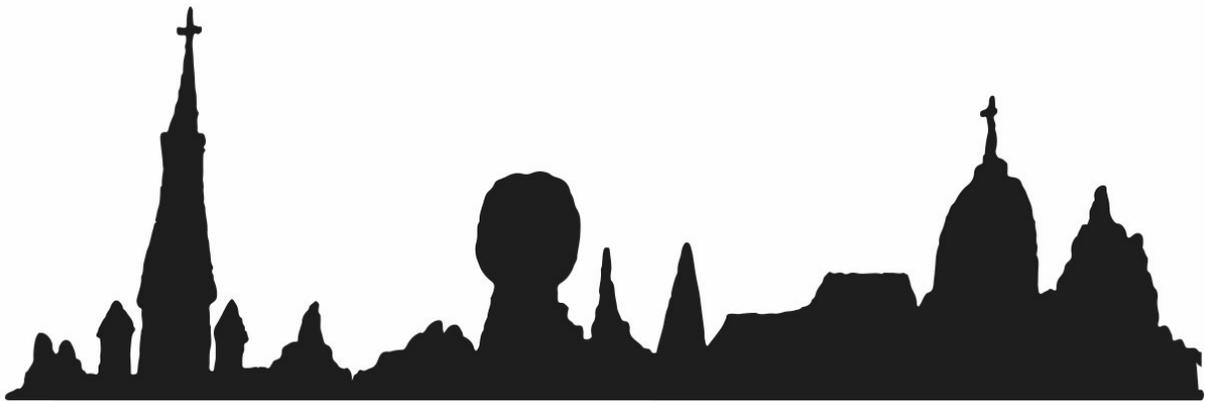


**City of St. Joseph
Stearns County, Minnesota**

Basic Financial Statements

December 31, 2023



CITY OF ST. JOSEPH

**City of St. Joseph
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City of St. Joseph
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**City of St. Joseph
Elected Officials and Administration
December 31, 2023**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Rick Schultz	Mayor	January 2025
Robert Loso	Council Member	January 2025
Kelly Beniek	Council Member	January 2025
Kevin Kluesner	Council Member	January 2027
Adam Scepaniak	Council Member	January 2027
 <u>Administration</u>		
Jeff O'Neil	Interim City Administrator through April 2023	Appointed
David Murphy	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 , as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise '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 , as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 's ability to continue as a going concern for twelve months 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 '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 's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Joseph's basic financial statements. The accompanying supplementary information identified 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 May 7, 2024, 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.

Bergan KDV Ltd.

St. Cloud, Minnesota
May 7, 2024

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, 2023.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2023 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 \$49,372,809. Of this amount, \$7,145,255 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 \$2,897,669 from 2022 to 2023. The individual funds with the largest increase in net position include the water and sewer funds, resulting in over 37% of the increase in net position. As the result of significant prepaid assessments for development, the G.O. industrial park bonds of 2019A realized 21% of the net position increase.
- ◆ As of the close of the current fiscal year, the City of St. Joseph's governmental funds reported combined ending fund balances of \$19,207,793, an increase of \$2,492,000. Of this amount \$2,151,452 is unassigned for spending at the City's discretion. The remaining balance of \$17,056,341 is set aside for specific future expenditures. The largest contributors for the increase in fund balance include the general fund, 2019A G.O. industrial park bonds and the state collected sales tax fund. The general fund contains budgeted reserves included in the 5-year capital planning. The industrial park bonds collected prepaid assessments of \$885,735. The state collected sales tax fund also resulted in an increase in fund balance by \$713,256 with half cent sales tax collections. 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 \$2,155,118 or 45% of the total 2024 general fund expenditure budget. The city's goal is 4-6 months of the following year expenditure budget; 2023 ended at 5.5 months working capital.
- ◆ The City of St. Joseph's total long-term bonded debt decreased by \$150,771 during the current fiscal year. The City had two debts paid in full and issued one new debt for two projects including the 2023 street improvements and general capital equipment.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents information on all of the City of St. Joseph's assets and deferred outflows of resources and liabilities, and deferred inflows of resources with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of St. Joseph is improving or deteriorating.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements. (Continued) The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the government-wide financial statements distinguish functions of the City of St. Joseph that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of St. Joseph include general government, public safety, public works, economic development, culture and recreation, and interest on long-term debt. The business-type activities of the City of St. Joseph include water, sanitary sewer, refuse, storm water and street light utility services.

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

The government-wide financial statements can be found on pages 24-27 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of St. Joseph, like other state and local governments, utilize fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of St. Joseph can be divided into one of the following two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of St. Joseph maintains thirty-eight 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, 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.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds. (Continued) 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 33 to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 28-33 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sanitary sewer, refuse, storm water and street light utility, all of which are considered to be major funds of the City of St. Joseph. The basic proprietary fund financial statements can be found on pages 34-41 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-79 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 96-113 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of St. Joseph, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49,372,809 at the close of the most recent fiscal year.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 22,721,633	\$ 21,494,469	\$ 6,589,954	\$ 5,622,221	\$ 29,311,587	\$ 27,116,690
Capital assets, net	19,782,790	19,029,339	32,842,962	33,426,247	52,625,752	52,455,586
Total assets	<u>42,504,423</u>	<u>40,523,808</u>	<u>39,432,916</u>	<u>39,048,468</u>	<u>81,937,339</u>	<u>79,572,276</u>
Deferred Outflows of Resources						
Deferred outflows of resources related to pensions	2,145,697	2,399,691	89,309	114,232	2,235,006	2,513,923
Total deferred outflows	<u>2,145,697</u>	<u>2,399,691</u>	<u>89,309</u>	<u>114,232</u>	<u>2,235,006</u>	<u>2,513,923</u>
Liabilities						
Current liabilities	2,736,079	1,332,697	3,761,834	1,708,522	6,497,913	3,041,219
Long-term liabilities	21,578,033	24,705,062	4,566,229	7,619,837	26,144,262	32,324,899
Total liabilities	<u>24,314,112</u>	<u>26,037,759</u>	<u>8,328,063</u>	<u>9,328,359</u>	<u>32,642,175</u>	<u>35,366,118</u>
Deferred Inflows of Resources						
Deferred inflows of resources related to debt	7,385	9,515	13,737	14,623	21,122	24,138
Deferred inflows of resources related to leases	10,363	12,402	93,270	111,618	103,633	124,020
Deferred inflows of resources related to pensions	1,947,790	91,807	84,816	4,976	2,032,606	96,783
Total deferred inflows	<u>1,965,538</u>	<u>113,724</u>	<u>191,823</u>	<u>131,217</u>	<u>2,157,361</u>	<u>244,941</u>
Net Position						
Net investment in capital assets	8,580,885	8,714,573	26,835,351	26,286,102	32,761,380	32,233,696
Restricted	9,252,237	7,535,929	-	-	9,252,237	7,535,929
Unrestricted	536,998	521,514	4,166,988	3,417,022	7,358,842	6,705,515
Total net position	<u>\$ 18,370,120</u>	<u>\$ 16,772,016</u>	<u>\$ 31,002,339</u>	<u>\$ 29,703,124</u>	<u>\$ 49,372,459</u>	<u>\$ 46,475,140</u>

**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 (19%) 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 \$7,145,255, or a surplus of \$4,490,399 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 \$1,598,454. The City's investment in capital assets, net related debt decreased \$133,688. Restricted net position increased \$1,930,245. The unrestricted net position resulted in a net position of \$323,411, a decrease of \$198,103 from last year. As a liquidity indicator, the cash and investment position increased 12% in 2023. The main increase is from unspent 2022A bond proceeds and donations for the St. Joseph Community Center/YMCA. The proceeds will cover costs of the St. Joseph Community Center/YMCA in 2024 and 2025. The bonded debt increased in 2023 by \$559,225 with the 2023A bond issue. The City paid off two debts in 2023, one of which was an early defeasance. The amount paid off is less than the 2023A bond issue. In addition, GASB requires investments to be marked to current market value in the reporting year. In 2023, the market adjustment was positive and resulted in positive interest earnings of \$835,803 in the governmental activities. Interest earnings is reported as unrestricted net position.

Business-Type Activities. There was a 4% increase in the total net position for the business-type activities. The increase is due to paying down bonds and notes, and decrease in net pension liabilities. In addition, charges for services increases with utility rates to cover operational costs plus adding seed money for future capital asset additions and replacements. 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 \$374,152. The sewer fund received \$1,449,288 in December 2022 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 reimbursement is shown as unearned revenue until the City of Foley connects to the St Cloud wastewater facility in 2024. Short-term note liabilities increased in the sewer fund. The increase represents the portion of debt the City of Foley will assume in 2024 that will reduce the sewer rights intangible asset and note payable the City of St. Joseph recognizes by \$775,967.

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)

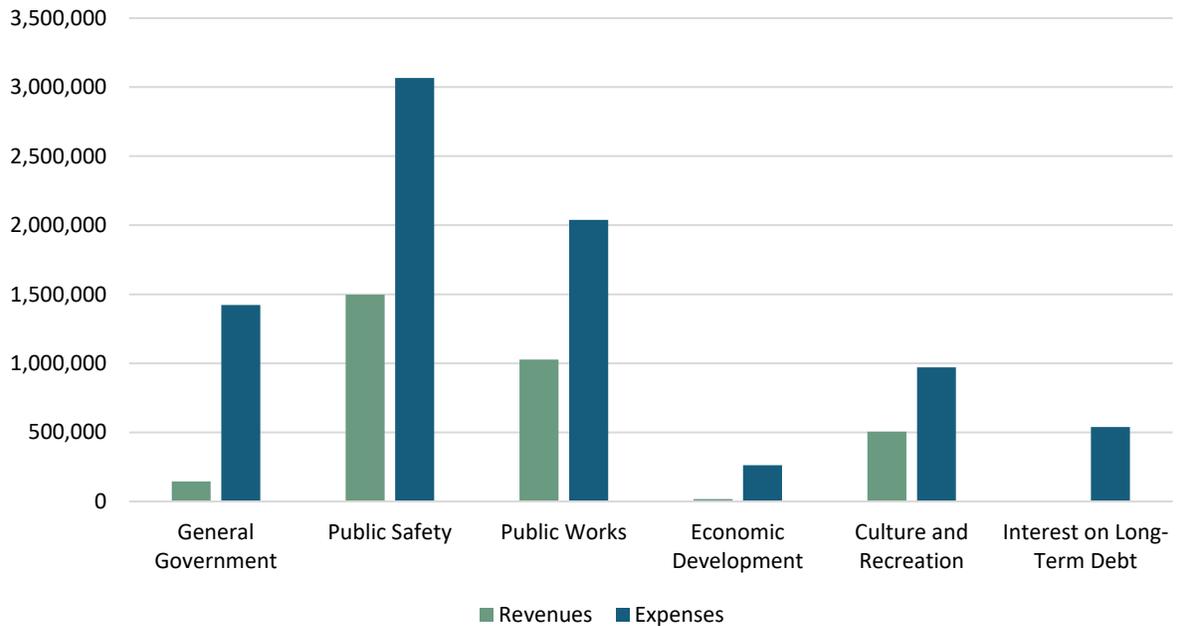
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues						
Charges for services	\$ 1,066,896	\$ 732,955	\$ 3,882,584	\$ 3,654,802	\$ 4,949,480	\$ 4,387,757
Operating grants and contributions	232,992	233,771	13,347	26,677	246,339	260,448
Capital grants and contributions	1,892,026	1,220,598	76,604	205,309	1,968,630	1,425,907
General Revenues						
Property taxes	3,735,238	3,290,248	10	10	3,735,248	3,290,258
Tax increments	151,076	151,291	-	-	151,076	151,291
Sales taxes	658,268	649,225	-	-	658,268	649,225
Franchise fees	140,406	140,259	-	-	140,406	140,259
Lodging taxes	14,790	15,757	-	-	14,790	15,757
Miscellaneous taxes	1,520	731	-	-	1,520	731
State aids	1,245,680	1,252,968	-	-	1,245,680	1,252,968
Unrestricted investment earnings	835,803	(354,466)	255,767	(104,018)	1,091,570	(458,484)
Gain on disposal of assets	122,933	35,012	-	-	122,933	35,012
Total revenues	10,097,628	7,368,349	4,228,312	3,782,780	14,325,940	11,151,129
Expenses						
General government	1,422,664	1,203,531	-	-	1,422,664	1,203,531
Public safety	3,065,878	2,528,353	-	-	3,065,878	2,528,353
Public works	2,037,985	1,590,794	-	-	2,037,985	1,590,794
Economic development	262,480	271,353	-	-	262,480	271,353
Culture and recreation	970,849	843,718	-	-	970,849	843,718
Interest on long-term debt	538,951	500,353	-	-	538,951	500,353
Water	-	-	1,209,855	1,085,920	1,209,855	1,085,920
Sanitary sewer	-	-	1,191,012	1,221,130	1,191,012	1,221,130
Refuse	-	-	407,822	391,013	407,822	391,013
Storm water	-	-	244,682	215,283	244,682	215,283
Street light utility	-	-	76,093	69,142	76,093	69,142
Total expenses	8,298,807	6,938,102	3,129,464	2,982,488	11,428,271	9,920,590
Increase (decrease) in net position before transfers	1,798,821	430,247	1,098,848	800,292	2,897,669	1,230,539
Transfers	(200,367)	57,456	200,367	(57,456)	-	-
Change in net position	1,598,454	487,703	1,299,215	742,836	2,897,669	1,230,539
Net Position						
Net position - beginning	16,772,016	16,284,313	29,703,124	29,029,772	46,475,140	45,314,085
Prior period adjustment	-	-	-	(69,484)	-	(69,484)
Net position - beginning restated	16,772,016	16,284,313	29,703,124	28,960,288	46,475,140	45,244,601
Net position - ending	\$ 18,370,470	\$ 16,772,016	\$ 31,002,339	\$ 29,703,124	\$ 49,372,809	\$ 46,475,140

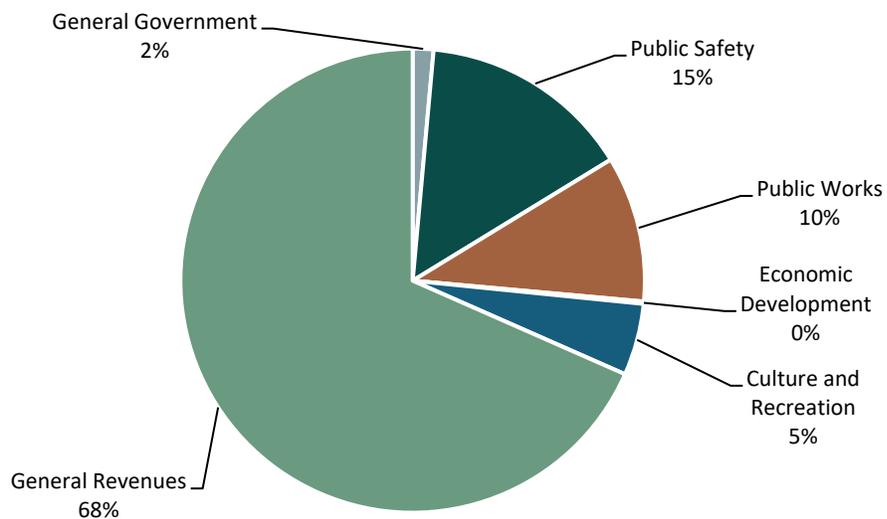
**City of St. Joseph
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

**Program Revenues and Expenses
Governmental Activities**



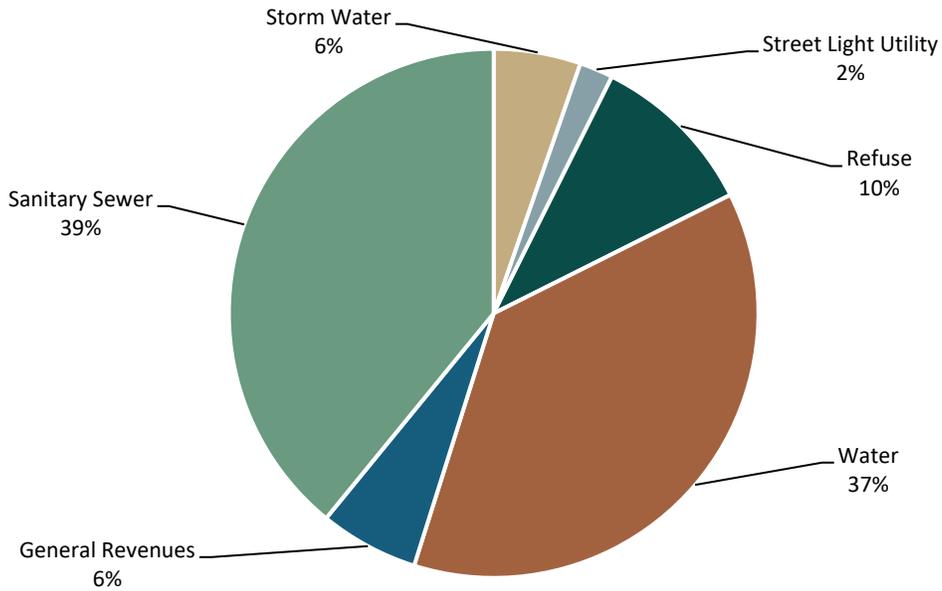
Revenues by Source - Governmental Activities



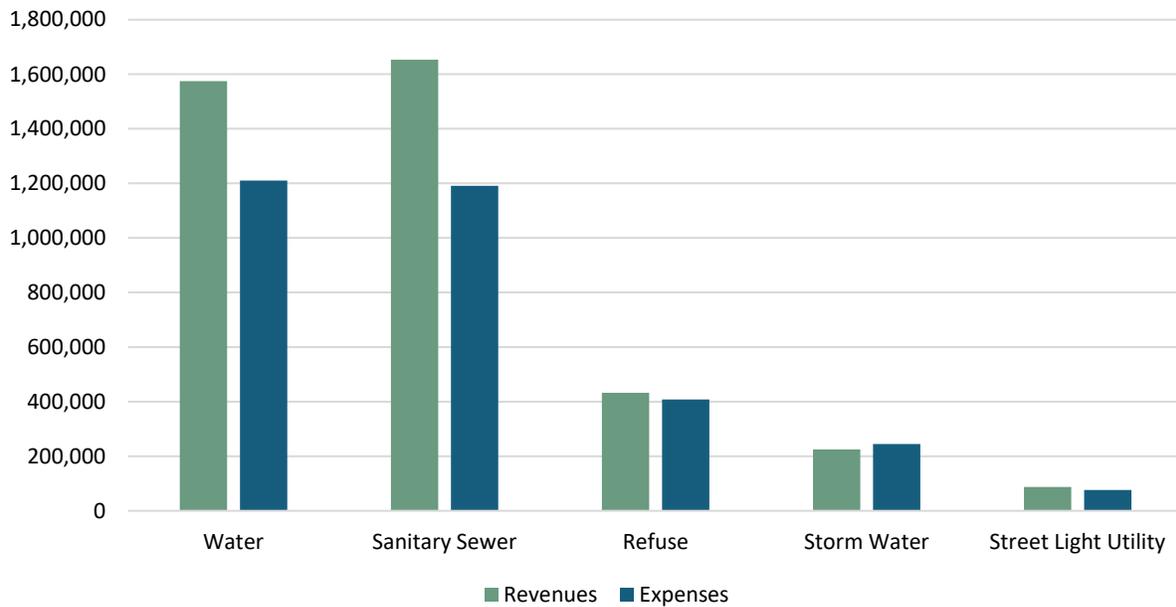
**City of St. Joseph
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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 2023, its governmental funds reported a combined fund balance of \$19,207,793, an increase of \$2,492,000 from 2022. Revenues for the City's governmental funds were \$10,509,374, while expenditures were \$10,579,366. The excess of expenditures over revenues is largely attributed to construction costs relating to the street improvements and the purchase of a pumper/tanker fire truck. The capital costs are paid mainly from debt 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 2023A bond proceeds. By removing the 2023 construction fund and 2022 pumper/tanker truck fund, governmental revenues exceeded expenditures by \$1,158,389. The major funds will be discussed further below. Other governmental non-major funds ended the year with a \$820,463 increase in fund balances, and a decrease of \$1,344,875 before other financing sources. A couple non-major funds to recognize are the 2019, 2020 and 2021 capital improvement funds, and state collected sales tax fund. The construction projects completed with unspent contingencies of \$1,188,728. The excess contingencies for were transferred into the corresponding bond funds, reducing the need for future debt property taxes. The state collected sales tax fund received \$658,268 in local option sales tax revenues in 2023. 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 Rivers Bend Park development and community center. Current projects expended with local option sales tax includes the St. Joseph Community Center/YMCA bonds and the Field Street bonds. The 2022 street improvement project completed most of the remaining construction costs in 2023 resulting in a reduction of fund balance of \$355,811 in the construction fund.

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 \$2,155,118, an increase of \$590,991. 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 46% (5.5 months) working capital and 41% (4.9 months) compared to the budgeted 2023 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 interest earnings and grants, higher than anticipated building and development fees. General fund revenues exceeded budgeted amounts by \$1,085,471. The largest variance came from intergovernmental revenues licensing and permitting revenues. Development and building permit fees are budgeted conservatively. In 2023, the city issued 693 building permits. In a typical year, the city issues about 350 commercial and residential permits. The city experienced a hailstorm in spring 2022 resulting in several re-shingling and re-siding permits. Development was also better than anticipated with new commercial and multi-family permits. Investment income shows unrealized gains on investments held to maturity and interest earnings of \$167,233, over budget of \$137,233. The Minnesota State Legislature distributed an unbudgeted one-time public safety aid in the amount of \$312,930 to be spent on public safety expenditures.

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

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

General Fund (Continued)

General fund expenditures were over budget by \$439,690. The City of St. Joseph established a five-year capital plan where funds were set aside each year for future purchases. The capital outlay expenditures will report over or under budget each year depending upon when capital equipment is purchased. In 2023 total capital outlay reported over-spent by \$147,744. In 2023, the City of St Joseph spent 25% of the ARPA grant and a FEMA grant for various capital projects. The St. Joseph Park Board was successful in receiving a Minnesota Twins grant to assist upgrading the Millstream softball fields.

General government current expenditures reported over budget by \$90,149. There was staff turnover in this category in 2022 with the City Administrator resigning. An interim City Administrator was hired in October 2022 until April 2023 when a new City Administrator was hired. Public safety expenditures reported under-budget by \$169,541. As staffing policies were reviewed, the addition of a full-time Patrol Officer was added in March 2023, but was budgeted for full year. Also, health insurance is budgeted as family city contributions, half of the officers opt for single coverage. The excess budget is transferred into the retirement reserve account. The culture and recreation category had the largest amount over budget of \$301,988. A large portion of the excess expenditures includes roof repairs to various government buildings due to hail damage from the May 2022 storm. The City of St. Joseph received insurance reimbursements for the roof replacements.

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

	December 31, 2023	December 31, 2022	Increase (Decrease)	Percent Change
Revenues				
Taxes and franchise fees	\$ 2,651,858	\$ 2,243,201	\$ 408,657	18%
Special assessment	31,864	4,891	26,973	551%
Licenses and permits	437,341	307,357	129,984	42%
Intergovernmental	2,021,446	1,883,220	138,226	7%
Charges for services	66,130	53,057	13,073	25%
Fines and forfeitures	121,477	78,924	42,553	54%
Miscellaneous	252,270	(32,465)	284,735	-877%
Total General Fund revenue	\$ 5,582,386	\$ 4,538,185	\$ 1,044,201	23%
Expenditures				
General government	\$ 1,285,126	\$ 1,159,390	\$ 125,736	11%
Public safety	2,131,389	2,004,358	127,031	6%
Public works	882,705	827,687	55,018	7%
Culture and recreation	860,980	575,063	285,917	50%
Total General Fund expenditures	\$ 5,160,200	\$ 4,566,498	\$ 593,702	13%

**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

The general fund budget did not change in 2023. A description of the budget to actual variances were described on the previous two pages.

- ◆ Actual revenues were \$1,085,471 more than budgeted.
- ◆ Actual expenditures were \$439,690 more than budget.
- ◆ After other financing sources and uses, the general fund budgeted a \$102,110 reduction in the fund balance. The actual results were better than budgeted projections with a \$590,991 positive change in fund balance.

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 \$714,648 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 2023, the water fund's net position increased \$457,530. Before transfers and capital contributions, the operating income reported a \$225,695 surplus. The change in net position includes depreciation of \$454,912. The water operating revenues are covering 100% of the depreciation. Bonded debt payments in the water fund totaled \$585,239. Debt payments are covered by water rates, water connection and trunk fees, and transfers from the sewer fund. Water rates have been incrementally increased over the past few years to cover operational costs as well as water related debt. The current rates are sufficient for the water fund operations and debt costs. Water revenues are set aside for future improvements such as required maintenance on the current water tower and adding a second water tower to the utility system. Water connections can dip in down economic times. Having water reserves can level rate adjustments and help weather difficult economic times. Connections in 2023 were up with new development. Starting in 2021, city council approved converting the mechanically read water meters to cellular read meters. The project is covered through water rates and will continue for the next couple years until all converted. 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 2023, the sanitary sewer fund's net position increased \$392,147 and realized \$318,860 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 notes are paid with reserved Sewer Access Charges (SAC), trunk fees and sewer usage rates. The development fees through 2023 assisted in covering debt costs. Rate increases are average increase (1-3%) to cover operational and non-operational costs as well as the five-year capital improvement plan. Rates are reviewed annually as part of the budget adoption. The City of Foley purchased sewer treatment capacity from St. Joseph in 2022. The City of Foley will connect to the St. Cloud wastewater treatment facility in 2024 when they will take over \$775,967 in notes payables from the City of St. Joseph.

**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 2023 with a net position of \$252,728, an increase of \$33,238. The city council approved increases in user fees to cover contracted services. The compost contract is renewed annually with C&L Excavating. Part of the five-year capital plan, the City of St. Joseph will explore locations for a future city-run compost site. Compost permits are covering annual seed funds to be able to open the site. The City of St. Joseph extended the refuse and recycling bid with Republic Services. Republic Services has provided the refuse and recycling services in the city for many years and is able to accommodate a spring and fall city-wide cleanup. Service fees increased with the contract and passed onto the user fees.

Storm Water Enterprise Fund

The storm water fund is used to account for the operations of the city's storm water utility as mandated by the State of Minnesota. In 2023, the storm water fund's net position increased \$173,706; a decrease of \$266 before capital contributions and transfers. The storm water fund realized an operating loss of \$27,182, covering 84% depreciation. In 2018 the city council opted to reduce the storm water usage rates by half in order to accommodate increases in other utilities. When adding nonoperating revenues the storm water fund realized a loss of just \$266. Nominal increases are expected in the future to continue covering operating and nonoperating costs. In addition, the storm water fund received \$209,328 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, 2023, the street light utility fund's change in net position increased \$16,157, and an operating income of \$11,004. 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 \$124,416 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, 2023, amounts to \$52,625,752 (net of accumulated depreciation), an increase of \$70,166. 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 increased \$1,090,016. 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 \$527,684 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 58 of this report. Total depreciation expense for 2023 was \$2,953,404.

Long-Term Liabilities

Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 762,197	\$ 762,197	\$ 377,882	\$ 377,882	\$ 1,140,079	\$ 1,140,079
Easements	331,093	331,093	67,915	67,915	399,008	399,008
Construction in progress	2,091,427	1,329,872	516,009	187,548	2,607,436	1,517,420
Improvements	1,485,284	1,411,545	315,193	289,760	1,800,477	1,701,305
Infrastructure	27,912,714	27,912,714	-	-	27,912,714	27,912,714
Buildings	7,421,043	7,299,059	8,797,686	8,797,686	16,218,729	16,096,745
Intangible assets	200,000	200,000	-	-	200,000	200,000
Plant and lines	-	-	28,511,969	28,460,768	28,511,969	28,460,768
Sewer rights	-	-	10,977,565	10,977,565	10,977,565	10,977,565
Machinery and equipment	5,922,607	4,668,429	1,310,028	1,150,595	7,232,635	5,819,024
Less: accumulated depreciation	(26,343,575)	(24,885,570)	(18,031,285)	(16,883,472)	(44,374,860)	(41,769,042)
Total net capital assets	\$ 19,782,790	\$ 19,029,339	\$ 32,842,962	\$ 33,426,247	\$ 52,625,752	\$ 52,455,586

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 \$30,052,858 as of December 31, 2023, a decrease of \$2,272,041.

The City of St. Joseph issued one debt (two parts) and paid two debts in full. The debt issuance amount was less than the amounts defeased. The bonds and notes liabilities decreased \$3,416,366. The 2023A bonds totaled \$2,370,000 while amount paid in 2023 amounted to \$2,797,538. Of the debts paid in full, the 2017B G.O. improvement bonds were defeased early saving \$10,200 in future interest payments. The call date on the 2017B debt was December 15, 2022.

At the end of the current fiscal year, the City of St. Joseph had total net bonded debt outstanding of \$23,601,612. Of this amount, \$21,161,138 comprises debt backed by the full faith and credit of the government. The remainder of the City of St. Joseph's debt represents bonds and notes secured by specified revenue sources (i.e., utility bonds). Other long-term debt includes compensated absences payable and net pension liabilities.

Compensated absences increased \$178,705 in 2023. The City did not have any employment terminations in 2023 and added a full-time Patrol Officer. In addition, the City Administrator was hired in April bringing the number of full-time employment to 30 employees, one more than 2022. Employees added to their accrual balances. The city council settled the two bargaining agreements that began in 2023. After commissioning a compensation study, wages increased 4-8% with the settlement. The cost of the compensate absences accruals increased with the wage increases.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities (Continued)

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 2023, the net pension liability decreased \$1,877,437.

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

Outstanding Long-Term Liabilities

	2023	2022	Increase (Decrease)	Percent Change
Governmental Activities				
General obligation bonds	\$ 4,776,046	\$ 4,753,056	\$ 22,990	0%
General obligation special assessment bonds	10,042,830	9,332,397	710,433	8%
General obligation abatement bonds	6,342,262	6,516,460	(174,198)	-3%
Compensated absences payable	635,420	479,191	156,229	33%
Net pension liability	1,827,943	3,623,958	(1,796,015)	-50%
Total governmental activities	\$ 23,624,501	\$ 24,705,062	\$ (1,080,561)	-4%
Business-Type Activities				
General obligation revenue bonds	\$ 2,440,474	\$ 3,150,470	\$ (709,996)	-23%
Notes payable	3,567,137	3,989,675	(422,538)	-11%
Compensated absences payable	152,659	130,183	22,476	17%
Net pension liability	268,087	349,509	(81,422)	-23%
Total business-type activities	\$ 6,428,357	\$ 7,619,837	\$ (1,191,480)	-16%

The City of St. Joseph issued \$1,930,000 general obligation special assessment bonds, series 2023A in fall 2023. The bonds paid for the 2023 street overlays improvements in the Northland and Northland Heights neighborhoods (includes sidewalk and storm water improvements), three Loso additions, block 11 alley (includes sewer replacement), and a portion of the 2024 Elm Street extension project.

A second part of the 2023A series bonds was issued to finance general city equipment. The equipment certificates totaled \$440,000.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities (Continued)

The City of St. Joseph maintained their long-term bond rating AA-/Stable from S&P Global on the 2023A bond issue and reaffirmed their AA-/Stable long-term rating on their previous bond ratings. The report stated St. Joseph has maintained a stable history of operational performance, as the City maintains a very strong reserve and liquidity, and which is believed has positioned the City well to hold steady during uncertain economic times. Historically, the City has consistently maintained reserves at a level above its fund balance policy of four-to-six months of expenditures, which S&P Global believe provides financial flexibility in times of stress. S&P Global's assessment reflects the City's access to a broad and diverse MSA population, strong financial management, adequate budget performance, very strong budgetary flexibility, and very strong liquidity. The debt and contingent liabilities of the City were rated weak with high debt service fixed costs, but rapid amortization, with 84.4% of debt scheduled to be retired in ten 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 \$18,411,519 which significantly exceeds the outstanding pure general obligation debt of \$5,090,000.

Additional information on the City's long-term liabilities can be found in Note 7 beginning on page 58 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The past few years have been exciting in the City of St. Joseph after several years of contracting economies from the 2008 Great Recession. After several years of declining market values and slow development, the City's taxable market value increased 43% the past five years, 17% in 2023 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 and additional CRF funding on \$145,164 from Stearns County. The City of St. Joseph used the CARES funds to add necessary equipment to improve public health and safety and provided grants to small businesses negatively impacted by COVID-19.

In 2022, The President signed the American Rescue Plan Act (ARPA) where direct funding to municipalities was available. The City of St. Joseph received \$803,334 between 2021 and 2022. As of December 31, 2023, the City of St. Joseph spent \$652,387 grant dollars on the main server upgrades, finance software, surveillance cameras, technology updates, body cameras, policy radar and cellular water meters. The City has until December 31, 2024, to spend the remaining ARPA grant dollars.

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

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

In 2023, five new single-family home permits were issued, a 51-unit multi-family apartment began construction, and new commercial construction permits issued for Goodin Companies, Granite City Gymnastics and Hiltner Builders. In addition, 75 commercial remodel and improvement projects, and 609 residential improvement permits were issued in 2023. An average year sees around 350 building permits issued; 2023 was unusually high for new construction and repairs due to a spring 2022 hailstorm. College & Minnesota LLC developer purchased a vacant two-story downtown historic building and remodeled into ground-level commercial retail space with an above level residential unit. Hudson & Company who leases the retail space opened in 2021. 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 and another is home to Kensington Bank in St. Joseph. College & Minnesota, LLC is currently remodeling the old pharmacy. Other developers have remodeled both indoor and outdoor spaces in the downtown making it a destination location for visitors. In the past three years, new construction as well as remodels/additions and repairs added over \$68 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.

As stated, single-family residential construction included five new homes built in 2023. 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 constructed seven single-family patio homes in their first phase of development. The first phase includes ten detached patio home lots. 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 first 51-unit apartment construction began in 2023 and an addition 50-unit apartment is planned either late 2024 or early 2025. 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. City council set a priority to work with developers to expand the available residential lots.

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

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

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 2022, the first development began with on a 10-acre parcel for Trobec's commercial and school bussing. In 2023, construction began on a 15-acre parcel for Goodin Company. Granite City Gymnastics and Hiltner Builders constructed facilities in 2023 on one acre lots. In 2024, three businesses will start construction on new industrial facilities. The unspent contingency of \$227,849 from the industrial park expansion project was transferred into the 2019A industrial park bonds. The funds will reduce the special assessment balance to reimburse the costs to expand Fir Street East constructed by CLC Partners.

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 2024. 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 2023, the capital campaign raised over \$2M in pledges. The City of St. Joseph also contracted with HMA Architect for design and bidding, W. Gohman Construction as construction management, and S.E.H. for civil engineering.. The St Joseph Community Center/YMCA 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 2025.

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. Bo Diddle's added outdoor seating and remodeled their restaurant. Tacoholics moved into a vacant restaurant site in the heart of downtown. St. Joseph Health and Wellness Center expanded their operations to offer physical health and emotional wellness. Gifted retail shop is opening in a remodeled office space in 2024. An old gas station was demolished in 2022 and sold to a couple that was approved to build a restaurant space. 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. Obbink purchased additional property to store barrels. 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.

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

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

In 2018, the City of Foley began negotiating with the City of St. Cloud and area cities to connect to the St. Cloud wastewater treatment facility. The sewer use agreement includes the contracted area cities of St. Joseph, St. Cloud, St. Augusta, Waite Park, Sartell, and Sauk Rapids. The area cities agreed to amending the sewer use agreement and pooled capacity to allow the City of Foley to join. As a new user, the City of Foley reimbursed the cities selling their pooled capacity and take over future debt payments for their new portion of the treatment facility. 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. Beginning in 2024, 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. 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.

The City of St. Joseph was awarded Minnesota DNR and LCCMR grants in the amounts of \$250,385 and \$700,000, respectively, for the first phase development of Rivers Bend Park. The first phase will consist of paved parking, paved and natural trails, canoe/kayak landing improvements, handicap dock, trees and plantings. City council also approved \$300,000 of city funds from the St. Cloud Area local option sales tax funds. Construction begins summer 2024 with completion in summer 2025.

The Minnesota Legislature approved legislation for the City of St. Joseph to hold a referendum for a half cent sales tax for the second phase of the community center and future phases of the 92-acre Rivers Bend Park. The referendum must be held during a general election.

With a busy year completed, 2024 is expected to be eventful as well.

REQUESTS FOR INFORMATION

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



CITY OF ST. JOSEPH

BASIC FINANCIAL STATEMENTS

City of St. Joseph
Statement of Net Position
December 31, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 19,043,793	\$ 5,875,766	\$ 24,919,559
Property tax receivable	13,766	4	13,770
Accounts receivable	36,789	515,673	552,462
Interest receivable	121,190	37,242	158,432
Due from other governments	838,739	-	838,739
Notes receivable	41,824	-	41,824
Lease receivable	10,363	93,270	103,633
Special assessments receivable			
Delinquent	241	1,486	1,727
Deferred	2,473,631	35,358	2,508,989
Prepaid items	17,500	-	17,500
Inventories	-	31,155	31,155
Net pension asset	123,797	-	123,797
Capital assets not being depreciated			
Land	762,197	377,882	1,140,079
Easements	331,093	67,915	399,008
Construction in progress	2,091,427	516,009	2,607,436
Capital assets being depreciated			
Buildings	7,421,043	8,797,686	16,218,729
Infrastructure	27,912,714	-	27,912,714
Improvements	1,485,284	315,193	1,800,477
Intangible asset	200,000	-	200,000
Plant and lines	-	28,511,969	28,511,969
Machinery and equipment	5,922,607	1,310,028	7,232,635
Sewer rights	-	10,977,565	10,977,565
Less accumulated depreciation	(26,343,575)	(18,031,285)	(44,374,860)
Capital assets (net of accumulated depreciation)	<u>19,782,790</u>	<u>32,842,962</u>	<u>52,625,752</u>
Total assets	<u>42,504,423</u>	<u>39,432,916</u>	<u>81,937,339</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	<u>2,145,697</u>	<u>89,309</u>	<u>2,235,006</u>
Total assets and deferred outflows of resources	<u>\$ 44,650,120</u>	<u>\$ 39,522,225</u>	<u>\$ 84,172,345</u>

City of St. Joseph
Statement of Net Position
December 31, 2023

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	\$ 240,667	\$ 133,705	\$ 374,372
Contracts payable	82,010	2,890	84,900
Due to other governments	5,510	276,380	281,890
Salaries and benefits payable	141,053	10,958	152,011
Interest payable	60,303	24,662	84,965
Unearned revenue	160,068	1,451,111	1,611,179
Bond principal payable (net)			
Payable within one year	1,855,000	665,000	2,520,000
Payable after one year	19,306,138	1,775,474	21,081,612
Notes payable (net)			
Payable within one year	-	1,122,667	1,122,667
Payable after one year	-	2,444,470	2,444,470
Compensated absences payable			
Payable within one year	191,468	74,461	265,929
Payable after one year	443,952	78,198	522,150
Net pension liability	1,827,943	268,087	2,096,030
Total liabilities	<u>24,314,112</u>	<u>8,328,063</u>	<u>32,642,175</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	1,947,790	84,816	2,032,606
Deferred inflows of resources related to debt	7,385	13,737	21,122
Deferred inflows of resources related to leases	10,363	93,270	103,633
Total deferred inflows of resources	<u>1,965,538</u>	<u>191,823</u>	<u>2,157,361</u>
Net Position			
Net investment in capital assets	8,580,885	26,835,351	32,761,380
Restricted for			
Debt service	5,565,703	-	5,565,703
Other purposes	3,900,471	-	3,900,471
Unrestricted	323,411	4,166,988	7,145,255
Total net position	<u>18,370,470</u>	<u>31,002,339</u>	<u>49,372,809</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 44,650,120</u>	<u>\$ 39,522,225</u>	<u>\$ 84,172,345</u>



CITY OF ST. JOSEPH

City of St. Joseph
Statement of Activities
Year Ended December 31, 2023

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	\$ 1,422,664	\$ 144,215	\$ 1,161	\$ -	\$ (1,277,288)	\$ -	\$ (1,277,288)
Public safety	3,065,878	710,288	228,805	557,920	(1,568,865)	-	(1,568,865)
Public works	2,037,985	159,421	-	867,738	(1,010,826)	-	(1,010,826)
Economic development	262,480	16,516	-	-	(245,964)	-	(245,964)
Culture and recreation	970,849	36,456	3,026	466,368	(464,999)	-	(464,999)
Interest on long-term debt	538,951	-	-	-	(538,951)	-	(538,951)
Total governmental activities	<u>8,298,807</u>	<u>1,066,896</u>	<u>232,992</u>	<u>1,892,026</u>	<u>(5,106,893)</u>	<u>-</u>	<u>(5,106,893)</u>
Business-type activities							
Water	1,209,855	1,531,709	5,129	37,835	-	364,818	364,818
Sanitary sewer	1,191,012	1,614,022	430	38,769	-	462,209	462,209
Refuse	407,822	432,256	307	-	-	24,741	24,741
Storm water	244,682	217,500	7,419	-	-	(19,763)	(19,763)
Street light utility	76,093	87,097	62	-	-	11,066	11,066
Total business-type activities	<u>3,129,464</u>	<u>3,882,584</u>	<u>13,347</u>	<u>76,604</u>	<u>-</u>	<u>843,071</u>	<u>843,071</u>
Total governmental and business-type activities	<u>\$ 11,428,271</u>	<u>\$ 4,949,480</u>	<u>\$ 246,339</u>	<u>\$ 1,968,630</u>	<u>(5,106,893)</u>	<u>843,071</u>	<u>(4,263,822)</u>
General revenues							
Property taxes					3,735,238	10	3,735,248
Tax increments					151,076	-	151,076
Sales taxes					658,268	-	658,268
Lodging taxes					14,790	-	14,790
Miscellaneous taxes					1,520	-	1,520
Franchise fees					140,406	-	140,406
State aids					1,245,680	-	1,245,680
Unrestricted investment earnings					835,803	255,767	1,091,570
Gain on sale of assets					122,933	-	122,933
Transfers					(200,367)	200,367	-
Total general revenues and transfers					<u>6,705,347</u>	<u>456,144</u>	<u>7,161,491</u>
Change in net position					1,598,454	1,299,215	2,897,669
Net position - beginning					16,772,016	29,703,124	46,475,140
Net position - ending					<u>\$ 18,370,470</u>	<u>\$ 31,002,339</u>	<u>\$ 49,372,809</u>

See notes to basic financial statements.

City of St. Joseph
Balance Sheet - Governmental Funds
December 31, 2023

	General Fund (101-110)	Debt Service	Capital Projects		Total Governmental Funds
		G.O. Industrial Park Bonds of 2019A (308)	Community Center/YMCA (402)	Other Governmental Funds	
Assets					
Cash and investments	\$ 4,852,515	\$ 947,185	\$ 6,348,850	\$ 7,307,035	\$ 19,455,585
Taxes receivable - delinquent	10,250	-	-	3,516	13,766
Special assessments receivable					
Delinquent	-	-	-	241	241
Deferred	246,492	705,927	-	1,521,212	2,473,631
Accounts receivable	36,081	-	-	708	36,789
Interest receivable	24,781	5,023	-	91,386	121,190
Due from other funds	-	-	-	3,800	3,800
Due from other governments	697,732	-	-	141,007	838,739
Notes receivable	-	-	-	41,824	41,824
Lease receivable	10,363	-	-	-	10,363
Prepaid items	17,500	-	-	-	17,500
Total assets	\$ 5,895,714	\$ 1,658,135	\$ 6,348,850	\$ 9,110,729	\$ 23,013,428
Liabilities					
Accounts payable	\$ 122,624	\$ 76	\$ -	\$ 117,967	\$ 240,667
Contracts payable	-	-	-	82,010	82,010
Due to other funds	-	-	-	3,800	3,800
Due to other governments	5,510	-	-	-	5,510
Salaries and benefits payable	58,624	-	-	82,429	141,053
Unearned revenue	160,068	-	-	-	160,068
Total liabilities	346,826	76	-	286,206	633,108
Deferred Inflows of Resources					
Unavailable revenue - property taxes	10,250	-	-	3,516	13,766
Unavailable revenue - special assessments	246,492	705,927	-	1,521,453	2,473,872
Unavailable revenue - state shared taxes	674,526	-	-	-	674,526
Unavailable revenue - lease receivable	10,363	-	-	-	10,363
Total deferred inflows of resources	941,631	705,927	-	1,524,969	3,172,527
Fund Balances					
Nonspendable	17,500	-	-	-	17,500
Restricted	328,899	952,132	6,348,850	5,127,212	12,757,093
Committed	-	-	-	577,005	577,005
Assigned	2,105,740	-	-	1,599,003	3,704,743
Unassigned	2,155,118	-	-	(3,666)	2,151,452
Total fund balances	4,607,257	952,132	6,348,850	7,299,554	19,207,793
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,895,714	\$ 1,658,135	\$ 6,348,850	\$ 9,110,729	\$ 23,013,428

City of St. Joseph
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
Year Ended December 31, 2023

Total fund balances - governmental funds	\$ 19,207,793
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	46,126,365
Less accumulated depreciation/amortization	(26,343,575)
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	(21,161,138)
Deferred charges on refunding	(7,385)
Compensated absences payable	(635,420)
Net pension liability	(1,827,943)
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	13,766
Special assessments	241
Other long-term assets are not available to pay for current expenditures and, therefore, are deferred in the funds.	
Deferred special assessments	2,473,631
MSA Receivable	674,526
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred inflows of resources related to pensions	(1,947,790)
Deferred outflows of resources related to pensions	2,145,697
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	123,797
The water access capital project fund is proprietary in nature and, therefore, included in the business-type activities in the Statement of Net Position.	
	(374,041)
The sewer access capital project fund is proprietary in nature and, therefore, included in the business-type activities in the Statement of Net Position.	
	(37,751)
Governmental funds do not report a liability for accrued interest due and payable.	
	<u>(60,303)</u>
Total net position - governmental activities	<u>\$ 18,370,470</u>

City of St. Joseph
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2023

	General Fund (101-110)	Debt Service	Capital Projects
		G.O. Industrial Park Bonds of 2019A (308)	Community Center/YMCA (402)
Revenues			
Property taxes	\$ 2,509,932	\$ -	\$ -
Tax increments	-	-	-
Sales taxes	-	-	-
Lodging taxes	-	-	-
Miscellaneous taxes	1,520	-	-
Special assessments	31,864	885,735	-
Franchise fees	140,406	-	-
Licenses and permits	437,341	-	-
Intergovernmental	2,021,446	-	-
Charges for services	66,130	-	-
Fines and forfeitures	121,477	-	-
Miscellaneous			
Investment income	167,233	34,494	51
Contributions and donations	5,623	-	224,300
Revolving loan repayments	-	-	-
Other	79,414	-	-
Total revenues	<u>5,582,386</u>	<u>920,229</u>	<u>224,351</u>
Expenditures			
Current			
General government	1,200,119	-	-
Public safety	2,023,784	-	-
Public works	745,955	-	-
Culture and recreation	733,263	-	-
Economic development	-	-	-
Debt service			
Principal	-	220,000	-
Interest and other charges	-	71,275	-
Capital outlay			
General government	85,007	-	-
Public safety	107,605	-	-
Public works	136,750	608	-
Culture and recreation	127,717	-	-
Total expenditures	<u>5,160,200</u>	<u>291,883</u>	<u>-</u>
Excess of revenues over (under) expenditures	422,186	628,346	224,351
Other Financing Sources (Uses)			
Insurance recoveries	157,278	-	-
Sale of property	126,459	-	-
Bonds issued	-	-	-
Bond premium	-	-	-
Transfers in	24,068	227,849	-
Transfers out	(139,000)	-	-
Total other financing sources (uses)	<u>168,805</u>	<u>227,849</u>	<u>-</u>
Net change in fund balances	590,991	856,195	224,351
Fund Balances			
Beginning of year	<u>4,016,266</u>	<u>95,937</u>	<u>6,124,499</u>
End of year	<u>\$ 4,607,257</u>	<u>\$ 952,132</u>	<u>\$ 6,348,850</u>

See notes to basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 1,227,606	\$ 3,737,538
151,076	151,076
658,268	658,268
14,790	14,790
-	1,520
400,422	1,318,021
-	140,406
-	437,341
114,159	2,135,605
562,854	628,984
-	121,477
629,353	831,131
4,058	233,981
1,460	1,460
18,362	97,776
<u>3,782,408</u>	<u>10,509,374</u>
-	1,200,119
386,773	2,410,557
-	745,955
4,827	738,090
260,336	260,336
1,515,000	1,735,000
729,109	800,384
-	85,007
713,188	820,793
1,221,644	1,359,002
296,406	424,123
<u>5,127,283</u>	<u>10,579,366</u>
(1,344,875)	(69,992)
-	157,278
3,904	130,363
2,370,000	2,370,000
127,025	127,025
2,004,219	2,256,136
(2,339,810)	(2,478,810)
<u>2,165,338</u>	<u>2,561,992</u>
820,463	2,492,000
<u>6,479,091</u>	<u>16,715,793</u>
<u>\$ 7,299,554</u>	<u>\$ 19,207,793</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, 2023

Total net change in fund balances - governmental funds \$ 2,492,000

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	2,602,914
Capital contributions	224,300
Depreciation expense	(1,768,640)
Disposal of capital assets	(7,430)
Transferred to proprietary funds	(297,693)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in net position in the Statement of Activities. 1,735,000

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	56,503
Amortization of bond discounts, premiums and deferred charges	204,930

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. (2,370,000)

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. (127,025)

Compensated absence payments are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (156,229)

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	(725)
Delinquent property taxes	(2,300)

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	(848,492)
MSA receivable	286,257

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	(389,598)
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The water access capital project fund is proprietary in nature and, therefore, is reported with business-type activities. (11,200)

The sewer access capital project fund is proprietary in nature and, therefore, is reported with business-type activities. (24,118)

Change in net position - governmental activities \$ 1,598,454

City of St. Joseph
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2023

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 2,501,921	\$ 2,509,932	\$ 8,011
Miscellaneous taxes	1,000	1,520	520
Special assessments	3,100	31,864	28,764
Franchise fees	139,215	140,406	1,191
Licenses and permits	189,455	437,341	247,886
Intergovernmental	1,469,519	2,021,446	551,927
Charges for services	45,855	66,130	20,275
Fines and forfeitures	71,000	121,477	50,477
Miscellaneous revenues			
Investment income	30,000	167,233	137,233
Contributions and donations	1,350	5,623	4,273
Other	44,500	79,414	34,914
Total revenues	<u>4,496,915</u>	<u>5,582,386</u>	<u>1,085,471</u>
Expenditures			
Current			
General government	1,109,970	1,200,119	90,149
Public safety	2,193,325	2,023,784	(169,541)
Public works	676,605	745,955	69,350
Culture and recreation	431,275	733,263	301,988
Capital outlay			
General government	63,880	85,007	21,127
Public safety	124,005	107,605	(16,400)
Public works	95,000	136,750	41,750
Culture and recreation	26,450	127,717	101,267
Total expenditures	<u>4,720,510</u>	<u>5,160,200</u>	<u>439,690</u>
Excess of revenues over (under) expenditures	(223,595)	422,186	645,781
Other Financing Sources (Uses)			
Insurance recoveries	-	157,278	157,278
Sale of property	103,500	126,459	22,959
Transfers in	17,985	24,068	6,083
Transfers out	-	(139,000)	(139,000)
Total other financing sources (uses)	<u>121,485</u>	<u>168,805</u>	<u>47,320</u>
Net change in fund balances	<u>\$ (102,110)</u>	590,991	<u>\$ 693,101</u>
Fund Balances			
Beginning of year		<u>4,016,266</u>	
End of year		<u>\$ 4,607,257</u>	

City of St. Joseph
Statement of Net Positions - Proprietary Funds
December 31, 2023

	Water (601)	Sanitary Sewer (602)	Refuse (603)	Storm Water (651)	Street Light Utility (652)	Total
Assets						
Current assets						
Cash and investments	\$ 1,542,618	\$ 3,100,101	\$ 204,616	\$ 496,728	\$ 119,911	\$ 5,463,974
Taxes receivable - delinquent	4	-	-	-	-	4
Special assessments receivable						
Delinquent	542	574	266	72	32	1,486
Deferred	25,712	140	126	9,366	14	35,358
Accounts receivable	158,469	235,653	71,096	35,852	14,603	515,673
Interest receivable	13,069	19,340	1,252	2,839	742	37,242
Lease receivable	93,270	-	-	-	-	93,270
Inventory	31,155	-	-	-	-	31,155
Total current assets	1,864,839	3,355,808	277,356	544,857	135,302	6,178,162
Noncurrent assets						
Capital assets						
Land	372,941	4,941	-	-	-	377,882
Easements	-	-	-	67,915	-	67,915
Construction in progress	71,123	170,145	-	274,741	-	516,009
Buildings	7,502,432	1,295,254	-	-	-	8,797,686
Improvements	315,193	-	-	-	-	315,193
Plants and lines	11,610,189	9,868,369	-	7,033,411	-	28,511,969
Machinery and equipment	327,897	741,332	67,998	172,801	-	1,310,028
Sewer rights	-	10,977,565	-	-	-	10,977,565
Total capital assets	20,199,775	23,057,606	67,998	7,548,868	-	50,874,247
Less accumulated depreciation	(7,783,054)	(7,953,495)	(48,379)	(2,246,357)	-	(18,031,285)
Net capital assets	12,416,721	15,104,111	19,619	5,302,511	-	32,842,962
Total noncurrent assets	12,416,721	15,104,111	19,619	5,302,511	-	32,842,962
Total assets	14,281,560	18,459,919	296,975	5,847,368	135,302	39,021,124
Deferred Outflows of Resources						
Deferred outflows of resources related to pensions	40,200	37,961	3,201	6,347	1,600	89,309
Total assets and deferred outflows of resources	\$ 14,321,760	\$ 18,497,880	\$ 300,176	\$ 5,853,715	\$ 136,902	\$ 39,110,433
Liabilities						
Current liabilities						
Accounts payable	\$ 36,782	\$ 61,771	\$ 29,125	\$ 1,402	\$ 4,625	\$ 133,705
Contracts payable	-	-	-	2,890	-	2,890
Due to other governments	1,101	271,545	3,734	-	-	276,380
Salaries and benefits payable	5,058	4,065	406	660	769	10,958
Interest payable	402	24,260	-	-	-	24,662
Unearned revenue	1,823	1,449,288	-	-	-	1,451,111
Long-term liabilities due						
Within one year	570,530	1,288,197	928	2,009	464	1,862,128
Total current liabilities	615,696	3,099,126	34,193	6,961	5,858	3,761,834
Noncurrent liabilities						
Compensated absences	72,734	72,734	1,535	4,888	768	152,659
Notes payable, net	-	3,567,137	-	-	-	3,567,137
Bonds payable, net	1,739,348	701,126	-	-	-	2,440,474
Net pension liability	120,672	113,952	9,608	19,051	4,804	268,087
Less amounts due within one year	(570,530)	(1,288,197)	(928)	(2,009)	(464)	(1,862,128)
Total noncurrent liabilities	1,362,224	3,166,752	10,215	21,930	5,108	4,566,229
Total liabilities	1,977,920	6,265,878	44,408	28,891	10,966	8,328,063
Deferred Inflows of Resources						
Deferred inflows of resources related to pensions	38,178	36,051	3,040	6,027	1,520	84,816
Deferred inflows of resources related to leases	93,270	-	-	-	-	93,270
Deferred inflows of resources related to debt	7,229	6,508	-	-	-	13,737
Total deferred inflows	138,677	42,559	3,040	6,027	1,520	191,823
Net Position						
Net investment in capital assets	10,677,373	10,835,848	19,619	5,302,511	-	26,835,351
Unrestricted	1,527,790	1,353,595	233,109	516,286	124,416	3,755,196
Total net position	12,205,163	12,189,443	252,728	5,818,797	124,416	30,590,547
Total liabilities, deferred inflows of resources, and net position	\$ 14,321,760	\$ 18,497,880	\$ 300,176	\$ 5,853,715	\$ 136,902	\$ 39,110,433

City of St. Joseph
Reconciliation of the Statement
of Net Positions - Business-Type Activities
December 31, 2023

Total net position - proprietary funds	\$ 30,590,547
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.	374,041
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>37,751</u>
Total net position - business-type activities	<u><u>\$ 31,002,339</u></u>

City of St. Joseph
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2023

	Water (601)	Sanitary Sewer (602)	Refuse (603)
Operating Revenues			
Charges for services	\$ 1,310,497	\$ 1,448,954	\$ 432,256
Operating Expenses			
Wages and salaries	248,305	176,832	27,715
Materials and supplies	162,129	30,123	3,277
Repairs and maintenance	91,125	5,955	2,000
Professional services	116,371	22,470	2,958
Insurance	21,945	12,974	-
Utilities	94,947	21,829	-
Depreciation	454,912	560,928	2,192
Contracted services	-	294,986	368,374
Equipment	437	760	-
Miscellaneous	10,543	3,237	1,306
Total operating expenses	<u>1,200,714</u>	<u>1,130,094</u>	<u>407,822</u>
Operating income (loss)	109,783	318,860	24,434
Nonoperating Revenues (Expenses)			
Investment income	89,757	132,825	8,597
Special assessments	559	416	306
Property taxes	10	-	-
Interest expense	(72,649)	(68,838)	-
Amortization of bond premium	63,508	7,920	-
Other income	34,727	964	1
Total nonoperating revenues (expenses)	<u>115,912</u>	<u>73,287</u>	<u>8,904</u>
Income (loss) before capital contributions and transfers	225,695	392,147	33,338
Capital contributions	60,703	104,121	-
Transfers in	185,000	140,000	-
Transfers out	<u>(13,868)</u>	<u>(53,002)</u>	<u>(100)</u>
Change in net position	457,530	583,266	33,238
Net Position			
Beginning of year	<u>11,747,633</u>	<u>11,606,177</u>	<u>219,490</u>
End of year	<u>\$ 12,205,163</u>	<u>\$ 12,189,443</u>	<u>\$ 252,728</u>

Storm Water (651)	Street Light Utility (652)	Total
\$ 217,500	\$ 87,097	\$ 3,496,304
43,766	17,379	513,997
130	-	195,659
14,542	4,918	118,540
16,131	724	158,654
-	-	34,919
1,042	52,789	170,607
166,732	-	1,184,764
-	-	663,360
1,949	-	3,146
390	283	15,759
<u>244,682</u>	<u>76,093</u>	<u>3,059,405</u>
(27,182)	11,004	436,899
19,497	5,091	255,767
7,417	61	8,759
-	-	10
-	-	(141,487)
-	-	71,428
2	1	35,695
<u>26,916</u>	<u>5,153</u>	<u>230,172</u>
(266)	16,157	667,071
209,328	-	374,152
-	-	325,000
<u>(35,356)</u>	<u>-</u>	<u>(102,326)</u>
173,706	16,157	1,263,897
<u>5,645,091</u>	<u>108,259</u>	<u>29,326,650</u>
<u>\$ 5,818,797</u>	<u>\$ 124,416</u>	<u>\$ 30,590,547</u>



CITY OF ST. JOSEPH

City of St. Joseph
Reconciliation of the Statement of Revenues, Expenses,
and Changes in Fund Net Position - Business-Type Activities
Year Ended December 31, 2023

Total net change in fund net position - proprietary funds	\$ 1,263,897
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.	11,200
Recognized current year activity from the sewer access capital project fund with the business-type activities.	24,118
Capital contributions from governmental activities	(297,693)
Transfers in of capital assets from governmental activities	<u>297,693</u>
Change in net position - business-type activities	<u><u>\$ 1,299,215</u></u>

City of St. Joseph
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2023

	Water (601)	Sanitary Sewer (602)	Refuse (603)
Cash Flows - Operating Activities			
Receipts from customers and users	\$ 1,303,253	\$ 1,444,022	\$ 422,359
Payments to suppliers	(511,339)	(215,341)	(375,424)
Payments to employees	(227,491)	(154,516)	(26,131)
Other miscellaneous receipts	35,462	1,656	487
Net cash flows - operating activities	<u>599,885</u>	<u>1,075,821</u>	<u>21,291</u>
Cash Flows - Noncapital Financing Activities			
Transfer from other funds	185,000	140,000	-
Transfer to other funds	(13,868)	(53,002)	(100)
Net cash flows - noncapital financing Activities	<u>171,132</u>	<u>86,998</u>	<u>(100)</u>
Cash Flows - Capital and Related Financing Activities			
Principal paid on debt	(510,000)	(552,538)	-
Interest paid on debt	(75,239)	(78,838)	-
Acquisition of capital assets	(42,349)	(155,785)	(21,582)
Net cash flows - capital and related Financing activities	<u>(627,588)</u>	<u>(787,161)</u>	<u>(21,582)</u>
Cash Flows - Investing Activities			
Interest and dividends received	86,113	119,314	8,360
Net change in cash and cash equivalents	229,542	494,972	7,969
Cash and Cash Equivalents			
Beginning of year	<u>1,313,076</u>	<u>2,605,129</u>	<u>196,647</u>
End of year	<u>\$ 1,542,618</u>	<u>\$ 3,100,101</u>	<u>\$ 204,616</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities			
Operating income (loss)	\$ 109,783	\$ 318,860	\$ 24,434
Adjustments to reconcile operating income (loss) to net cash flows - operating activities			
Depreciation expense	454,912	560,928	2,192
Pension expense	9,735	10,017	1,207
Other miscellaneous receipts	35,462	1,656	487
Accounts receivable	(7,433)	(4,932)	(9,897)
Due from other governments	1	-	-
Inventory	(31,155)	-	-
Accounts payable	17,455	33,414	991
Contracts payable	-	-	-
Due to other governmental units	(142)	143,579	1,500
Salaries payable	697	1,917	297
Compensated absences payable	10,382	10,382	80
Unearned revenue	188	-	-
Total adjustments	<u>490,102</u>	<u>756,961</u>	<u>(3,143)</u>
Net cash flows - operating activities	<u>\$ 599,885</u>	<u>\$ 1,075,821</u>	<u>\$ 21,291</u>
Non-Cash Capital and Financing Activities			
Capital asset contributions from governmental funds	\$ 23,013	\$ 65,352	\$ -
Capital asset contributions from others	37,690	38,769	-

See notes to basic financial statements.

Storm Water (651)	Street Light Utility (652)	Total
\$ 216,594	\$ 86,629	\$ 3,472,857
(30,350)	(58,982)	(1,191,436)
(40,242)	(16,031)	(464,411)
14,794	109	52,508
<u>160,796</u>	<u>11,725</u>	<u>1,869,518</u>
-	-	325,000
<u>(35,356)</u>	<u>-</u>	<u>(102,326)</u>
<u>(35,356)</u>	<u>-</u>	<u>222,674</u>
-	-	(1,062,538)
-	-	(154,077)
<u>(7,611)</u>	<u>-</u>	<u>(227,327)</u>
<u>(7,611)</u>	<u>-</u>	<u>(1,443,942)</u>
18,411	4,816	237,014
136,240	16,541	885,264
360,488	103,370	4,578,710
<u>\$ 496,728</u>	<u>\$ 119,911</u>	<u>\$ 5,463,974</u>
<u>\$ (27,182)</u>	<u>\$ 11,004</u>	<u>\$ 436,899</u>
166,732	-	1,184,764
1,777	605	23,341
14,794	109	52,508
(906)	(468)	(23,636)
-	-	1
-	-	(31,155)
944	42	52,846
2,890	-	2,890
-	(310)	144,627
155	703	3,769
1,592	40	22,476
-	-	188
<u>187,978</u>	<u>721</u>	<u>1,432,619</u>
<u>\$ 160,796</u>	<u>\$ 11,725</u>	<u>\$ 1,869,518</u>
\$ 209,328	\$ -	\$ 297,693
-	-	76,459



CITY OF ST. JOSEPH

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 2023, the City contributed \$15,851 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.

Community Center/YMCA - This fund accounts for costs associated with the St. Joseph Community Center/YMCA construction.

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. Inventory and 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 recorded as expenditures at the time of consumption. Inventory is valued at cost using the first in, first out (FIFO) method.

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. Lease Receivable

The City is a lessor for numerous noncancellable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date.

Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term in a systematic and rational manner.

Key estimates and judgments include how the City determines (1) the discount rate, (2) lease term, (3) lease receipts, and (4) amortization.

The City determines the discount rate for leases based on the applicable State and Local Government Securities (SLGS) rate. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

6. 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.

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. 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.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

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

9. 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.

10. 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 Balances - These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include amounts set aside for prepaid items.

City of St. Joseph
Notes to 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)

10. Fund Equity (Continued)

a) Classification (Continued)

- ◆ Restricted Fund Balances - 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 Balances - 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 Balances - These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City's Finance Director based on the City Council's direction.
- ◆ Unassigned Fund Balances - 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.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. 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 \$2,654,856 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 \$3,900,471 includes \$15,969 PEG Access Fees, \$72,456 for tax increment financing, \$1,461,303 in state collected sales tax restricted by enabling legislation, \$20,692 restricted for lodging tax, \$449,819 in park dedication fees, \$1,360 restricted by donors for future projects, Community Center construction \$224,300, \$56,440 DEED Funds, \$41,590 in revolving loan funds restricted for EDA projects, \$569,086 restricted for fire service, \$674,526 for unused MSA funds, \$312,930 for unused public safety aid funds, and \$6,348,850 for the Community Center project.

12. Use of Estimates

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

E. Budgetary Information

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

City of St. Joseph
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information (Continued)

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, 2023.

Nonmajor governmental funds	
Special Revenue	
TIF 2-3 Bayou Blues/Alley Flat	\$ 3,666

This deficit will be eliminated with future tax increment revenues.

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, 2023, 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, 2023, the City's deposits had a carrying value as shown as follows:

Certificates of deposits	\$ 8,897,881
Checking	84,257
Savings	<u>1,272,469</u>
Total	<u><u>\$ 10,254,607</u></u>

City of St. Joseph
Notes to Basic Financial Statements

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

As of December 31, 2023, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)	Moody's Rating
Brokered money market	\$ 431,823	N/A	N/A
Brokered bond securities	11,673,779	2.07	Aa2 to Aaa
4M Funds	2,559,150	N/A	N/A
Total	<u>\$ 14,664,752</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, 2023, the City's investments were rated as listed in the table above.

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

Concentration of Credit Risk: Investments should be diversified to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The City's investment policy states the City will attempt to diversify its investments according to type, issuer, and maturity. The portfolio, as much as possible, will contain both short-term and long-term investments. The City will attempt to match its investments with anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields. No more than 20% of the total investments should extend beyond five years and the weighted average maturity of the portfolio shall never exceed five years. As of December 31, 2023, none of the City's investments exceed 5% of the investment portfolio.

Custodial Credit Risk - Investments: 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, 2023:

- ◆ \$841,242 of investments are valued using a quoted market price (Level 1 inputs).
- ◆ \$11,722,427 of investments are valued using a matrix pricing model (Level 2 inputs).

City of St. Joseph
Notes to Basic Financial Statements

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments

The following is a summary of deposits and investments as of December 31, 2023:

Deposits (Note 3.A.)	\$ 10,254,607
Investments (Note 3.B.)	14,664,752
Petty cash	<u>200</u>
Total	<u>\$ 24,919,559</u>

Deposits and investments are presented in the December 31, 2023, basic financial statements as follows:

Statement of Net Position	
Cash and investments	<u>\$ 24,919,559</u>
Total deposits and investments	<u>\$ 24,919,559</u>

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 \$20,387 for the year ended December 31, 2023. 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, 2023, of \$103,633. 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, 2023, is as follows:

	Amounts Due to Other Funds
	Other
Amounts Due from Other Funds	Governmental Funds
Other Governmental Funds	<u>\$ 3,800</u>

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

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, 2023, is as follows:

Transfer In	Transfer Out	Description	Amount
General Fund	Other Governmental Funds	Transfer to close fund	\$ 6,082
General Fund	Water	Transfer retirement reserve funding	8,848
General Fund	Sanitary Sewer	Transfer retirement reserve funding	8,542
General Fund	Refuse	Transfer retirement reserve funding	100
Other Governmental Funds	Other Governmental Funds	Transfer for future projects	40,000
General Fund	Storm Water	Transfer retirement reserve funding	496
Other Governmental Funds	Other Governmental Funds	Transfer funds to cover negative cash	3,000
Other Governmental Funds	Other Governmental Funds	Transfer funds to start park development	300,000
Other Governmental Funds	Other Governmental Funds	Transfer to close fund	386,009
Other Governmental Funds	General Fund	Transfer reserves to bond fund	136,000
G.O. Industrial Park Bond of 2019A	Other Governmental Funds	Transfer to close fund	227,849
Other Governmental Funds	Other Governmental Funds	Transfer to close fund	574,870
Other Governmental Funds	Other Governmental Funds	Transfer Sales tax revenue committed for bond payment	5,000
Other Governmental Funds	Other Governmental Funds	Transfer for bond payment	480,000
Other Governmental Funds	Water	Transfer for bond payment	5,020
Other Governmental Funds	Sanitary Sewer	Transfer for bond payment	39,460
Other Governmental Funds	Storm Water	Transfer for bond payment	34,860
Water	Other Governmental Funds	Transfer WAC fees for debt payment	180,000
Water	Sanitary Sewer	Annual transfer for debt payments	5,000
Sanitary Sewer	Other Governmental Funds	Annual transfer for debt payments	140,000
			<u>\$ 2,581,136</u>
Total			

City of St. Joseph
Notes to Basic Financial Statements

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 762,197	\$ -	\$ -	\$ 762,197
Easements	331,093	-	-	331,093
Construction in progress	1,329,872	1,184,483	422,928	2,091,427
Total capital assets not being depreciated	<u>2,423,162</u>	<u>1,184,483</u>	<u>422,928</u>	<u>3,184,717</u>
Capital assets being depreciated				
Buildings	7,299,059	121,984	-	7,421,043
Infrastructure	27,912,714	-	-	27,912,714
Improvements	1,411,545	75,239	1,500	1,485,284
Intangible assets	200,000	-	-	200,000
Machinery and equipment	4,668,429	1,570,743	316,565	5,922,607
Total capital assets being depreciated	<u>41,491,747</u>	<u>1,767,966</u>	<u>318,065</u>	<u>42,941,648</u>
Less accumulated depreciation for				
Buildings	1,777,384	200,637	-	1,978,021
Infrastructure	18,633,114	1,169,269	-	19,802,383
Improvements	788,663	51,505	1,500	838,668
Intangible assets	60,000	10,000	-	70,000
Machinery and equipment	3,626,409	337,229	309,135	3,654,503
Total accumulated depreciation	<u>24,885,570</u>	<u>1,768,640</u>	<u>310,635</u>	<u>26,343,575</u>
Total capital assets being depreciated, net	<u>16,606,177</u>	<u>(674)</u>	<u>7,430</u>	<u>16,598,073</u>
Governmental activities capital assets, net	<u>\$ 19,029,339</u>	<u>\$ 1,183,809</u>	<u>\$ 430,358</u>	<u>\$ 19,782,790</u>

A portion of the disposed construction in progress was contributed to the business-type activities.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 377,882	\$ -	\$ -	\$ 377,882
Easements	67,915	-	-	67,915
Construction in progress	187,548	405,094	76,633	516,009
Total capital assets not being depreciated	<u>633,345</u>	<u>405,094</u>	<u>76,633</u>	<u>961,806</u>
Capital assets being depreciated				
Buildings	8,797,686	-	-	8,797,686
Improvements other than buildings	289,760	25,433	-	315,193
Plant and lines	28,460,768	51,201	-	28,511,969
Machinery and equipment	1,150,597	196,382	36,951	1,310,028
Sewer rights	10,977,565	-	-	10,977,565
Total capital assets being depreciated	<u>49,676,376</u>	<u>273,016</u>	<u>36,951</u>	<u>49,912,441</u>
Less accumulated depreciation for				
Buildings	3,252,960	214,142	-	3,467,102
Improvements other than buildings	72,440	14,488	-	86,928
Plant and lines	9,300,729	583,491	-	9,884,220
Machinery and equipment	895,988	80,648	36,951	939,685
Sewer rights	3,361,355	291,995	-	3,653,350
Total accumulated depreciation	<u>16,883,472</u>	<u>1,184,764</u>	<u>36,951</u>	<u>18,031,285</u>
Total capital assets being depreciated, net	<u>32,792,904</u>	<u>(911,748)</u>	<u>-</u>	<u>31,881,156</u>
Business-type activities capital assets, net	<u>\$ 33,426,249</u>	<u>\$ (506,654)</u>	<u>\$ 76,633</u>	<u>\$ 32,842,962</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:

Governmental activities	
General government	\$ 152,040
Public safety	204,155
Public works	1,214,627
Culture and recreation	197,600
Economic development	<u>218</u>
Total depreciation expense - governmental activities	<u><u>\$ 1,768,640</u></u>
Business-type activities	
Water	\$ 454,912
Sanitary sewer	560,928
Refuse	2,192
Storm sewer	<u>166,732</u>
Total depreciation expense - business-type activities	<u><u>\$ 1,184,764</u></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	\$ 2,975,000	\$ 200,000
G.O. Certificates of Indebtedness 2020A	03/05/20	1.45%	220,000	12/15/25	90,000	45,000
G.O. Captial Improvement Plan 2020B	11/12/20	0.40%-2.00%	690,000	12/15/33	570,000	60,000
G.O. Certificates of Indebtedness 2022A	08/30/22	4.00%	660,000	12/15/31	605,000	65,000
G.O. Certificates of Indebtedness 2023A	10/17/23	4.00%-5.00%	440,000	12/15/28	440,000	80,000
Total G.O. Bonds					<u>4,680,000</u>	<u>450,000</u>
G.O. Special Assessment Bonds						
G.O. Improvement Bonds of 2016B	11/03/16	1.00%-3.00%	740,000	12/15/32	440,000	50,000
G.O. Improvement Bonds of 2019A	09/12/19	4.00%-5.00%	3,705,000	12/15/29	2,205,000	370,000
G.O. Improvement Bonds of 2020B	11/12/20	0.40%-2.00%	625,000	12/15/31	495,000	65,000
G.O. Refunding Improvement Bonds of 2020B	11/12/20	0.40%-2.00%	190,000	12/15/24	50,000	50,000
Taxable G.O. Crossover Refunding Bonds, Series 2020C						
	11/12/20	0.40%-1.60%	1,365,000	12/01/30	1,070,000	145,000
G.O. Improvement Bonds of 2021A	09/14/21	2.00%-4.00%	3,190,000	12/15/36	2,670,000	260,000
G.O. Improvement Bonds of 2022A	08/30/22	4.00%	620,000	12/15/32	555,000	65,000
G.O. Improvement Bonds of 2023A	10/17/23	4.00%-5.00%	1,930,000	12/15/33	1,930,000	185,000
Total G.O. Special Assessment Bonds					<u>9,415,000</u>	<u>1,190,000</u>
G.O. Abatement Bonds						
G.O. Tax Abatement Bonds of 2022A	08/30/22	4.00%	6,125,000	12/15/42	5,985,000	215,000
Unamortized premiums/discounts					1,081,138	-
Compensated absences					635,770	191,616
Total long-term liabilities, governmental activities					<u>\$ 21,796,908</u>	<u>\$ 2,046,616</u>

City of St. Joseph
Notes to Basic Financial Statements

NOTE 7 - LONG-TERM DEBT (CONTINUED)

B. Components of Long-Term Liabilities (Continued)

	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 Taxable G.O. Crossover Refunding Bonds, Series 2020C	11/12/20	0.40%-2.00%	\$ 1,045,000	12/15/28	\$ 670,000	\$ 130,000
G.O. Water Revenue Refunding Bonds 2021A	11/12/20	0.40%-1.90%	445,000	12/01/32	365,000	40,000
	09/14/21	4.00%	2,185,000	12/15/28	1,285,000	495,000
Total G.O. Revenue Bonds					<u>2,320,000</u>	<u>665,000</u>
Notes from direct borrowing						
Utility Revenue Notes Payable						
City of St. Cloud SIS						
Phase 4 (2013B Bonds)	11/01/13	3.00%-4.00%	650,000	02/01/29	305,000	45,000
City of St. Cloud RUE Project PFA Loan	08/01/10	1.77%	4,527,703	08/20/30	1,817,126	618,958
City of St. Cloud Lift Station						
Improvements	08/24/16	1.00%	469,263	08/20/26	155,463	51,282
City of St. Cloud NR2 Biosolids	10/09/17	1.10%	1,744,736	08/20/37	1,289,548	407,427
Total notes from direct borrowing					<u>3,567,137</u>	<u>1,122,667</u>
Unamortized premium					120,474	-
Compensated absences					152,659	74,461
Total business-type activities					<u>6,160,270</u>	<u>1,862,128</u>
Total all long-term liabilities					<u>\$ 27,957,178</u>	<u>\$ 3,908,744</u>

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

City of St. Joseph
Notes to Basic Financial Statements

NOTE 7 - LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities				
Bonds payable				
General obligation	\$ 4,650,000	\$ 440,000	\$ 410,000	\$ 4,680,000
G.O. special assessment bonds	8,670,000	1,930,000	1,185,000	9,415,000
G.O. abatement bonds	6,125,000	-	140,000	5,985,000
Total bonds payable	<u>19,445,000</u>	<u>2,370,000</u>	<u>1,735,000</u>	<u>20,080,000</u>
Unamortized premiums/discounts	1,156,913	127,025	202,800	1,081,138
Compensated absences	479,191	443,394	286,815	635,770
Total governmental activities	<u>\$ 21,081,104</u>	<u>\$ 2,940,419</u>	<u>\$ 2,224,615</u>	<u>\$ 21,796,908</u>
Business-type activities				
Bonds payable				
G.O. utility revenue bonds	\$ 2,960,000	\$ -	\$ 640,000	\$ 2,320,000
Note from direct borrowing				
City of St. Cloud notes	3,989,675	-	422,538	3,567,137
Unamortized premiums	190,470	-	69,996	120,474
Compensated absences	130,183	81,579	59,103	152,659
Total business-type activities	<u>7,270,328</u>	<u>81,579</u>	<u>1,191,637</u>	<u>6,160,270</u>
Total long-term liabilities	<u>\$ 28,351,432</u>	<u>\$ 3,021,998</u>	<u>\$ 3,416,252</u>	<u>\$ 27,957,178</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 liquidate 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
2024	\$ 450,000	\$ 131,187	\$ 1,190,000	\$ 346,187
2025	465,000	116,295	1,150,000	288,430
2026	430,000	103,293	1,145,000	244,005
2027	440,000	91,493	1,135,000	201,305
2028	440,000	78,493	1,135,000	156,923
2029-2033	1,685,000	233,775	3,290,000	292,368
2034-2038	770,000	44,269	370,000	14,700
Total	<u>\$ 4,680,000</u>	<u>\$ 798,805</u>	<u>\$ 9,415,000</u>	<u>\$ 1,543,918</u>

Year Ended December 31,	Governmental Activities		
	Abatement Bonds		Total
	Principal	Interest	
2024	\$ 215,000	\$ 239,400	\$ 2,571,774
2025	225,000	230,800	2,475,525
2026	235,000	221,800	2,379,098
2027	245,000	212,400	2,325,198
2028	255,000	202,600	2,268,016
2029-2033	1,425,000	852,000	7,778,143
2034-2038	1,730,000	544,200	3,473,169
2039-2042	1,655,000	164,800	1,819,800
Total	<u>\$ 5,985,000</u>	<u>\$ 2,668,000</u>	<u>\$ 25,090,723</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				
	Utility Revenue Bonds		Notes From Direct Borrowing		Total
	Principal	Interest	Principal	Interest	
2024	\$ 665,000	\$ 67,540	\$ 1,122,667	\$ 45,919	\$ 1,901,126
2025	685,000	46,960	356,410	39,971	1,128,341
2026	250,000	23,460	360,919	33,811	668,190
2027	270,000	17,210	312,730	27,485	627,425
2028	280,000	10,250	322,025	21,465	633,740
2029-2033	170,000	7,845	807,500	38,858	1,024,203
2034-2037	-	-	284,886	7,840	292,726
Total	<u>\$ 2,320,000</u>	<u>\$ 173,265</u>	<u>\$ 3,567,137</u>	<u>\$ 215,349</u>	<u>\$ 6,275,751</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, 2023, the City's outstanding conduit debt balance consisted of the following:

\$21,195,000 Senior Housing and Healthcare Revenue Bonds, Series 2019A	<u>\$ 20,875,000</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.

	General	G.O. Industrial Park Bonds of 2019A	Community Center	Nonmajor Governmental Fund	Total
Nonspendable					
Prepaid items	\$ 17,500	\$ -	\$ -	\$ -	\$ 17,500
Restricted					
PEG access fees	15,969	-	-	-	15,969
Public safety aid	312,930	-	-	-	312,930
Debt service	-	952,132	-	2,454,466	3,406,598
Community Center construction	-	-	6,348,850	-	6,348,850
Tax increments	-	-	-	72,456	72,456
State collected sales tax projects	-	-	-	1,461,303	1,461,303
Park dedication fees	-	-	-	449,819	449,819
Fire services	-	-	-	569,086	569,086
Charitable gambling	-	-	-	1,360	1,360
Lodging tax	-	-	-	20,692	20,692
DEED CDAP	-	-	-	56,440	56,440
Revolving loan	-	-	-	41,590	41,590
Total restricted	<u>328,899</u>	<u>952,132</u>	<u>6,348,850</u>	<u>5,127,212</u>	<u>12,757,093</u>
Committed					
Economic development	-	-	-	553,470	553,470
Assigned					
Elections	3,643	-	-	-	3,643
Police forfeiture	54,995	-	-	-	54,995
Severance pay	393,756	-	-	-	393,756
Capital outlay reserves	1,653,346	-	-	1,599,003	3,252,349
Total assigned	<u>2,105,740</u>	<u>-</u>	<u>-</u>	<u>1,599,003</u>	<u>3,704,743</u>
Unassigned	<u>2,155,118</u>	<u>-</u>	<u>-</u>	<u>(3,666)</u>	<u>2,151,452</u>
Total	<u>\$ 4,607,257</u>	<u>\$ 952,132</u>	<u>\$ 6,348,850</u>	<u>\$ 7,276,019</u>	<u>\$ 19,184,258</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.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 9 - RISK MANAGEMENT (CONTINUED)

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

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2023 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2023, 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, 2023, was \$772,778. The components of pension expense are noted in the following plan summaries.

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

City of St. Joseph
Notes to Basic Financial Statements

NOTE 10 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided

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

General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

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 2023 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, 2023, were \$110,146. 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 2023 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, 2023, were \$174,878. 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, 2023, the City reported a liability of \$933,845 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 \$25,802.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0167% at the end of the measurement period and 0.0155% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 933,845
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>25,802</u>
Total	<u><u>\$ 959,647</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)

General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2023, the City recognized pension expense of \$184,594 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$116 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, 2023, 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	\$ 30,140	\$ 5,855
Changes in actuarial assumptions	137,707	255,959
Net difference between projected and actual investment earnings	-	33,630
Changes in proportion	88,178	-
Contributions paid to PERA subsequent to the measurement date	55,073	-
Total	\$ 311,098	\$ 295,444

The \$55,073 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, 2024. 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
2024	\$ 50,811
2025	(106,941)
2026	36,969
2027	(20,258)
Total	\$ (39,419)

**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, 2023, the City reported a liability of \$1,162,184 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0673% at the end of the measurement period and 0.0631% 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, 2023. The contribution consisted of \$9 million in direct state aid that meets 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, 2022. 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's proportionate share of the net pension liability associated with the City totaled \$46,806.

City's proportionate share of the net pension liability	\$ 1,162,184
State of Minnesota's proportionate share of the net pension liability associated with the City	46,806
Total	\$ 1,208,990

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, 2023, the City recognized pension expense of \$364,609 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$(2,819) 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 \$6,057 for the year ended December 31, 2023, 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, 2023, 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	\$ 310,189	\$ -
Changes in actuarial assumptions	1,255,605	1,632,691
Net difference between projected and actual investment earnings	-	54,429
Changes in proportion	200,514	5,328
Contributions paid to PERA subsequent to the measurement date	87,439	-
Total	\$ 1,853,747	\$ 1,692,448

The \$87,439 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, 2024. 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
2024	\$ 66,156
2025	38,894
2026	287,409
2027	(60,715)
2028	(257,884)
Total	\$ 73,860

**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 Expected Real Rate of Return</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, 2023, 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 7.0%. 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 7.0% 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 Plan and 1% for the Police and Fire Plan.

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. 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.

**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)

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 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions

- ◆ The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions

- ◆ An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- ◆ The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- ◆ The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- ◆ A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund

Changes in Actuarial Assumptions

- ◆ The investment return assumption and single discount rate were changed from 6.5% to 7.0%.
- ◆ The single discount rate changed from 5.4% to 7.0%.

Changes in Plan Provisions

- ◆ Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- ◆ Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- ◆ A one-time, non-compounding benefit increase of 3.0% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- ◆ Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- ◆ The total and permanent duty disability benefit was increased, effective July 1, 2023.

City of St. Joseph
Notes to Basic Financial Statements

NOTE 10 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0%. 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 and Police and Fire Plans 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.

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 (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's proportionate share of the General Employees Fund net pension liability	\$ 1,652,047	\$ 933,845	\$ 343,097
	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 2,305,911	\$ 1,162,184	\$ 221,887

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)

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 2023 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,258	\$ 1,258	5%	5%	5%

Defined Benefit Pension Plan - Volunteer Firefighter'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 Firefighter'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 \$70,206 made by the State of Minnesota for the Relief Association. The City also contributed \$0 to the Relief Association.

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2023, 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, 2023, 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 Firefighter'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	45.0 %	4.10 %
International equity	10.0	4.64
Fixed income	40.0	1.05
Real estate and alternatives	-	3.54
Cash and equivalents	5.0	-0.45
Total	<u>100.0 %</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, 2023	\$ 788,929	\$ 988,362	\$ (199,433)
Changes for the year			
Service cost	36,028	-	36,028
Interest cost	38,068	-	38,068
Changes of benefit terms	189,858	-	189,858
State and local contributions	-	70,206	(70,206)
Net investment income	-	130,284	(130,284)
Benefit payments	(47,041)	(47,041)	-
Administrative expense	-	(12,172)	12,172
Net changes	<u>216,913</u>	<u>141,277</u>	<u>75,636</u>
Balances at December 31, 2023	<u>\$ 1,005,842</u>	<u>\$ 1,129,639</u>	<u>\$ (123,797)</u>

City of St. Joseph
Notes to Basic Financial Statements

NOTE 10 - PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan - Volunteer Firefighter'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)	\$ (90,538)	\$ (123,797)	\$ (156,393)

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, 2023, the City recognized pension expense of \$222,317. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	\$ -	\$ 42,537
Changes of assumptions	38,748	2,176
Net difference between projected and actual earnings on pension plan investments	31,413	-
Total	\$ 70,161	\$ 44,713

City of St. Joseph
Notes to Basic Financial Statements

NOTE 10 - PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan - Volunteer Firefighter's Relief Association (Continued)

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

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

<u>Year Ending</u> <u>December 31,</u>	<u>Total</u>
2024	\$ 7,410
2025	20,787
2026	25,633
2027	(21,347)
2028	(2,852)
Therafter	<u>(4,183)</u>
 Total	 <u><u>\$ 25,448</u></u>

NOTE 11 - COMMITMENTS

The City has entered into contracts for construction as follows:

<u>Project</u>	<u>Contract</u> <u>Amount</u>	<u>Expended</u> <u>through</u> <u>12/31/23</u>	<u>Commitment</u>
2022 Street Improvements	\$ 589,678	\$ 586,985	\$ 2,693
2023 Street Improvements	892,291	807,525	84,766
Community Center Construction Manager	718,462	10,048	708,414
Community Center Design	850,000	25,500	824,500
Community Center Capital Campaign	630,000	420,000	<u>210,000</u>
 Total			 <u><u>\$ 1,830,373</u></u>

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

City of St. Joseph
Notes to Basic Financial Statements

NOTE 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, 2023, the City generated \$151,076 in tax increment revenue and made \$135,069, in payments to developers.

In addition, the City had an abatement of \$39,857 relating to a development agreement.

NOTE 13 - 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 2024 when the City of Foley connects to the sewer system and uses the system.

In May 2024, the City council approved a tax abatement agreement for the development and construction of a project. This agreement includes a tax abatement up to \$396,438 starting in 2026 with a maximum duration of nine years.



CITY OF ST. JOSEPH

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 Employee Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee 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%
2023	0.0167%	933,845	25,802	959,647	1,331,120	70.15%	83.10%

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 Employee Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee 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%
2023	0.0673%	1,162,184	46,806	1,208,990	883,531	136.84%	86.47%

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

See notes to required supplementary information.

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 Employee Payroll	Contributions as a Percentage of Covered Employee 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%
2023	110,146	110,146	-	1,468,613	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 Employee Payroll	Contributions as a Percentage of Covered Employee 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%
2023	174,878	174,878	-	988,011	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	2017	2018
Total Pension Liability (TPL)				
Service cost	\$ 20,898	\$ 25,691	\$ 25,641	\$ 27,172
Interest	29,709	35,786	33,188	32,052
Differenced between expected and actual experience	-	(29,935)	-	(35,760)
Changes of assumptions	55,033	56,691	4,299	8,441
Changes of benefit terms	31,883	-	-	-
Benefit payments, including refunds, or member contributions	(41,168)	(49,000)	(118,151)	-
Net change in total pension liability	<u>96,355</u>	<u>39,233</u>	<u>(55,023)</u>	<u>31,905</u>
Beginning of year	<u>475,033</u>	<u>571,388</u>	<u>610,621</u>	<u>555,598</u>
End of Year	<u>\$ 571,388</u>	<u>\$ 610,621</u>	<u>\$ 555,598</u>	<u>\$ 587,503</u>
Plan Fiduciary Net Pension (FNP)				
Contributions - employer	\$ 52,164	\$ 63,111	\$ 58,310	\$ 56,565
Net investment income	(41,979)	68,585	77,946	(50,418)
Benefit payments, including refunds of member contributions	(41,168)	(49,000)	(118,151)	-
Administrative expense	(8,121)	(7,724)	(8,546)	(7,582)
Net change in plan fiduciary net position	<u>(39,104)</u>	<u>74,972</u>	<u>9,559</u>	<u>(1,435)</u>
Beginning of year	<u>740,099</u>	<u>700,995</u>	<u>775,967</u>	<u>785,526</u>
End of year	<u>\$ 700,995</u>	<u>\$ 775,967</u>	<u>\$ 785,526</u>	<u>\$ 784,091</u>
Net pension liability (NPL)	<u>\$ (129,607)</u>	<u>\$ (165,346)</u>	<u>\$ (229,928)</u>	<u>\$ (196,588)</u>
Plan fiduciary net position as a percentage of the total pension liability	122.7%	127.1%	141.4%	133.5%
Covered employee payroll	n/a	n/a	n/a	n/a
Net pension liability as a percentage of covered payroll	n/a	n/a	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							
		2019	2020	2021	2022	2023			
\$	28,180	\$	30,292	\$	34,333	\$	36,598	\$	36,028
	32,323		37,109		35,949		36,789		38,068
	-		(9,251)		-		(19,521)		-
	-		15,976		-		(2,834)		-
	28,541		59,260		32,566		-		189,858
	-		-		(174,884)		-		(47,041)
	<u>89,044</u>		<u>133,386</u>		<u>(72,036)</u>		<u>51,032</u>		<u>216,913</u>
	<u>587,503</u>		<u>676,547</u>		<u>809,933</u>		<u>737,897</u>		<u>788,929</u>
\$	<u>676,547</u>	\$	<u>809,933</u>	\$	<u>737,897</u>	\$	<u>788,929</u>	\$	<u>1,005,842</u>
\$	58,653	\$	62,075	\$	63,830	\$	67,568	\$	70,206
	118,020		117,376		92,565		(165,717)		130,284
	-		-		(174,884)		-		(47,041)
	(9,020)		(8,297)		(8,951)		(8,947)		(12,172)
	<u>167,653</u>		<u>171,154</u>		<u>(27,440)</u>		<u>(107,096)</u>		<u>141,277</u>
	<u>784,091</u>		<u>951,744</u>		<u>1,122,898</u>		<u>1,095,458</u>		<u>988,362</u>
\$	<u>951,744</u>	\$	<u>1,122,898</u>	\$	<u>1,095,458</u>	\$	<u>988,362</u>	\$	<u>1,129,639</u>
\$	<u>(275,197)</u>	\$	<u>(312,965)</u>	\$	<u>(357,561)</u>	\$	<u>(199,433)</u>	\$	<u>(123,797)</u>
	140.7%		138.6%		148.5%		125.3%		112.3%
	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

	Measurement Date			
	2015	2016	2017	2018
Employer				
Statutorily determined contribution (SDC)	\$ -	\$ -	\$ -	\$ -
Contribution in relation to the SDC	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
Contribution deficiency (excess)	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>
Non-employer				
2% aid	<u>\$ 52,164</u>	<u>\$ 60,111</u>	<u>\$ 55,310</u>	<u>\$ 53,565</u>
Covered employee payroll	n/a	n/a	n/a	n/a
Contributions as a percentage of covered employee payroll	n/a	n/a	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.

Measurement Date				
2019	2020	2021	2022	2023
\$ - 3,000	\$ - 3,000	\$ - 3,000	\$ - 6,000	\$ - -
<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (6,000)</u>	<u>\$ -</u>
<u>\$ 55,653</u>	<u>\$ 59,075</u>	<u>\$ 60,830</u>	<u>\$ 61,568</u>	<u>\$ 70,206</u>
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a

City of St. Joseph
Notes to Required Supplementary Information

General Employees Fund

2023 Changes

Changes in Actuarial Assumptions

- ◆ The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions

- ◆ An additional one-time direct state aid contribution of \$170.1 million was contributed to the Plan on October 1, 2023.
- ◆ The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- ◆ The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- ◆ A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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.

City of St. Joseph
Notes to Required Supplementary Information

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

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.
- ◆ Annual 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.

City of St. Joseph
Notes to Required Supplementary Information

General Employees Fund (Continued)

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 annual increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

- ◆ The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- ◆ The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- ◆ There have been no changes since the prior valuation.

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

2023 Changes

Changes in Actuarial Assumptions

- ◆ The investment return assumption was changed from 6.5% to 7.0%.
- ◆ The single discount rate changed from 5.4% to 7.0%.

Changes in Plan Provisions

- ◆ Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- ◆ Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- ◆ A one-time, non-compounding benefit increase of 3.0% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- ◆ Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- ◆ The total and permanent duty disability benefit was increased, effective July 1, 2023.

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.

City of St. Joseph
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

2021 Changes (Continued)

Changes in Plan Provisions

- ◆ There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- ◆ There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- ◆ There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

- ◆ Assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- ◆ Assumed rates of retirement were changed, resulting in fewer retirements.
- ◆ The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- ◆ The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.

City of St. Joseph
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- ◆ Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- ◆ Assumed percentage of married female members was decreased from 65% to 60%.
- ◆ Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- ◆ The assumed percentage of female members electing Joint and Survivor annuities was increased.
- ◆ The assumed annual 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

2023 Changes

Changes in Plan Provisions

- ◆ The benefit level increased from \$2,400 to \$3,200 per year.

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%.

SUPPLEMENTARY INFORMATION

City of St. Joseph
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2023

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 2,501,921	\$ 2,509,932	\$ 8,011
Miscellaneous taxes	1,000	1,520	520
Special assessments	3,100	31,864	28,764
Franchise fees	139,215	140,406	1,191
Licenses and permits	189,455	437,341	247,886
Intergovernmental revenue			
Local government aid	1,238,144	1,238,144	-
Police aid	90,000	131,422	41,422
Federal grants	17,375	215,425	198,050
State grants	98,000	412,564	314,564
Other grants and aids	26,000	23,891	(2,109)
Total intergovernmental revenue	<u>1,469,519</u>	<u>2,021,446</u>	<u>551,927</u>
Charges for services			
General government	11,550	29,779	18,229
Public safety	2,900	1,881	(1,019)
Public works	2,945	3,660	715
Culture and recreation	28,460	30,810	2,350
Total charges for services	<u>45,855</u>	<u>66,130</u>	<u>20,275</u>
Fines and forfeitures	71,000	121,477	50,477
Miscellaneous revenues			
Investment income	30,000	167,233	137,233
Contributions and donations	1,350	5,623	4,273
Other	44,500	79,414	34,914
Total miscellaneous revenues	<u>75,850</u>	<u>252,270</u>	<u>176,420</u>
Total revenues	<u>4,496,915</u>	<u>5,582,386</u>	<u>1,085,471</u>
Expenditures			
General government			
Mayor and council	84,740	92,681	7,941
Administrative and finance	725,545	792,761	67,216
Other general government	299,685	314,677	14,992
Capital outlay	63,880	85,007	21,127
Total general government	<u>1,173,850</u>	<u>1,285,126</u>	<u>111,276</u>

City of St. Joseph
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Expenditures			
Public safety			
Police			
Current	\$ 2,081,510	\$ 1,900,796	\$ (180,714)
Capital outlay	122,505	107,605	(14,900)
Total police	<u>2,204,015</u>	<u>2,008,401</u>	<u>(195,614)</u>
Other			
Current	111,815	122,988	11,173
Capital outlay	1,500	-	(1,500)
Total other	<u>113,315</u>	<u>122,988</u>	<u>9,673</u>
Total public safety	<u>2,317,330</u>	<u>2,131,389</u>	<u>(185,941)</u>
Public works			
Streets and highways			
Street maintenance and storm sewers	462,830	468,041	5,211
Snow and ice removal	173,775	189,773	15,998
Street engineering	40,000	88,141	48,141
Capital outlay	95,000	136,750	41,750
Total public works	<u>771,605</u>	<u>882,705</u>	<u>111,100</u>
Culture and recreation			
Current	431,275	733,263	301,988
Capital outlay	26,450	127,717	101,267
Total culture and recreation	<u>457,725</u>	<u>860,980</u>	<u>403,255</u>
Total expenditures	<u>4,720,510</u>	<u>5,160,200</u>	<u>439,690</u>
Excess of revenues over (under) expenditures	(223,595)	422,186	645,781
Other Financing Sources (Uses)			
Insurance recoveries	-	157,278	157,278
Sale of property	103,500	126,459	22,959
Transfers in	17,985	24,068	6,083
Transfers out	-	(139,000)	(139,000)
Total other financing sources (uses)	<u>121,485</u>	<u>168,805</u>	<u>47,320</u>
Net change in fund balances	<u>\$ (102,110)</u>	590,991	<u>\$ 693,101</u>
Fund Balances			
Beginning of year		<u>4,016,266</u>	
End of year		<u>\$ 4,607,257</u>	

City of St. Joseph
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2023

	Special Revenue			
	Economic Development Authority (250)	TIF 2-1 Millstream Shops and Lofts (257)	TIF 2-3 Bayou Blues/ Alley Flat (259)	TIF 4-1 Fortitude Senior Housing (253)
Assets				
Cash and investments	\$ 40,778	\$ 43,265	\$ 98	\$ 28,711
Taxes receivable - delinquent	718	-	-	-
Special assessments receivable				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Accounts receivable	-	-	-	-
Interest receivable	313	287	36	193
Due from other funds	3,800	-	-	-
Due from other governments	5,494	-	-	-
Notes receivable	-	-	-	-
Total assets	\$ 51,103	\$ 43,552	\$ 134	\$ 28,904
Liabilities				
Accounts payable	\$ 4,688	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-
Due to other funds	-	-	3,800	-
Salaries and benefits payable	872	-	-	-
Total liabilities	5,560	-	3,800	-
Deferred Inflows of Resources				
Unavailable revenue - property taxes	718	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	718	-	-	-
Fund Balances				
Restricted	-	43,552	-	28,904
Committed	44,825	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	(3,666)	-
Total fund balances	44,825	43,552	(3,666)	28,904
Total liabilities, deferred inflows of resources, and fund balances	\$ 51,103	\$ 43,552	\$ 134	\$ 28,904

City of St. Joseph
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2023

	<u>Special Revenue</u>	<u>Debt Service</u>		
	St. Joseph Fire Services (210)	G.O. Equipment Certificates of 2023A (318)	G.O. Improvement Bonds of 2023A (317)	G.O. Capital Improvement Plan Bonds of 2016A (301)
Assets				
Cash and investments	\$ 666,280	\$ 23,114	\$ 112,937	\$ 149,886
Taxes receivable - delinquent	2	-	-	774
Special assessments receivable				
Delinquent	-	-	-	-
Deferred	405	-	189,724	-
Accounts receivable	-	-	-	-
Interest receivable	4,402	1,493	6,442	1,885
Due from other funds	-	-	-	-
Due from other governments	2,773	-	-	1,094
Notes receivable	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 673,862</u>	<u>\$ 24,607</u>	<u>\$ 309,103</u>	<u>\$ 153,639</u>
Liabilities				
Accounts payable	\$ 22,812	\$ 76	\$ 76	\$ 76
Contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Salaries and benefits payable	81,557	-	-	-
Total liabilities	<u>104,369</u>	<u>76</u>	<u>76</u>	<u>76</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	2	-	-	774
Unavailable revenue - special assessments	405	-	189,724	-
Total deferred inflows of resources	<u>407</u>	<u>-</u>	<u>189,724</u>	<u>774</u>
Fund Balances				
Restricted	569,086	24,531	119,303	152,789
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>569,086</u>	<u>24,531</u>	<u>119,303</u>	<u>152,789</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 673,862</u>	<u>\$ 24,607</u>	<u>\$ 309,103</u>	<u>\$ 153,639</u>

Debit Service

G.O. Improvement Bonds of 2016B (304)	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)
\$ 193,629	\$ 218,722	\$ 656,835	\$ 88	\$ 448,822
17	485	529	-	100
-	-	203	-	-
543,119	272,261	301,249	-	24,840
-	-	-	-	-
1,485	1,824	5,948	-	3,320
-	-	-	-	-
34	830	1,769	-	128
-	-	-	-	-
<u>\$ 738,284</u>	<u>\$ 494,122</u>	<u>\$ 966,533</u>	<u>\$ 88</u>	<u>\$ 477,210</u>
\$ 76	\$ 76	\$ 76	\$ 76	\$ 76
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>76</u>	<u>76</u>	<u>76</u>	<u>76</u>	<u>76</u>
17	485	529	-	100
543,119	272,261	301,452	-	24,840
<u>543,136</u>	<u>272,746</u>	<u>301,981</u>	<u>-</u>	<u>24,940</u>
195,072	221,300	664,476	12	452,194
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>195,072</u>	<u>221,300</u>	<u>664,476</u>	<u>12</u>	<u>452,194</u>
<u>\$ 738,284</u>	<u>\$ 494,122</u>	<u>\$ 966,533</u>	<u>\$ 88</u>	<u>\$ 477,210</u>

City of St. Joseph
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2023

	Debt Service			
	G.O. Capital Improvement Bonds of 2020B (312)	G.O. Improvement Bonds of 2013A/2020B (313)	Taxable Crossover Improvement Bonds of 2014A/2020C (314)	G.O. Abatement Bonds 2022A (302)
Assets				
Cash and investments	\$ 3,744	\$ 18,747	\$ 2,419	\$ 483,619
Taxes receivable - delinquent	213	129	432	-
Special assessments receivable				
Delinquent	-	38	-	-
Deferred	-	-	53,772	-
Accounts receivable	-	-	-	-
Interest receivable	179	259	437	44,194
Due from other funds	-	-	-	-
Due from other governments	409	431	712	-
Notes receivable	-	-	-	-
Total assets	<u>\$ 4,545</u>	<u>\$ 19,604</u>	<u>\$ 57,772</u>	<u>\$ 527,813</u>
Liabilities				
Accounts payable	\$ 76	\$ 76	\$ 76	\$ 76
Contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Salaries and benefits payable	-	-	-	-
Total liabilities	<u>76</u>	<u>76</u>	<u>76</u>	<u>76</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	213	129	432	-
Unavailable revenue - special assessments	-	38	53,772	-
Total deferred inflows of resources	<u>213</u>	<u>167</u>	<u>54,204</u>	<u>-</u>
Fund Balances				
Restricted	4,256	19,361	3,492	527,737
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>4,256</u>	<u>19,361</u>	<u>3,492</u>	<u>527,737</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,545</u>	<u>\$ 19,604</u>	<u>\$ 57,772</u>	<u>\$ 527,813</u>

Debt Service			Capital Projects		
G.O. Abatement Bonds 2022A (302)	G.O. Improvement Bonds of 2022 (315)	G.O. Equipment Certificate 2022A (316)	2022 Street Improvement Project (415)	2023 Equipment Certificates (418)	2023 Street Imp/Elm St ROW Acq (417)
\$ 483,619	\$ 47,296	\$ 17,988	\$ 47,018	\$ 206,010	\$ 1,105,596
-	-	117	-	-	-
-	-	-	-	-	-
-	135,842	-	-	-	-
-	-	-	-	-	-
44,194	1,085	2,145	-	-	-
-	-	-	-	-	-
-	1,302	279	-	-	-
-	-	-	-	-	-
<u>\$ 527,813</u>	<u>\$ 185,525</u>	<u>\$ 20,529</u>	<u>\$ 47,018</u>	<u>\$ 206,010</u>	<u>\$ 1,105,596</u>
\$ 76	\$ 76	\$ 76	\$ 3,660	\$ 66,405	\$ 19,338
-	-	-	41,634	-	40,376
-	-	-	-	-	-
-	-	-	-	-	-
<u>76</u>	<u>76</u>	<u>76</u>	<u>45,294</u>	<u>66,405</u>	<u>59,714</u>
-	-	117	-	-	-
-	135,842	-	-	-	-
-	<u>135,842</u>	<u>117</u>	-	-	-
527,737	49,607	20,336	-	-	-
-	-	-	-	-	-
-	-	-	1,724	139,605	1,045,882
-	-	-	-	-	-
<u>527,737</u>	<u>49,607</u>	<u>20,336</u>	<u>1,724</u>	<u>139,605</u>	<u>1,045,882</u>
<u>\$ 527,813</u>	<u>\$ 185,525</u>	<u>\$ 20,529</u>	<u>\$ 47,018</u>	<u>\$ 206,010</u>	<u>\$ 1,105,596</u>



CITY OF ST. JOSEPH

**City of St. Joseph
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2023**

	Capital Projects		
	Water Access Fund (501)	Sewer Access Fund (502)	Total Governmental Funds
Assets			
Cash and investments	\$ 374,041	\$ 37,751	\$ 7,307,035
Taxes receivable - delinquent	-	-	3,516
Special assessments receivable			
Delinquent	-	-	241
Deferred	-	-	1,521,212
Accounts receivable	-	-	708
Interest receivable	-	-	91,386
Due from other funds	-	-	3,800
Due from other governments	-	-	141,007
Notes receivable	-	-	41,824
	<u>\$ 374,041</u>	<u>\$ 37,751</u>	<u>\$ 9,110,729</u>
Total assets			
	<u>\$ 374,041</u>	<u>\$ 37,751</u>	<u>\$ 9,110,729</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ 117,967
Contracts payable	-	-	82,010
Due to other funds	-	-	3,800
Salaries and benefits payable	-	-	82,429
Total liabilities	<u>-</u>	<u>-</u>	<u>286,206</u>
	<u>-</u>	<u>-</u>	<u>286,206</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	-	-	3,516
Unavailable revenue - special assessments	-	-	1,521,453
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,524,969</u>
	<u>-</u>	<u>-</u>	<u>1,524,969</u>
Fund Balances			
Restricted	-	-	5,127,212
Committed	-	-	577,005
Assigned	374,041	37,751	1,599,003
Unassigned	-	-	(3,666)
Total fund balances	<u>374,041</u>	<u>37,751</u>	<u>7,299,554</u>
	<u>374,041</u>	<u>37,751</u>	<u>7,299,554</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 374,041</u>	<u>\$ 37,751</u>	<u>\$ 9,110,729</u>

City of St. Joseph
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2023

	Special Revenue			
	Economic Development Authority (250)	TIF 2-1 Millstream Shops and Lofts (257)	TIF 2-3 Bayou Blues/Alley Flat (259)	TIF 4-1 Fortitude Senior Housing (253)
Revenues				
Property taxes	\$ 120,959	\$ -	\$ -	\$ -
Tax increments	-	44,731	39,291	67,054
Sales taxes	-	-	-	-
Lodging taxes	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	13,937	-	-	-
Miscellaneous				
Investment income	2,151	1,971	249	1,324
Contributions and donations	-	-	-	-
Revolving loan repayments	-	-	-	-
Other	-	-	-	-
Total revenues	<u>137,047</u>	<u>46,702</u>	<u>39,540</u>	<u>68,378</u>
Expenditures				
Current				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	105,629	41,348	36,531	61,573
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Total expenditures	<u>105,629</u>	<u>41,348</u>	<u>36,531</u>	<u>61,573</u>
Excess of revenues over (under) expenditures	31,418	5,354	3,009	6,805
Other Financing Sources (Uses)				
Sale of property	-	-	-	-
Bonds issued	-	-	-	-
Bond premium	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(40,000)	-	-	-
Total other financing sources (uses)	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(8,582)	5,354	3,009	6,805
Fund Balances				
Beginning of year	<u>53,407</u>	<u>38,198</u>	<u>(6,675)</u>	<u>22,099</u>
End of year	<u>\$ 44,825</u>	<u>\$ 43,552</u>	<u>\$ (3,666)</u>	<u>\$ 28,904</u>

Special Revenue

State Collected Sales Tax (200)	Park Dedication (205)	Charitable Gambling (215)	Lodging Tax (220)	Revolving Loan (251)	Deed Housing (225)
\$ -	\$ 35,000	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
658,268	-	-	-	-	-
-	-	-	14,790	-	-
-	-	-	-	-	-
-	187	-	-	-	-
66,073	15,350	17	913	21,161	2,507
-	81	500	-	-	-
-	-	-	-	1,460	-
-	15,000	-	1,119	-	-
<u>724,341</u>	<u>65,618</u>	<u>517</u>	<u>16,822</u>	<u>22,621</u>	<u>2,507</u>
-	-	-	-	-	-
3,740	-	1,087	-	-	-
-	-	-	15,255	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,345	218,694	-	-	-	-
<u>11,085</u>	<u>218,694</u>	<u>1,087</u>	<u>15,255</u>	<u>-</u>	<u>-</u>
713,256	(153,076)	(570)	1,567	22,621	2,507
-	2,553	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	300,000	1,500	-	40,000	-
(785,000)	-	-	-	-	-
<u>(785,000)</u>	<u>302,553</u>	<u>1,500</u>	<u>-</u>	<u>40,000</u>	<u>-</u>
(71,744)	149,477	930	1,567	62,621	2,507
1,533,047	300,342	430	19,125	511,149	53,933
<u>\$ 1,461,303</u>	<u>\$ 449,819</u>	<u>\$ 1,360</u>	<u>\$ 20,692</u>	<u>\$ 573,770</u>	<u>\$ 56,440</u>

City of St. Joseph
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2023

	<u>Special Revenue</u>	<u>Debt Service</u>		
	St. Joseph Fire Services (210)	G.O. Equipment Certificates of 2023A (318)	G.O. Improvement Bonds of 2023A (317)	G.O. Capital Improvement Plan Bonds of 2016A (301)
Revenues				
Property taxes	\$ 241,703	\$ -	\$ -	\$ 145,482
Tax increments	-	-	-	-
Sales taxes	-	-	-	-
Lodging taxes	-	-	-	-
Special assessments	-	-	20,130	-
Intergovernmental	114,159	-	-	-
Charges for services	163,205	-	-	-
Miscellaneous				
Investment income	30,235	10,255	44,242	12,943
Contributions and donations	3,477	-	-	-
Revolving loan repayments	-	-	-	-
Other	2,243	-	-	-
Total revenues	<u>555,022</u>	<u>10,255</u>	<u>64,372</u>	<u>158,425</u>
Expenditures				
Current				
Public safety	386,773	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	-	-	-	195,000
Interest and other charges	-	12,185	55,918	75,214
Capital outlay				
Public safety	298,313	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Total expenditures	<u>685,086</u>	<u>12,185</u>	<u>55,918</u>	<u>270,214</u>
Excess of revenues over (under) expenditures	(130,064)	(1,930)	8,454	(111,789)
Other Financing Sources (Uses)				
Sale of property	1,351	-	-	-
Bonds issued	-	8,413	1,872	-
Bond premium	-	18,048	108,977	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>1,351</u>	<u>26,461</u>	<u>110,849</u>	<u>-</u>
Net change in fund balances	(128,713)	24,531	119,303	(111,789)
Fund Balances				
Beginning of year	697,799	-	-	264,578
End of year	<u>\$ 569,086</u>	<u>\$ 24,531</u>	<u>\$ 119,303</u>	<u>\$ 152,789</u>

Debt Service

G.O. Improvement Bonds of 2016B (304)	G.O. Improvement Bonds of 2017B (305)	2018A Equipment Certificate (306)	G.O. Improvement Bonds of 2019A (307)	2021 Improvement Bond [MN St/Overlays] (311)	2020A Equipment Certificate (309)
\$ 5,005	\$ 22,092	\$ 55,260	\$ 115,123	\$ 184,609	\$ 45,333
-	-	-	-	-	-
-	-	-	-	-	-
22,344	8,585	-	54,926	61,151	-
-	-	-	-	-	-
-	-	-	-	-	-
10,196	520	795	12,524	40,850	611
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>37,545</u>	<u>31,197</u>	<u>56,055</u>	<u>182,573</u>	<u>286,610</u>	<u>45,944</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
50,000	170,000	56,000	155,000	260,000	44,000
11,596	5,128	1,400	50,574	94,854	2,019
-	-	-	-	-	286
-	-	-	-	-	-
-	-	-	-	-	-
<u>61,596</u>	<u>175,128</u>	<u>57,400</u>	<u>205,574</u>	<u>354,854</u>	<u>46,305</u>
(24,051)	(143,931)	(1,345)	(23,001)	(68,244)	(361)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,000	136,000	-	-	654,210	1,500
-	(5,047)	(1,035)	-	-	-
<u>5,000</u>	<u>130,953</u>	<u>(1,035)</u>	<u>-</u>	<u>654,210</u>	<u>1,500</u>
(19,051)	(12,978)	(2,380)	(23,001)	585,966	1,139
214,123	12,978	2,380	244,301	78,510	(1,127)
<u>\$ 195,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,300</u>	<u>\$ 664,476</u>	<u>\$ 12</u>

City of St. Joseph
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2023

	Debt Service			
	G.O. Improvement Bond of 2020B (310)	G.O. Capital Improvement Bonds of 2020B (312)	G.O. Improvement Bonds of 2013A/2020B (313)	Taxable Crossover Improvement Bonds of 2014A/2020C (314)
Revenues				
Property taxes	\$ 17,900	\$ 61,787	\$ 33,552	\$ 100,378
Tax increments	-	-	-	-
Sales taxes	-	-	-	-
Lodging taxes	-	-	-	-
Special assessments	-	-	7,862	10,764
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous				
Investment income	22,803	1,231	1,777	3,001
Contributions and donations	-	-	-	-
Revolving loan repayments	-	-	-	-
Other	-	-	-	-
Total revenues	<u>40,703</u>	<u>63,018</u>	<u>43,191</u>	<u>114,143</u>
Expenditures				
Current				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	65,000	60,000	50,000	150,000
Interest and other charges	10,339	11,812	1,355	13,398
Capital outlay				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Total expenditures	<u>75,339</u>	<u>71,812</u>	<u>51,355</u>	<u>163,398</u>
Excess of revenues over (under) expenditures	(34,636)	(8,794)	(8,164)	(49,255)
Other Financing Sources (uses)				
Sale of property	-	-	-	-
Bonds issued	-	-	-	-
Bond premium	-	-	-	-
Transfers in	386,009	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>386,009</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	351,373	(8,794)	(8,164)	(49,255)
Fund Balances				
Beginning of year	<u>100,821</u>	<u>13,050</u>	<u>27,525</u>	<u>52,747</u>
End of year	<u>\$ 452,194</u>	<u>\$ 4,256</u>	<u>\$ 19,361</u>	<u>\$ 3,492</u>

Debt Service			Capital Projects		
G.O. Abatement Bonds 2022A (302)	G.O. Improvement Bonds of 2022 (315)	G.O. Equipment Certificate 2022A (316)	2021 Street Overlay Project (411)	2020 20th Avenue Watermain Loop (410)	2022 Street Improvement Project (415)
\$ -	\$ -	\$ 43,423	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	36,344	-	-	-	-
-	-	-	-	-	-
-	-	30,207	-	-	-
303,465	7,455	14,734	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>303,465</u>	<u>43,799</u>	<u>88,364</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
140,000	65,000	55,000	-	-	-
316,941	32,150	34,226	-	-	-
-	-	-	-	-	-
-	-	-	(30,743)	94	38,570
-	-	-	-	-	-
<u>456,941</u>	<u>97,150</u>	<u>89,226</u>	<u>(30,743)</u>	<u>94</u>	<u>38,570</u>
(153,476)	(53,351)	(862)	30,743	(94)	(38,570)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
480,000	-	-	-	-	-
-	-	-	(574,870)	(386,009)	-
<u>480,000</u>	<u>-</u>	<u>-</u>	<u>(574,870)</u>	<u>(386,009)</u>	<u>-</u>
326,524	(53,351)	(862)	(544,127)	(386,103)	(38,570)
201,213	102,958	21,198	544,127	386,103	40,294
<u>\$ 527,737</u>	<u>\$ 49,607</u>	<u>\$ 20,336</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,724</u>

City of St. Joseph
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2023

	Capital Projects			
	2023 Equipment Certificates (418)	2022 Fire Truck Equipment Certificate (416)	2023 Street Imp/Elm St ROW Acq (417)	Water Access Fund (501)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Sales taxes	-	-	-	-
Lodging taxes	-	-	-	-
Special assessments	-	-	178,316	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	191,200
Miscellaneous				
Investment income	-	-	-	-
Contributions and donations	-	-	-	-
Revolving loan repayments	-	-	-	-
Other	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>178,316</u>	<u>191,200</u>
Expenditures				
Current				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
Public safety	58,778	355,811	-	-
Public works	162,837	-	1,050,886	-
Culture and recreation	70,367	-	-	-
Total expenditures	<u>291,982</u>	<u>355,811</u>	<u>1,050,886</u>	<u>-</u>
Excess of revenues over (under) expenditures	(291,982)	(355,811)	(872,570)	191,200
Other Financing Sources (uses)				
Sale of property	-	-	-	-
Bonds issued	431,587	-	1,928,128	-
Bond premium	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	(180,000)
Total other financing sources (uses)	<u>431,587</u>	<u>-</u>	<u>1,928,128</u>	<u>(180,000)</u>
Net change in fund balances	139,605	(355,811)	1,055,558	11,200
Fund Balances				
Beginning of year	<u>-</u>	<u>355,811</u>	<u>(9,676)</u>	<u>362,841</u>
End of year	<u>\$ 139,605</u>	<u>\$ -</u>	<u>\$ 1,045,882</u>	<u>\$ 374,041</u>

Capital Projects

<u>Sewer Access Fund (502)</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ 1,227,606
-	151,076
-	658,268
-	14,790
-	400,422
-	114,159
164,118	562,854
-	629,353
-	4,058
-	1,460
-	18,362
164,118	3,782,408
-	386,773
-	4,827
-	260,336
-	1,515,000
-	729,109
-	713,188
-	1,221,644
-	296,406
-	5,127,283
164,118	(1,344,875)
-	3,904
-	2,370,000
-	127,025
-	2,004,219
(140,000)	(2,339,810)
(140,000)	2,165,338
24,118	820,463
13,633	6,479,091
\$ 37,751	\$ 7,299,554



CITY OF ST. JOSEPH



**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, 2023, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 7, 2024.

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 2023-001.

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 Finding

Government Auditing Standards requires the auditor to perform limited procedures on 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 other 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.

Bergan KDV Ltd.

St. Cloud, Minnesota
May 7, 2024



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, 2023, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 7, 2024.

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 - bid laws, depositories of public funds and public 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.

Bergan KDV Ltd.

St. Cloud, Minnesota
May 7, 2024

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

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING

Material Weakness

Audit Finding 2023-001 - 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 Administrative Assistant enters cash and checks into the point-of-sale system and reconciles daily receipts. The Account Technician sends late notices/calculate penalties. The Police Clerk records police receipts and receives payments. The Records Specialist reconciles the collections. A Police Clerk 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. The Finance Director approves adjustments and rate changes, and spots check individual utility bill calculations.

**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 2023-001 - Improve Segregation of Accounting Duties (Continued)

Cash Reconciliation and Access

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

City's Response:

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