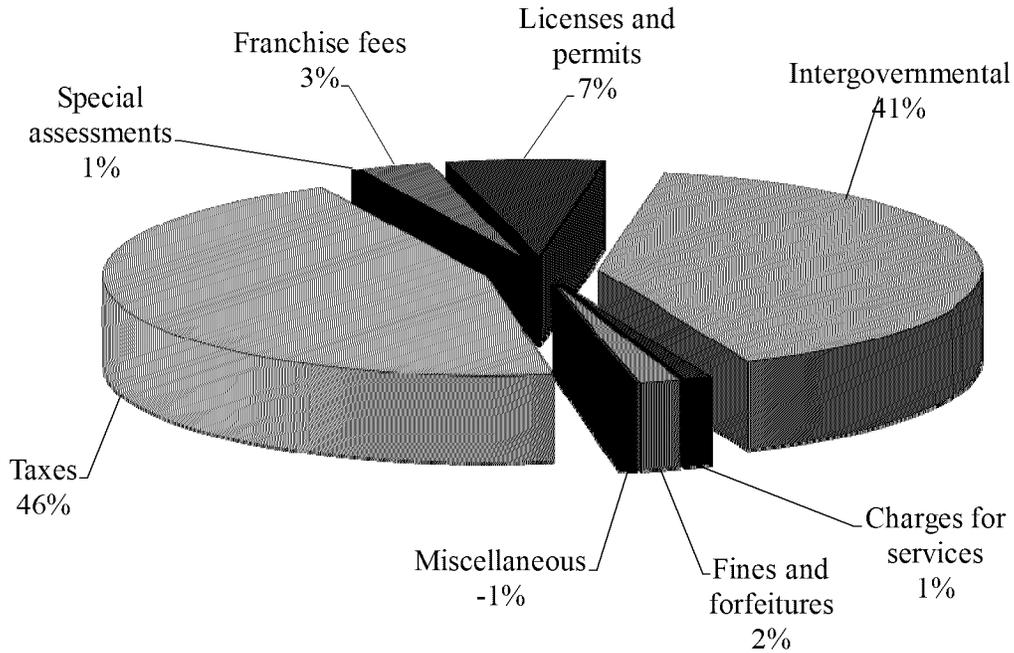
Total revenues have grown \$1,010,840 since 2018, an increase of 28.7%. The largest variances between the types of revenue over the five-year period have been the increases in property taxes and intergovernmental revenues while charges for services and miscellaneous revenue decreased. Other revenues have stayed relatively consistent over that timeframe.

The pie charts on the following page show the General Fund sources of revenues for 2022 and 2021 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 41.5% and 46.3% of the total in 2022. The total of these two categories accounts for approximately 86% and 88% of General Fund revenues for 2022 and 2021, respectively.

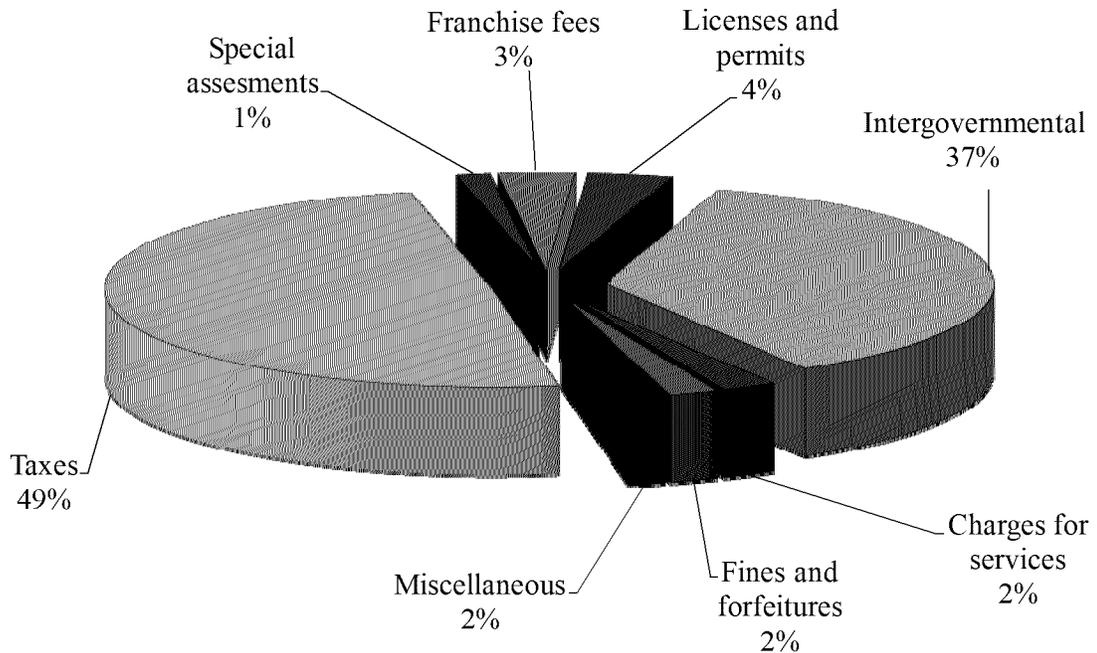
**City of St. Joseph
Financial Analysis**

General Fund Revenues (Continued)

2022 General Fund Revenues



2021 General Fund Revenues



**City of St. Joseph
Financial Analysis**

General Fund Expenditures

	2018	2019	2020	2021	2022
General government	\$ 741,374	\$ 815,401	\$ 1,020,077	\$ 997,357	\$ 1,078,866
Public safety	1,606,132	1,625,599	1,741,056	1,657,557	1,701,616
Public works	440,811	486,341	457,226	443,748	716,500
Culture and recreation	331,861	397,204	429,568	362,548	574,640
Economic Development	-	-	201,414	-	-
Capital outlay	100,395	104,617	624,272	215,144	494,876
Total Expenditures	3,220,573	3,429,162	4,473,613	3,676,354	4,566,498

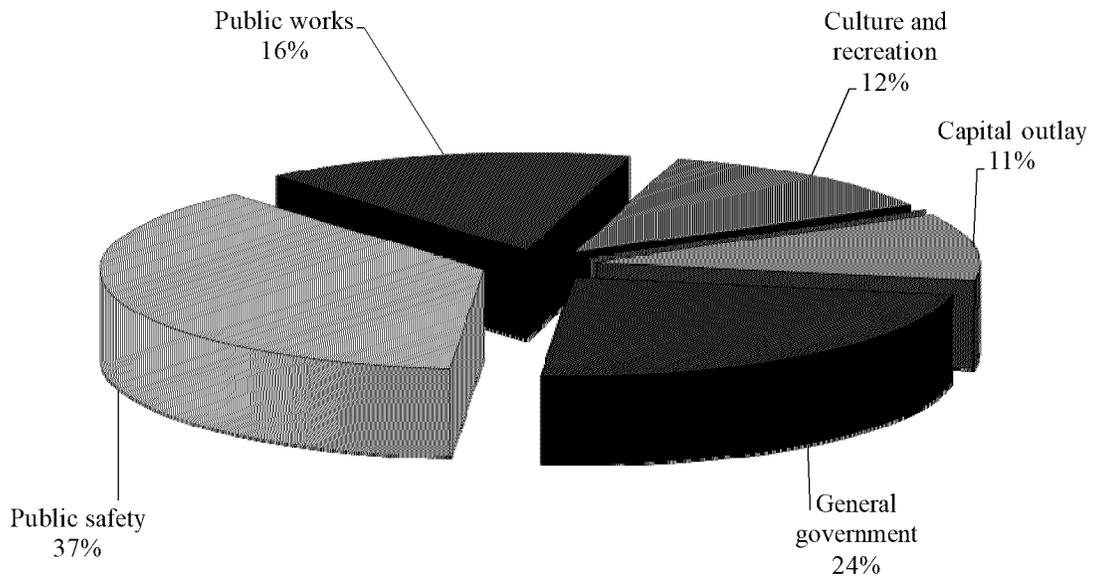
As discussed earlier, General Fund expenditures increased \$890,144, or 24.2%. The most significant increase in expenditures were in capital outlay, public works, and culture and recreation. Capital outlay increased \$279,732, or 130% from 2021. This increase was due to the City purchasing a new Rescue Van, various equipment for police and fire, a shop remodel, and other miscellaneous items. The city had significantly fewer purchases in 2021. Public works expenditures increased by \$272,752. This increase was primarily due to the City hiring additional staff. Culture and recreation expenditures increased by \$212,092. This increase was primarily due to the capital campaign service contract for the community center, demoing bleachers and fencing in Millstream Park.

The pie charts on the following page show the General Fund expenditures by function for 2022 and 2021 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 37% of total expenditures, down from 45% in 2021. Capital outlay increased from 6% to 11% from 2021 to 2022.

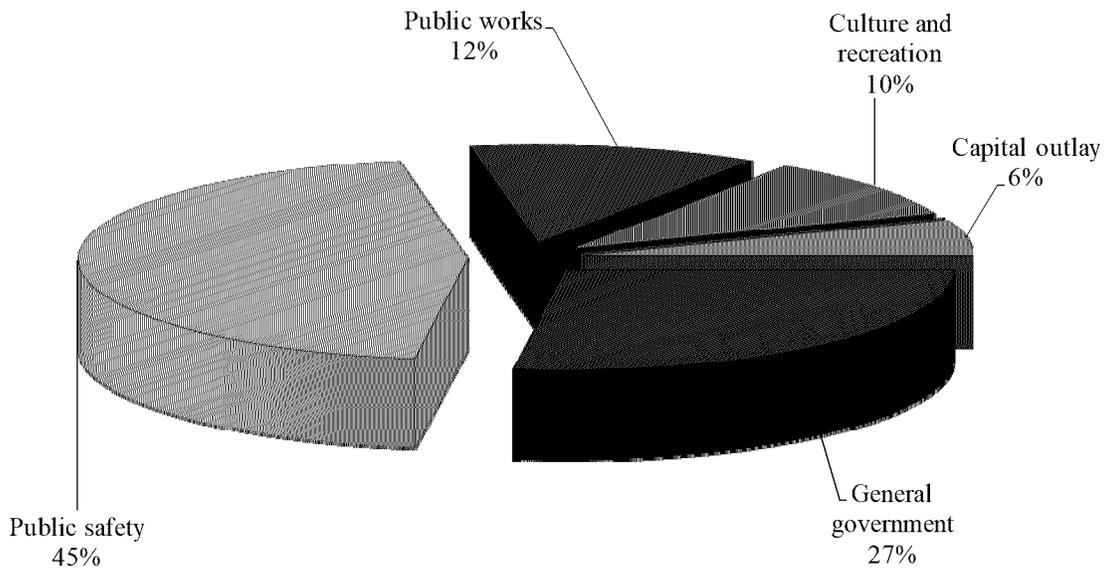
City of St. Joseph Financial Analysis

General Fund Expenditures (Continued)

2022 General Fund Expenditures



2021 General Fund Expenditures



**City of St. Joseph
Financial Analysis**

General Fund Budget

The table below illustrates the General Fund budget and actual for 2022 revenues and expenditures by function.

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget - Over (under)
Revenues				
Taxes	\$ 2,099,595	\$ 2,099,595	\$ 2,102,942	\$ 3,347
Special assessments	4,000	4,000	4,891	891
Franchise fees	138,200	138,200	140,259	2,059
Licenses and permits	185,720	185,720	307,357	121,637
Intergovernmental	1,867,364	1,867,364	1,883,220	15,856
Charges for services	43,785	43,785	53,057	9,272
Fines and forfeitures	66,000	66,000	78,924	12,924
Miscellaneous	71,525	71,525	(32,465)	(103,990)
Total revenues	4,476,189	4,476,189	4,538,185	61,996
Expenditures				
General government	1,013,035	1,013,035	1,078,866	65,831
Public safety	1,786,140	1,786,140	1,701,616	(84,524)
Public works	676,855	694,355	716,500	22,145
Culture and recreation	776,205	778,705	574,640	(204,065)
Capital outlay	488,800	468,800	494,876	26,076
Total expenditures	4,741,035	4,741,035	4,566,498	(174,537)
Excess of receipts over (under) disbursements	(264,846)	(264,846)	(28,313)	236,533
Other Financing Sources (Uses)				
Insurance recoveries	-	-	30,198	30,198
Sale of property	7,000	7,000	14,850	7,850
Transfers in	13,340	13,340	69,391	56,051
Transfers out	-	-	(259,064)	(259,064)
Total other financing sources	13,340	20,340	(144,625)	(164,965)
Net change in fund balance	\$ (251,506)	\$ (244,506)	\$ (172,938)	\$ 71,568

City of St. Joseph Financial Analysis

General Fund Budget (Continued)

The City's had no updates to their original budget throughout the year. Budgeted revenues were \$4.5 million, budgeted expenditures were \$4.74 million, and other financing sources of \$20,340. General fund revenues were over budget by \$61,996. Licenses and permits revenues coming in over budget by \$121,637 offset by Miscellaneous revenue coming in under budget of \$103,990 represented the majority of this variance. The Licenses and permits came in over budget due mostly to the City not budgeting for the increase in building construction. The Miscellaneous revenue came in under budget due mostly to investment losses. Other revenues were in line with the budget.

Total expenditures were under budget by \$174,537. Culture and recreational had the largest budget variance, being \$204,065 under budget in 2022. This variance was due to the City expenditures relating to Capital Campaign service contract which came in under budget. Public Safety was under budget \$84,524, this is due to staffing changes throughout the year the resulted in cost savings as well as budgeting for family coverage for all full time positions. 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 \$8,874, or 0.8%, from 2021 to 2022. Operating expenses increased \$175,814, or 19.8%, from 2021 to 2022 due to an increase in utility expenses to operate water plants, wage increases, additional supply costs at both treatment plants, hydrant repair, heater and air unit maintenance, professional fees relating to pump repair and replacement, Resilience assessment, and financial rate modeling software.

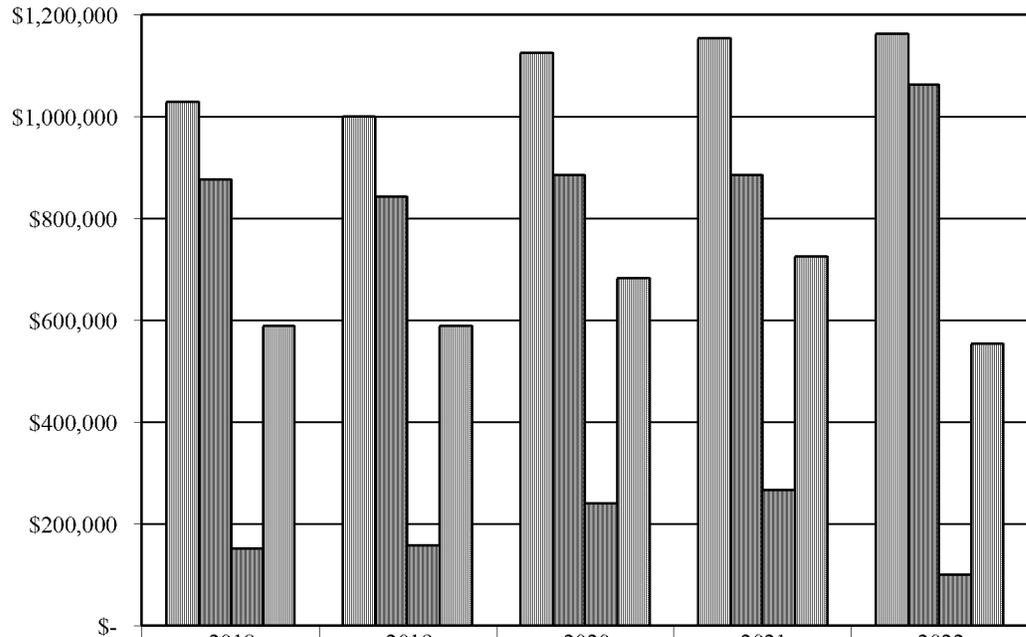
Operations produced operating income of \$100,815. With the exclusion of \$455,628 in depreciation expense, the Fund experienced operating income of \$556,443. However, depreciation should be considered as a true expense in operations, as most equipment and facilities will eventually need upgrades or 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 \$34,348, which is comprised of investment income, loss on disposal of asset, and interest expenses, offset by amortization of bond premium and other income. The operating and non-operating activities along with capital contributions, and transfers resulted in an increase in net position of \$346,372, resulting in a net position of \$11,747,633 at December 31, 2022. The cash and investments balance at December 31, 2022, totaled \$1,313,076, an increase of \$22,153.

**City of St. Joseph
Financial Analysis**

Water Fund (Continued)

Water Fund



	2018	2019	2020	2021	2022
Operating Revenues	\$1,030,342	\$1,001,282	\$1,126,425	\$1,153,777	\$1,162,651
Operating Expenses	877,947	843,267	885,076	886,023	1,061,837
Operating Income with Depreciation	152,395	158,015	241,349	267,754	100,815
Operating Income without Depreciation	588,720	590,721	683,204	727,537	556,443

Sanitary Sewer Fund

Operating revenues increased \$18,828 or 1.3%, from 2021 to 2022, while operating expenses decreased \$2,001, or 0.2%. Revenues increased due to an increase in usage in 2022. Operating Expenses were consistent with the prior year.

The Sewer Fund produced operating income for all five years presented. Due to the nature and cost of the Sewer Fund's assets, it is difficult to establish sewer rates sufficient to cover replacement of the assets represented by depreciation expense. Ideally, sewer revenues should cover all operating expenses, including depreciation.

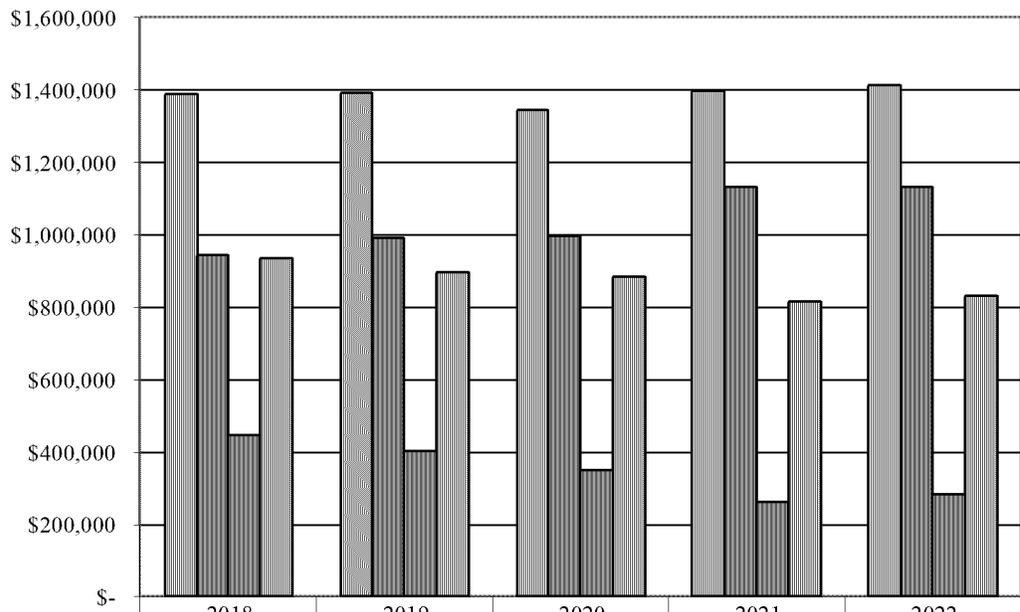
City of St. Joseph Financial Analysis

Sanitary Sewer Fund (Continued)

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

In addition to the operating revenues and expenses of the Sewer Fund, there were net non-operating expenses of \$121,383, which was mostly comprised of interest expense and losses on investments. Capital contributions and transfers along with the operating and non-operating activities resulted in an increase in net position of \$356,859, resulting in a net position of \$11,606,177 at December 31, 2022. The cash balance at December 31, 2022, totaled \$2,605,129, an increase of \$1,832,232.

Sanitary Sewer Fund



	2018	2019	2020	2021	2022
■ Operating Revenues	\$1,387,894	\$1,393,095	\$1,345,104	\$1,395,818	\$1,414,646
■ Operating Expenses	942,953	992,085	995,506	1,133,200	1,131,199
■ Operating Income (Loss) with Depreciation	444,941	401,010	349,598	262,618	283,447
■ Operating Income without Depreciation	937,945	894,443	884,242	814,306	833,803

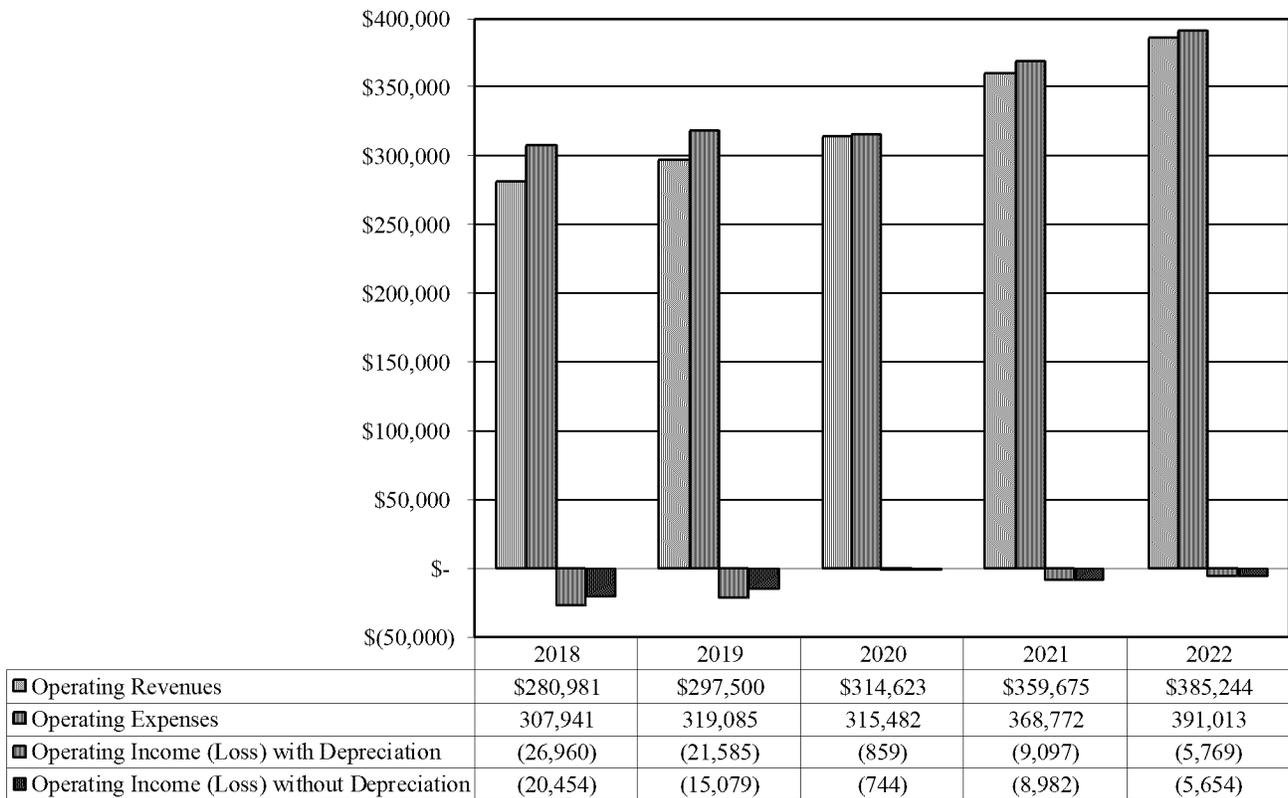
City of St. Joseph Financial Analysis

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 \$25,569, or 7.1%, while operating expenses increased \$22,241, or 6%, from 2021 to 2022. The increase in revenues was due to an increase in rates in 2022. Expenses increased due to increased fees from their waste collection company. These changes resulted in an operating loss of \$5,769 for 2022. The Fund produced an operating loss of \$5,654 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 expenses of \$5,565 which are mostly comprised of investment income losses. Transfers along with operating and non-operating activities resulted in a decrease in net position of \$11,404. The cash balance decreased \$11,017 in 2022 and totaled \$196,647 at December 31, 2022.

Refuse Fund



City of St. Joseph Financial Analysis

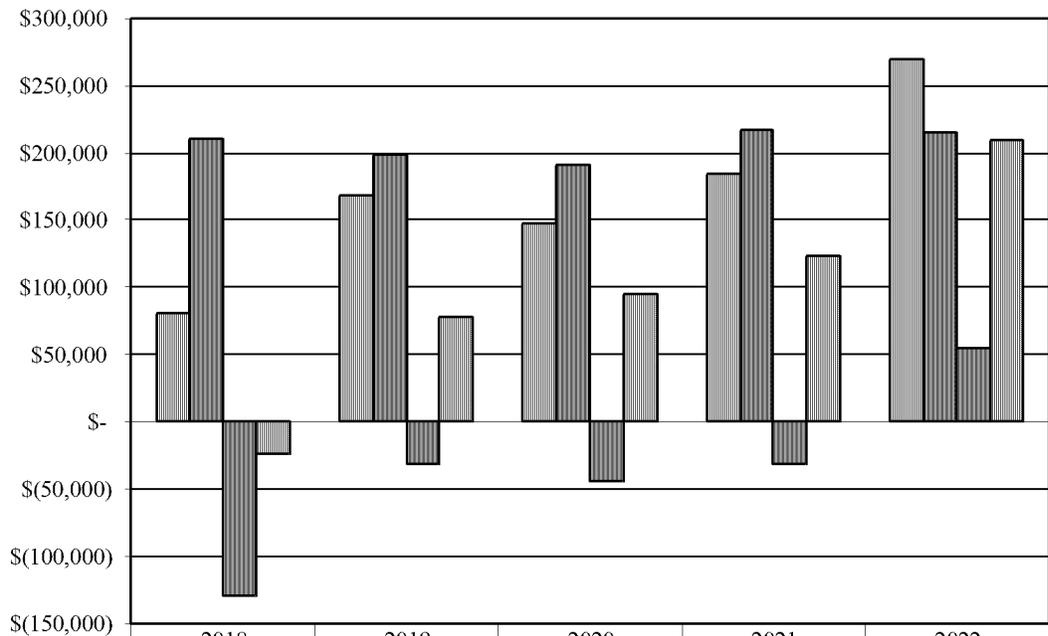
Storm Water Fund

The Storm Water Fund showed operating losses in the previous four years presented with the current year generating operating income. Operating revenues increased \$85,012, or 46.1%, from 2021 to 2022, due to an increase in rates. Operating expenses remained consistent with the prior year.

The Storm Water Fund produced an operating income of \$54,332 with depreciation and an operating income of \$209,829 without depreciation expense. The operations of the Storm Water Fund covered 100% of depreciation expense in 2022. The Storm Water Fund also had net nonoperating revenues of \$15,085, capital contributions totaling \$46,210, and transfers out totaling \$53,365. Fund activity resulted in an increase in net position of \$62,262. The cash balance increased \$95,460 in 2022 and totaled \$360,488 at December 31, 2022.

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

Storm Water Fund



	2018	2019	2020	2021	2022
Operating Revenues	\$80,710	\$167,456	\$147,231	\$184,603	\$269,615
Operating Expenses	210,302	198,628	191,197	216,472	215,283
Operating (Loss) with Depreciation	(129,592)	(31,172)	(43,966)	(31,869)	54,332
Operating Income (Loss) without Depreciation	(23,778)	77,696	94,657	123,629	209,829

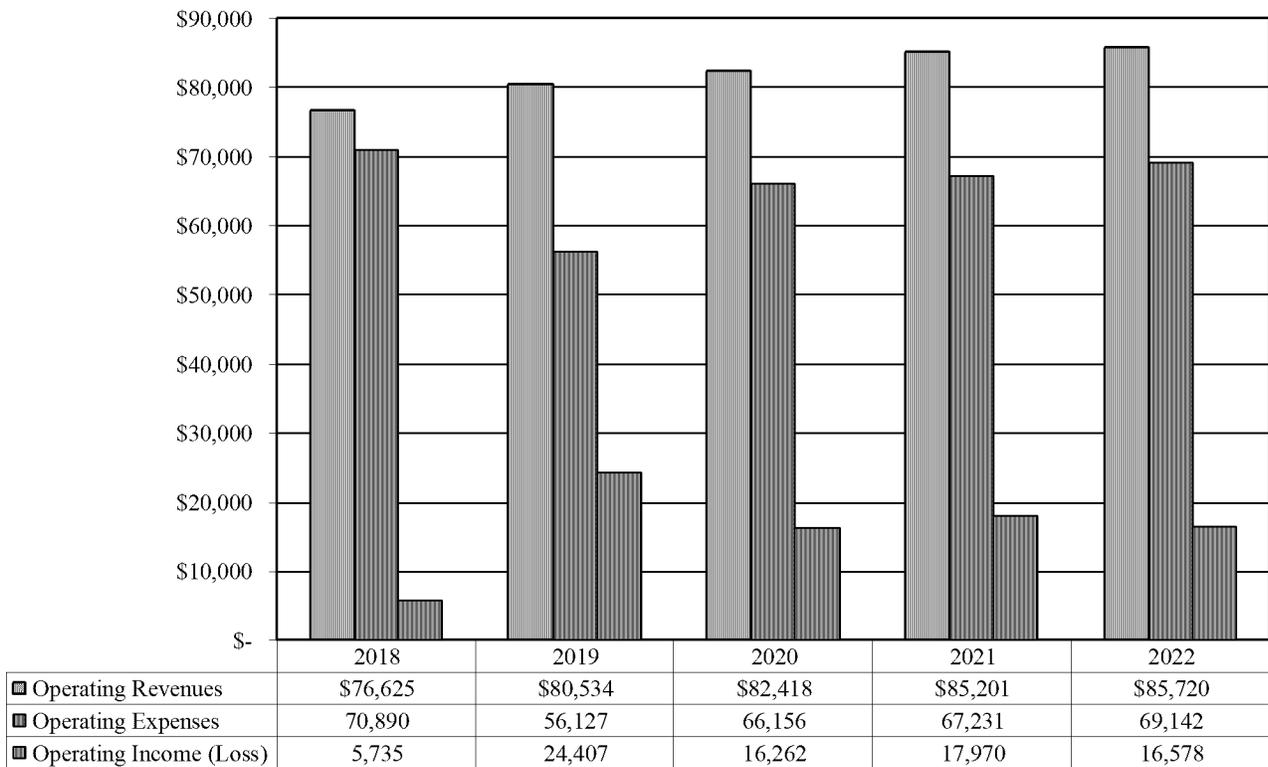
City of St. Joseph Financial Analysis

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 fifth year in a row. Operating revenues stayed consistent with the prior year, increasing only \$519 from 2021 to 2022. Operating expenses increased \$1,911 also staying consistent with 2021.

The Street Light Utility Fund produced operating income of \$16,578. The fund also reported non-operating expenses including investment income losses offset by special assessments, and other income totaling \$2,760. Operating income along with non-operating expenses resulted in an increase in net position of \$13,818. The cash balance increased \$26,340 in 2022 and totaled \$103,370 at December 31, 2022.

Street Light Utility



City of St. Joseph Emerging Issues

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 updates include:

- **Accounting Standard Update – GASB Statement No. 96 – Subscription-Based Information Technology Arrangements**
GASB has issued GASB Statement No. 96 relating to accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement will improve financial reporting by establishing a definition for subscription-based information technology arrangements and providing uniform guidance for accounting and financial reporting for transactions that meet that definition.
- **Accounting Standard Update – GASB Statement No. 100 – Accounting Changes and Error Corrections**
GASB has issued GASB Statement No. 100 relating to accounting and financial reporting for accounting changes and error corrections. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability.
- **Accounting Standard Update – GASB Statement No. 101 – Compensated Absences**
GASB has issued GASB Statement No. 101 relating to accounting and financial reporting for compensated absences. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The following is an extensive summary of the current updates. 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. 96 – *Subscription-Based Information Technology Arrangements*

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

City of St. Joseph
Emerging Issues

Accounting Standard Update – GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (Continued)*

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, – which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor. Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

**City of St. Joseph
Emerging Issues**

Accounting Standard Update – GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (Continued)*

If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or nonsubscription component and allocate the contract price to the different components. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

GASB Statement No. 96 is effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

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

Accounting Standard Update – GASB Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting – understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement.

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Accounting Standard Update – GASB Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62 (Continued)*

This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

GASB Statement No. 100 is effective for reporting periods beginning after June 15, 2023. Earlier application is encouraged.

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

Accounting Standard Update – GASB Statement No. 101 – *Compensated Absences*

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

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Accounting Standard Update – GASB Statement No. 101 – *Compensated Absences* (Continued)

This Statement requires that a liability for certain types of compensated absences – including parental leave, military leave, and jury duty leave – not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

GASB Statement No. 101 is effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged.

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