



City of St. Joseph

Communications Letter

December 31, 2024

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

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

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Joseph, Minnesota, as of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

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

The material weakness identified is stated within this letter.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated May 5, 2025, on such statements.

The purpose of this communication, which is an integral part of our audit, is to describe for the Members of the City Council, management, and others within the City and state oversight agencies the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

BerganKDV, Ltd.

St. Cloud, Minnesota
May 5, 2025

City of St. Joseph Material Weakness

Improve Segregation of Accounting Duties

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

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

Cash Receipts

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

Capital Assets

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

Payroll

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

Utility Billing

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

Cash Reconciliation and Access

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

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

City of St. Joseph Required Communication

We have audited the basic financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2024. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

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

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

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

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

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

Our Responsibility in Relation to *Government Auditing Standards*

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

Planned Scope and Timing of the Audit

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

City of St. Joseph Required Communication

Compliance with All Ethics Requirements Regarding Independence

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

Significant Risks Identified

We have identified the following significant risks of material misstatement:

- Misappropriation of Assets and Segregation of Duties - If duties cannot be appropriately segregated within the accounting and finance department, there is a risk of unauthorized disbursements being made from the City and adjustments being made to the City's general ledger. In addition, generally, this results in less review taking place as transactions are recorded in the financial statements.
- Management Override of Internal Control - Management override of internal control is considered a risk in substantially all engagements as management may be incentivized to produce better results.
- Improper Revenue Recognition - Revenue recognition is considered a fraud risk on substantially all engagements as it generally has a significant impact on the results of the governments operations. In addition, complexities exist surrounding the calculation and recording of various revenue sources.
- Pension Valuation - Net pension liability, deferred outflows of resources related to pensions, and deferred inflows of resources related to pensions are generally material to the financial statements and involve significant estimates.
- Lease Receivable and Deferred Inflow - The lease receivable and related deferred inflows are material to the financial statements and involve significant estimates and judgements determined by the City related to discount rate, lease term, and lease payments.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to the basic financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

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

**City of St. Joseph
Required Communication**

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

Significant Accounting Estimates and Related Disclosures (Continued)

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

Lease Liability and Right-to-Use Lease Assets - These balances are based on estimates and judgments determined by the City related to the discount rate, lease term, and lease payments.

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

Financial Statement Disclosures

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

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

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

The following bullet points summarize the uncorrected financial statement misstatement(s) whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

- Prepaid expenditures
- Lease liability and leased asset
- Pension in-kind revenue and expenditure
- OPEB liability

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

City of St. Joseph Required Communication

Disagreements with Management

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

Representations Requested from Management

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

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

Other Information Included in Annual Reports

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

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

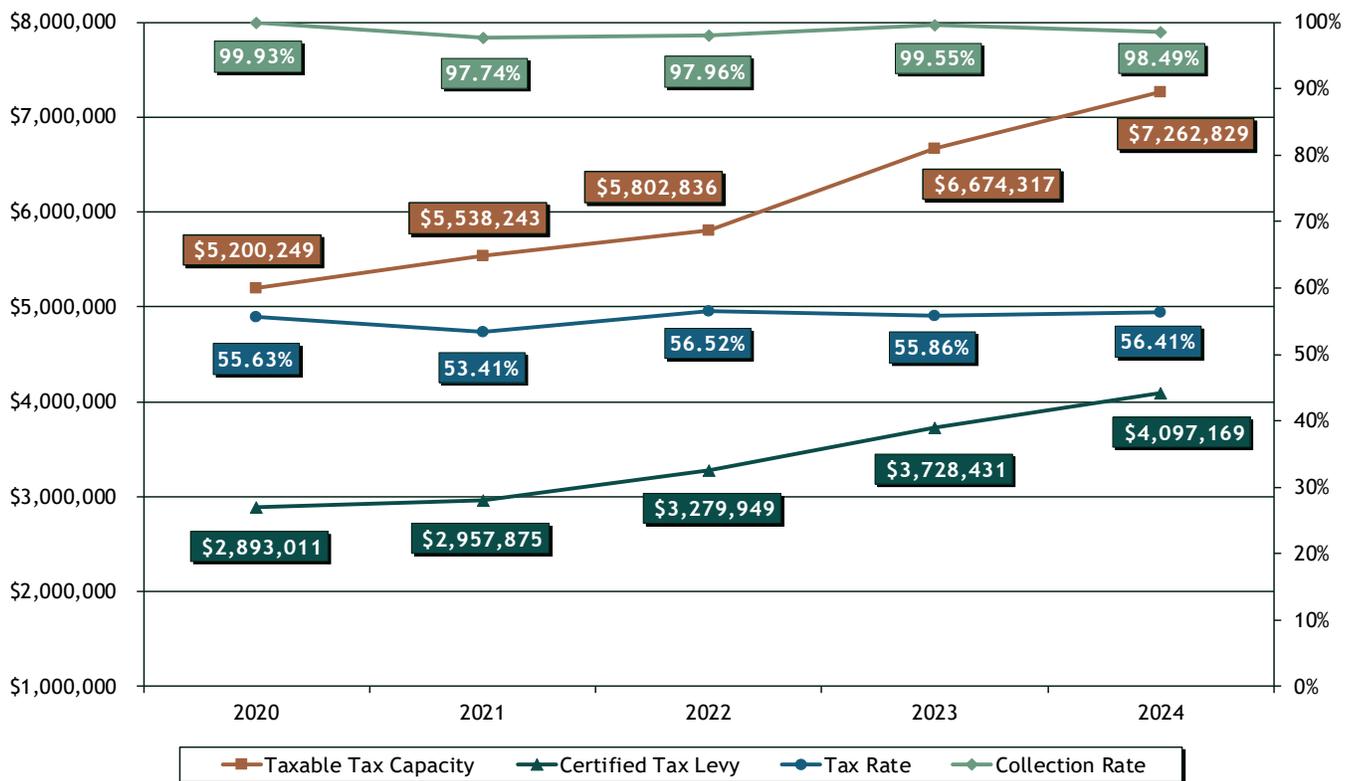
City of St. Joseph Financial Analysis

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

Tax Capacity, Levy, and Rates

The taxable tax capacity increased at a higher rate to the increase in the certified levy in 2024, causing the tax rate to increase to 56.41%.

Tax Capacity, Levy, and Rates



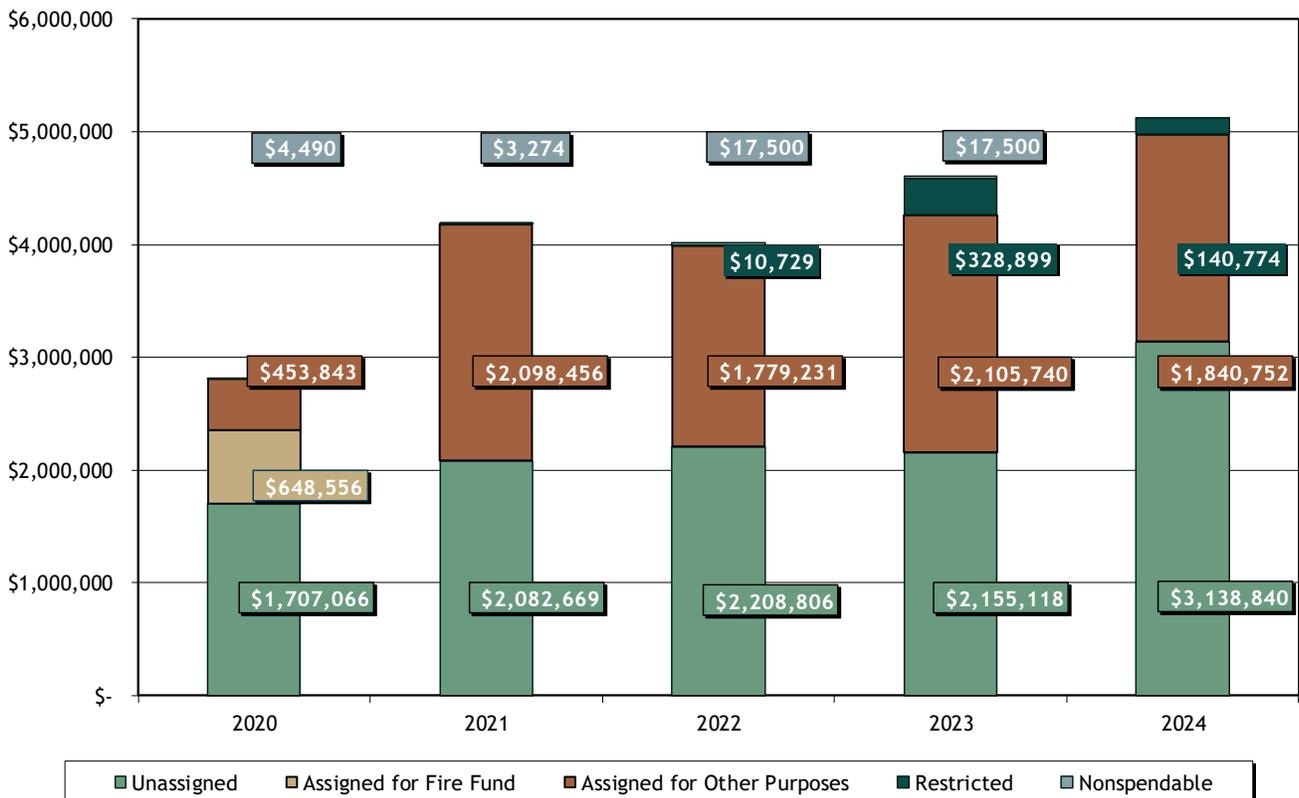
City of St. Joseph Financial Analysis

General Fund

For the year ended December 31, 2024, General Fund expenditures exceeded revenue by \$27,375. In addition to this, the fund had transfers in of \$616,355 from other funds, transfers out of \$132,815 to other funds, insurance recoveries of \$20,070, and sale of equipment of \$36,874 resulting in an increase in the General Fund balance of \$513,109. Of the City's General Fund balance at December 31, 2024, \$1,840,752 was assigned for specific expenditures, such as police forfeiture, severance pay and capital outlay reserves. The City had \$140,774 of its fund balance restricted for PEG access and public safety aid. The unassigned portion of the fund balance, which includes monies set aside for working capital, totaled \$3,138,840 and represents approximately 7 months of 2024 General Fund expenditures. The City's target General Fund balance is to maintain working capital, a portion of the unassigned balance, in the amount of four to six months of the next year's budgeted expenditures of the General Fund.

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

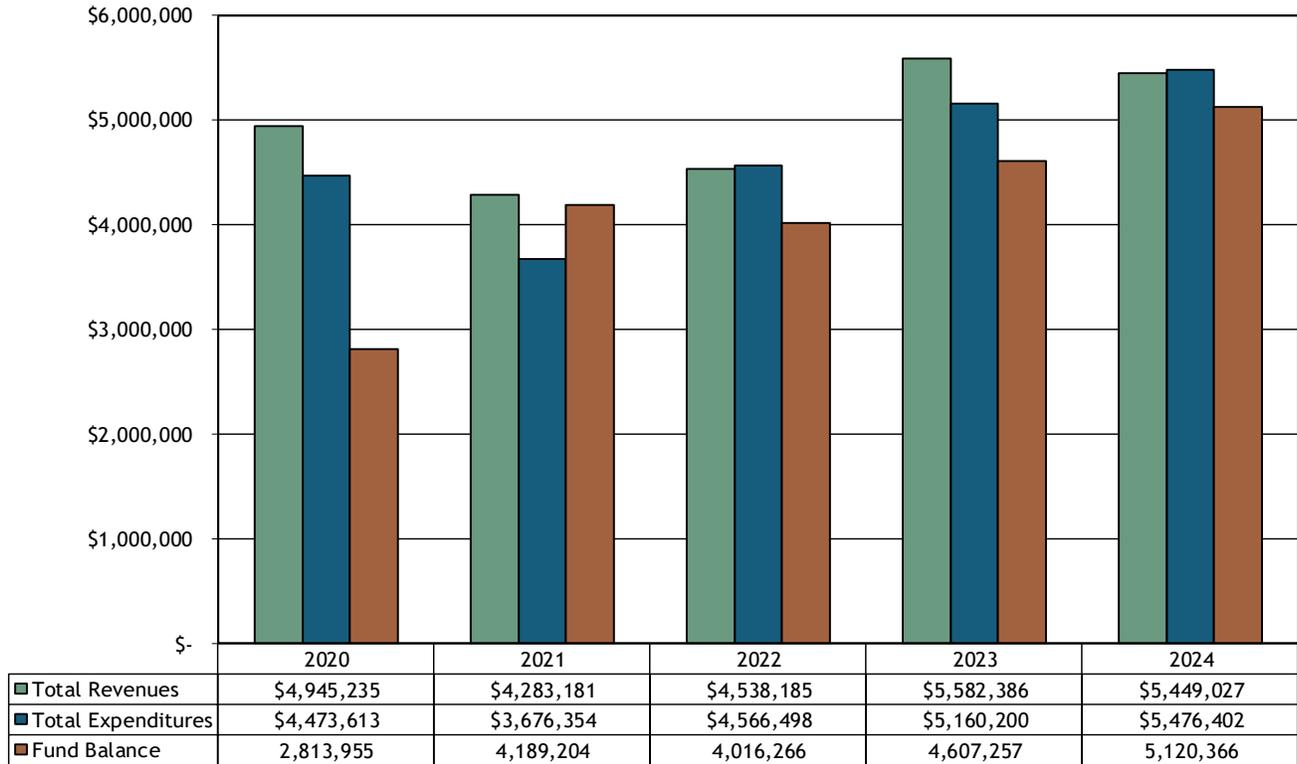
General Fund Balance



**City of St. Joseph
Financial Analysis**

General Fund (Continued)

General Fund



During the year ended December 31, 2024, the City's General Fund revenues decreased \$133,359, or 2.4%, from 2023, while expenditures increased by \$316,202, or 6.1%. These changes in revenues and expenditures will be discussed by source and function, respectively, on the following pages.

As discussed earlier, fund balance did increase \$513,109 from 2023 to 2024. Fund balance has increased \$2,306,411, or 82.0%, since 2020.

**City of St. Joseph
Financial Analysis**

General Fund Revenues

	2020	2021	2022	2023	2024
Taxes	\$1,935,881	\$2,115,511	\$2,102,942	\$2,511,452	\$ 2,568,726
Special assessments	3,389	57,840	4,891	31,864	59,979
Franchise fees	132,991	137,382	140,259	140,406	187,873
Licenses and permits	178,139	151,811	307,357	437,341	336,464
Intergovernmental	2,102,263	1,570,692	1,883,220	2,021,446	1,936,261
Charges for services	430,989	98,913	53,057	66,130	65,544
Fines and forfeitures	43,317	87,381	78,924	121,477	55,130
Miscellaneous	118,266	63,651	(32,465)	252,270	239,050
Total Revenues	\$ 4,945,235	\$ 4,283,181	\$ 4,538,185	\$ 5,582,386	\$ 5,449,027

As discussed earlier, the City's revenue decreased \$133,359 from 2023 to 2024. Licenses and permits revenues accounted for the largest decrease from the prior year with a decrease of \$100,877, or 23.1% due to a decrease in building permits. The City also had a decrease of \$85,185, or 4.2% in intergovernmental revenue due to state public safety aid received in 2023 which was one time funding and a decrease in revenue from the American Rescue Plan Act (ARPA). These decreases were partially offset by an increase in local government aid. Fines and forfeitures revenue decreased by \$66,347, or 54.6%, due in part to court fines decreasing. Taxes increased \$57,274 with an increase in the levy. Franchise fee revenue increased by \$47,467, or 33.8%, from 2023. All other revenues stayed consistent with the prior year.

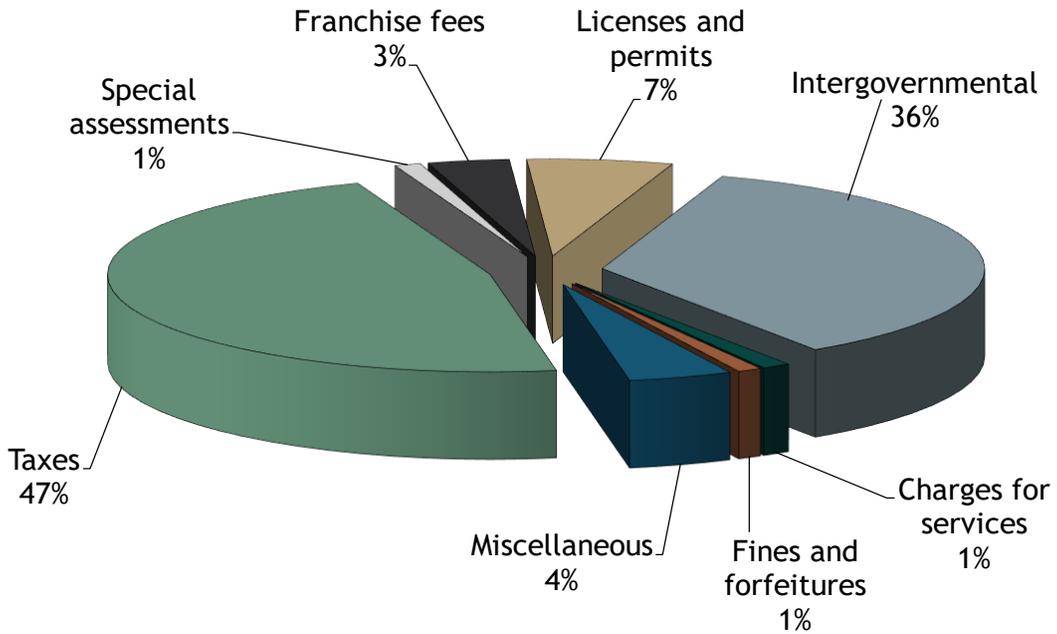
Total revenues have grown \$503,792 since 2020, an increase of 10.2%. The largest variances between the types of revenue over the five-year period have been the increases in property taxes, licenses and permits, and miscellaneous revenues while charges for services and intergovernmental revenue decreased. Other revenues have stayed relatively consistent over that timeframe.

The pie charts on the following page show the General Fund sources of revenues for 2024 and 2023 as a percentage of total revenues. The allocation of sources of revenue fluctuates minimally from year-to-year. Intergovernmental revenue and taxes account for the two largest components of revenues, making up 36% and 47% of the total in 2024, respectively. The total of these two categories accounts for approximately 83% and 81% of General Fund revenues for 2024 and 2023, respectively.

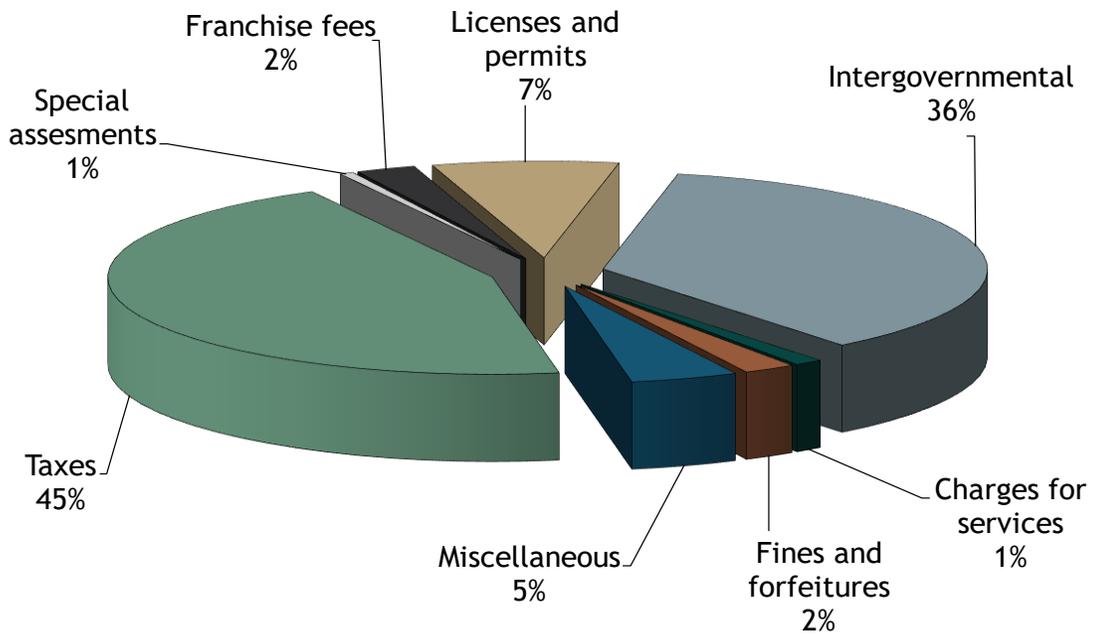
City of St. Joseph
Financial Analysis

General Fund Revenues (Continued)

2024 General Fund Revenues



2023 General Fund Revenues



**City of St. Joseph
Financial Analysis**

General Fund Expenditures

	2020	2021	2022	2023	2024
General government	\$1,020,077	\$997,357	\$1,078,866	\$1,200,119	\$ 1,275,664
Public safety	1,741,056	1,657,557	1,701,616	2,023,784	2,219,673
Public works	457,226	443,748	716,500	745,955	693,138
Culture and recreation	429,568	362,548	574,640	733,263	714,445
Economic Development	201,414	-	-	-	-
Capital outlay	624,272	215,144	494,876	457,079	573,482
Total Expenditures	\$ 4,473,613	\$ 3,676,354	\$ 4,566,498	\$ 5,160,200	\$ 5,476,402

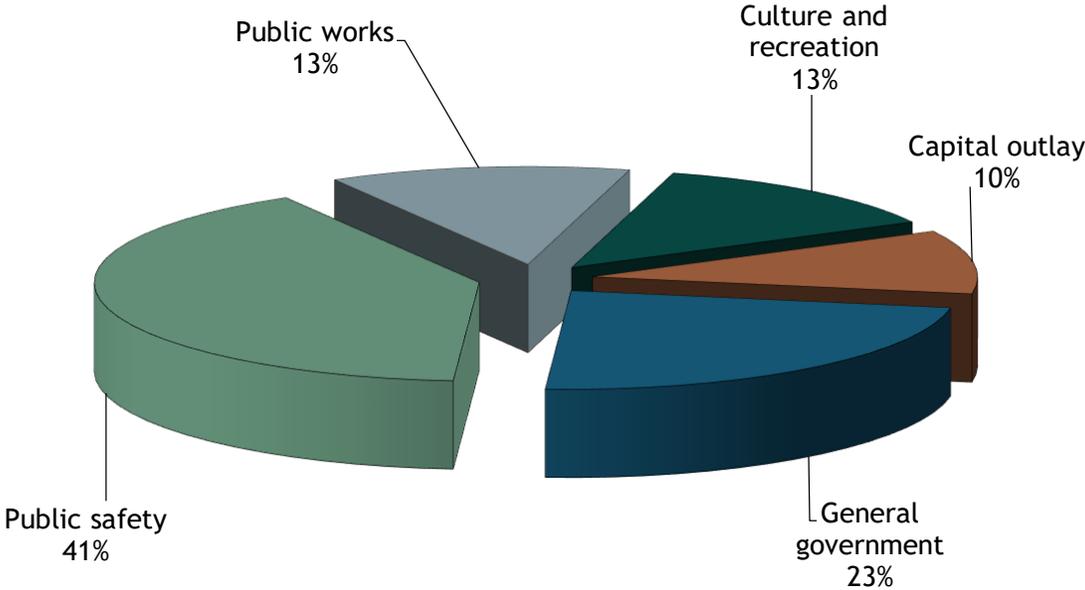
As discussed earlier, General Fund expenditures increased \$316,202, or 6.1%. The most significant increases in expenditures were in general government, public safety, and capital outlay. General government increased \$75,545, or 6.3%, from 2023. This increase was due to increased wages and benefits as well as professional services. Public safety expenditures increased by \$195,889. This increase was primarily due to the City hiring additional staff, increased benefit costs, and wage rate increases. Capital outlay expenditures increased by \$116,403 with additional capital purchases in 2024.

The pie charts on the following page show the General Fund expenditures by function for 2024 and 2023 as a percentage of total expenditures. The allocation of expenditures by function vary from year to year. Public safety remains the largest component of General Fund expenditures, representing 41% of total expenditures, up from 39% in 2023.

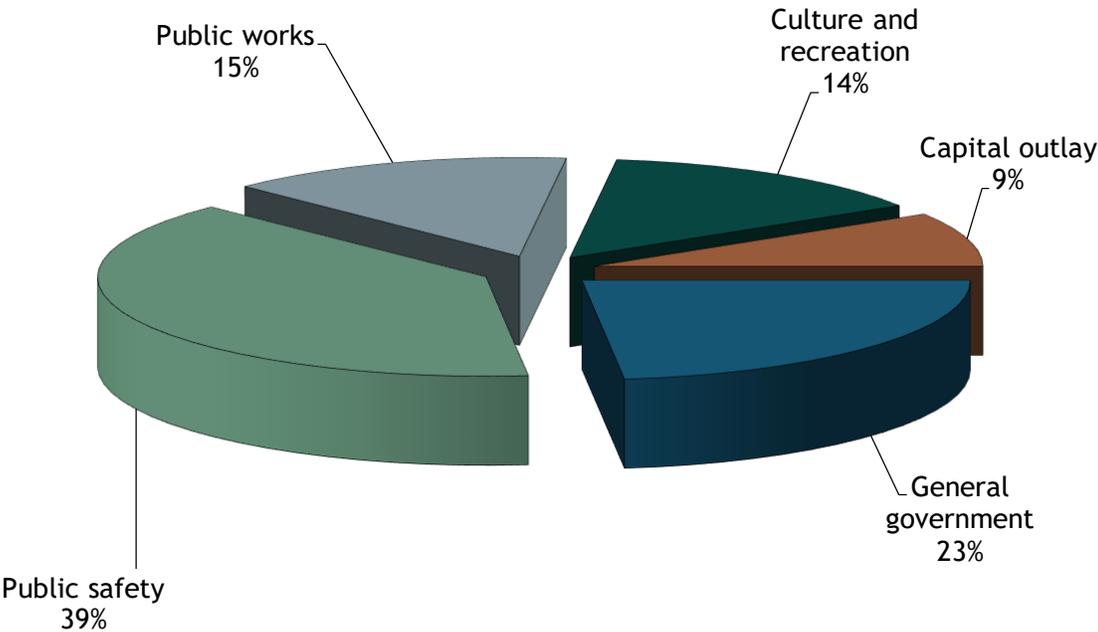
City of St. Joseph
Financial Analysis

General Fund Expenditures (Continued)

2024 General Fund Expenditures



2023 General Fund Expenditures



**City of St. Joseph
Financial Analysis**

General Fund Budget

The table below illustrates the General Fund budget and actual for 2024 revenues and expenditures by function.

	Original and Final Budget	Actual Amounts	Variance With Final Budget - Over (under)
Revenues			
Taxes	\$ 2,564,804	\$ 2,568,726	\$ 3,922
Special assessments	5,500	59,979	54,479
Franchise fees	193,225	187,873	(5,352)
Licenses and permits	234,620	336,464	101,844
Intergovernmental	1,727,106	1,936,261	209,155
Charges for services	73,965	65,544	(8,421)
Fines and forfeitures	72,500	55,130	(17,370)
Miscellaneous	95,400	239,050	143,650
Total revenues	4,967,120	5,449,027	481,907
Expenditures			
General government	1,292,820	1,275,664	(17,156)
Public safety	2,383,455	2,219,673	(163,782)
Public works	648,385	693,138	44,753
Culture and recreation	490,540	714,445	223,905
Capital outlay	554,751	573,482	18,731
Total expenditures	5,369,951	5,476,402	106,451
Excess of receipts over (under) disbursements	(402,831)	(27,375)	375,456
Other Financing Sources (Uses)			
Insurance recoveries	-	20,070	20,070
Sale of property	19,000	36,874	17,874
Transfers in	5,995	616,355	610,360
Transfers out	(111,350)	(132,815)	(21,465)
Total other financing sources	(86,355)	540,484	626,839
Net change in fund balance	\$ (489,186)	\$ 513,109	\$ 1,002,295

City of St. Joseph Financial Analysis

General Fund Budget (Continued)

The City's had no updates to their original budget throughout the year. Budgeted revenues were \$5.0 million, budgeted expenditures were \$5.4 million, and other financing sources and uses of \$86,355. General Fund revenues were over budget by \$481,907. Special assessment revenue was over budget as a result of collecting assessment revenue for closed funds. Licenses and permits revenues coming in over budget by \$101,844 due mostly to the City budgeting conservatively for building permits. Intergovernmental revenue was over budget due to not budgeting for the federal ARPA funds recognized in 2024. The Miscellaneous revenue came in over budget due mostly to investment gains and interest revenue. Other revenues were in line with the budget.

Total expenditures were over budget by \$106,451. Culture and recreational had the largest budget variance, being \$223,905 over budget. This variance was due to the expenditures relating to the disc golf course and pickleball court upgrades that were not budgeted. Public Safety was under budget \$163,782, this is due to timing differences for staffing changes throughout the year. Other areas were consistent with budgeted amounts.

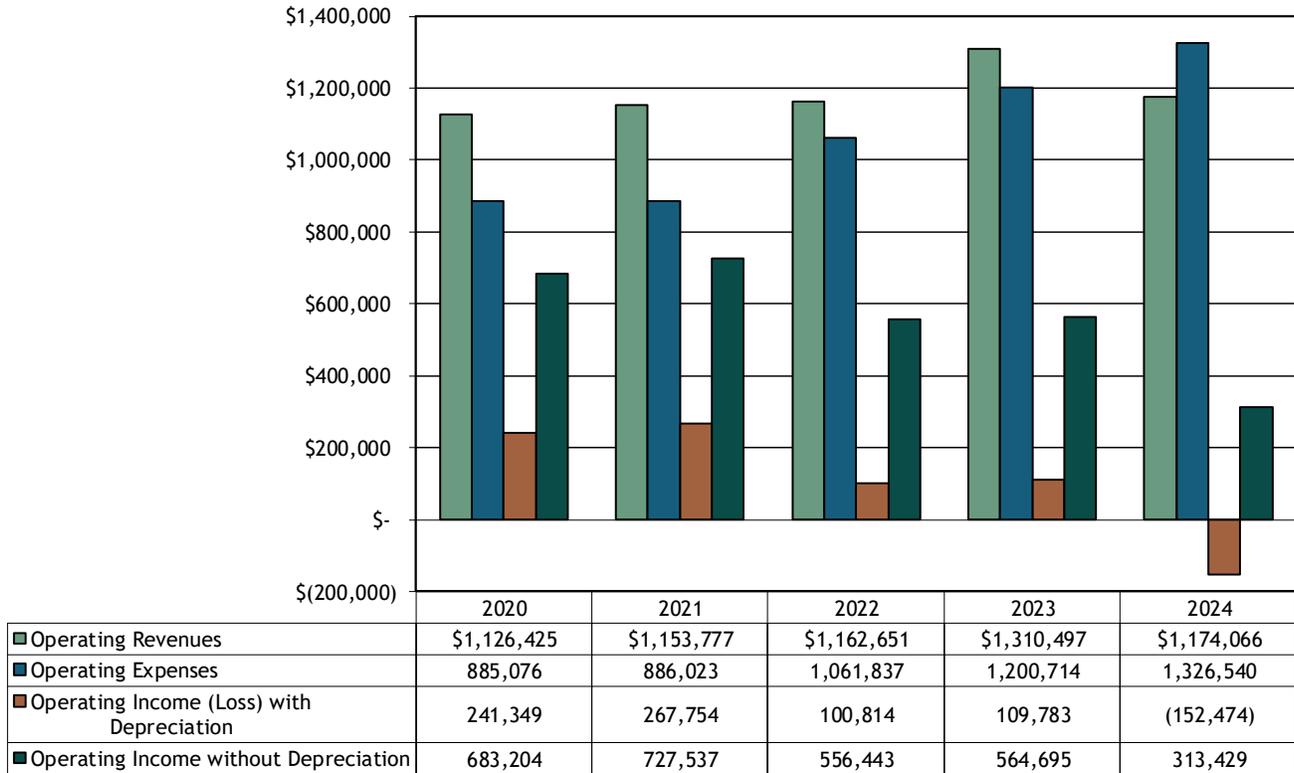
Enterprise Funds

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

**City of St. Joseph
Financial Analysis**

Water Fund

Water Fund



The Water Fund showed an operating loss in 2024 after having operating income in the four previous years. Operating revenues decreased \$136,431, or 10.4%, from 2023 to 2024 due to an decrease in usage. Operating expenses increased \$125,826, or 10.5%, from 2023 to 2024 due in part to switching the mechanical read meters to cellular based meters.

Operations produced an operating loss of \$152,474. With the exclusion of \$465,903 in depreciation expense, the Fund experienced operating income of \$313,429. However, depreciation should be considered as a true expense in operations, as most equipment and facilities will eventually need upgrades or replacement. The operations of the Water Fund covered 67% of depreciation expense.

In addition to the operating revenues and expenses of the Water Fund, there were net non-operating revenues of \$87,328, which is primarily comprised of interest expenses, offset by amortization of bond premium, investment income, and other income. The operating and non-operating activities along with capital contributions, and transfers resulted in an increase in net position of \$95,939, resulting in a net position of \$12,301,102 at December 31, 2024. The cash and investments balance at December 31, 2024, totaled \$1,457,314, a decrease of \$85,304.

City of St. Joseph Financial Analysis

Sanitary Sewer Fund

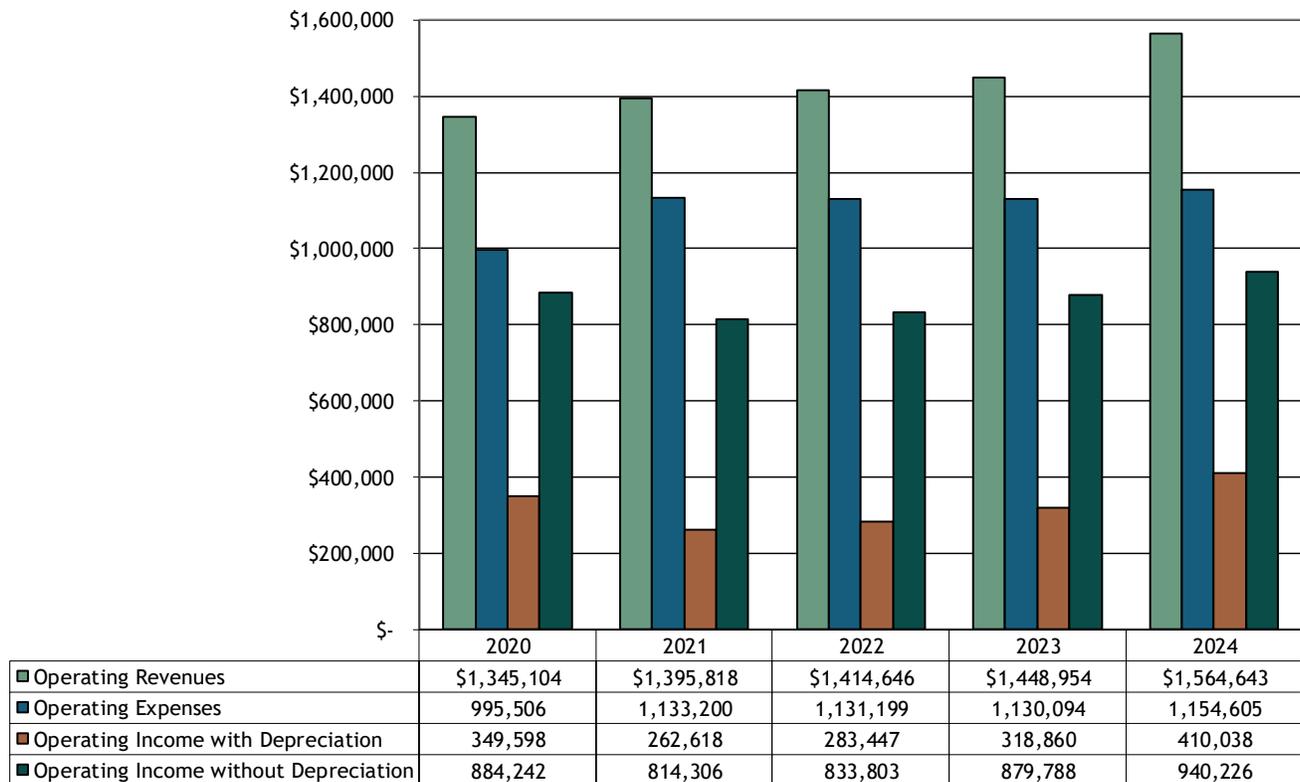
Operating revenues increased \$115,689, or 8.0%, from 2023 to 2024, while operating expenses increased \$24,511, or 2.2%. Revenues increased due to an increase in rates.

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

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

In addition to the operating revenues and expenses of the Sewer Fund, there were net non-operating revenues and expenses of \$880,360, which was mostly comprised of a gain on disposal of asset along with interest on investments netted with interest expense. Capital contributions and transfers along with the operating and non-operating activities resulted in an increase in net position of \$1,343,667, resulting in a net position of \$13,533,110 at December 31, 2024. The cash balance at December 31, 2023, totaled \$3,373,500, an increase of \$273,399.

Sanitary Sewer Fund



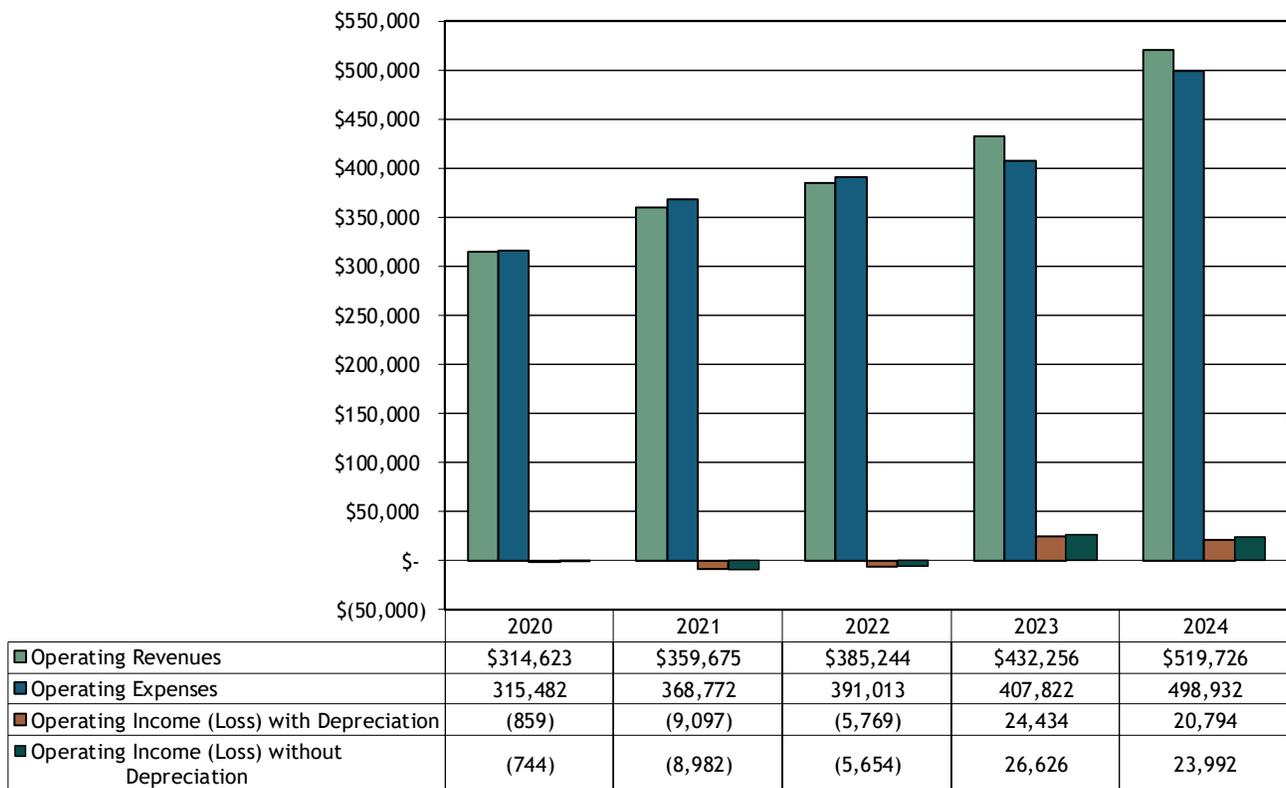
City of St. Joseph Financial Analysis

Refuse Fund

The following graph displays selected financial data for the Refuse Fund for the past five years. The Fund showed operating income for the second consecutive year. Operating revenues increased \$87,470, or 20.2%, while operating expenses increased \$91,110, or 22.3%, from 2023 to 2024. The increase in revenues was due in part to an increase in rates in 2024. Expenses increased due to increased fees from the waste collection company. These changes resulted in an operating revenue of \$20,794 for 2024. The Fund produced an operating income of \$23,992 when depreciation is not considered, thus, the fund is covering all of depreciation expense for 2024.

In addition to the operating activities of the fund, there were non-operating revenues of \$7,988 which are mostly comprised of investment income. Transfers along with operating and non-operating activities resulted in an increase in net position of \$40,097. The cash balance increased \$34,310 in 2024 and totaled \$238,926 at December 31, 2024.

Refuse Fund



City of St. Joseph Financial Analysis

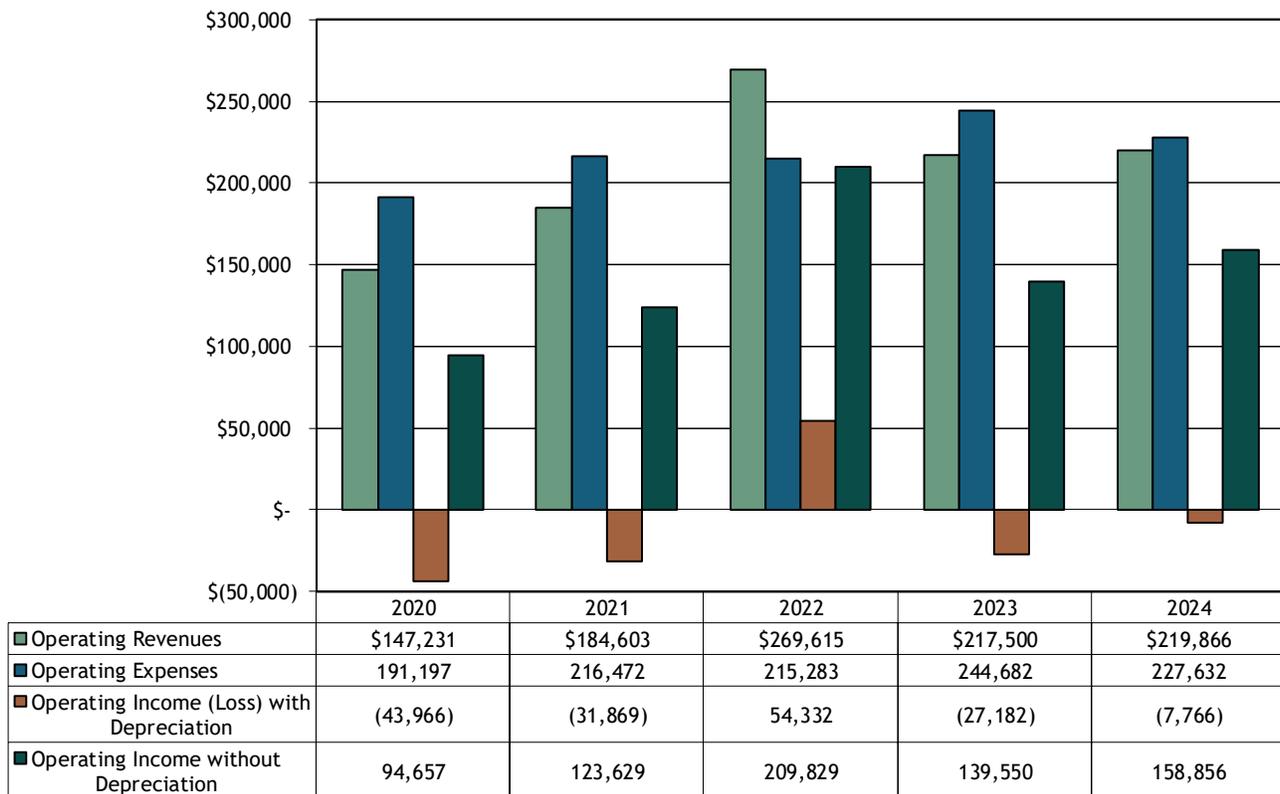
Storm Water Fund

The Storm Water Fund showed operating losses in four of the five years presented with the current year generating an operating loss. Operating revenues increased \$2,366, or 1.1%, from 2023 to 2024. Operating expenses decreased \$17,050 due to decreased salaries and benefits and professional service costs.

The Storm Water Fund produced an operating loss of \$7,766 with depreciation and an operating income of \$158,856 without depreciation expense. The operations of the Storm Water Fund did not cover depreciation expense in 2024. The Storm Water Fund also had net nonoperating revenues of \$26,967, capital contributions totaling \$21,931, and transfers out totaling \$17,595. Fund activity resulted in an increase in net position of \$23,537. The cash balance increased \$165,991 in 2024 and totaled \$662,719 at December 31, 2024.

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

Storm Water Fund



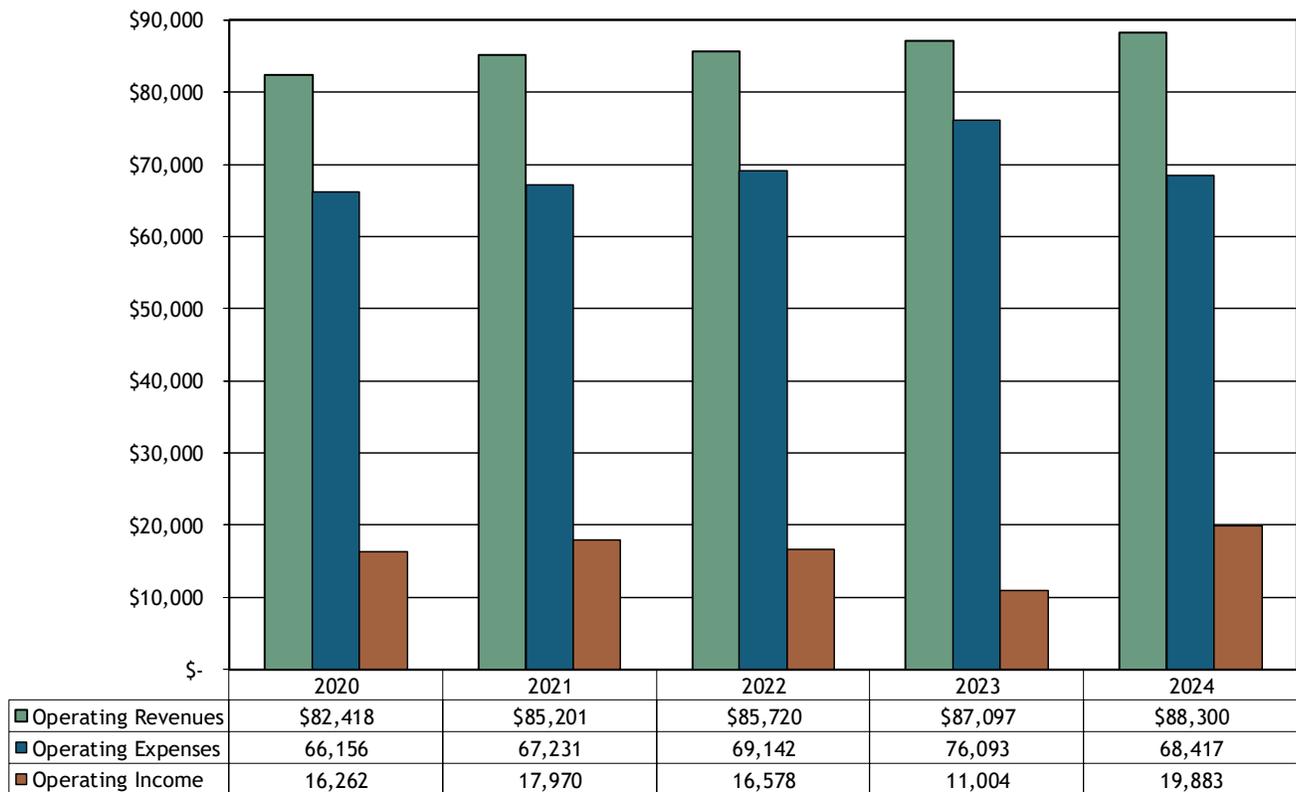
City of St. Joseph Financial Analysis

Street Light Utility

The Street Light Utility Fund was opened during 2013 to track activity relating to the street light utility. The Street Light Utility Fund showed an operating income for the fifth year in a row. Operating revenues stayed consistent with the prior year, increasing only \$1,203 from 2023 to 2024. Operating expenses decreased \$7,676 due to less street light repair and utility costs compared to 2023.

The Street Light Utility Fund produced operating income of \$19,883. The fund also reported non-operating revenues including investment income and special assessments totaling \$5,157. Operating income along with non-operating revenues and expenses resulted in an increase in net position of \$25,040. The cash balance increased \$24,737 in 2024 and totaled \$144,648 at December 31, 2024.

Street Light Utility



City of St. Joseph Emerging Issues

Executive Summary

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

- **Accounting Standard Update - GASB Statement No. 102 - *Certain Risk Disclosures***
GASB has issued GASB Statement No. 102 relating to risk disclosures. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.
- **Accounting Standard Update - GASB Statement No. 103 - *Financial Reporting Model Improvements***
GASB has issued GASB Statement No. 103 relating to changes in financial reporting requirements. The changes provide clarity, enhance the relevance of information, provide more useful information for decision-making, and provide for greater comparability amongst government entities.
- **Accounting Standard Update - GASB Statement No. 104 - *Disclosure of Certain Capital Assets***
GASB has issued GASB Statement No. 104 relating to capital asset disclosures. The disclosures required by this Statement provide users of the financial statements with essential information about certain types of capital assets.

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

City of St. Joseph Emerging Issues

Accounting Standard Update - GASB Statement No. 102 - *Certain Risk Disclosures*

The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability.

This Statement provides definitions for concentration and constraint. A concentration is a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority.

This Statement requires a government to assess whether a concentration or constraint could present a risk of financial difficulty. The City will need to make a disclosure in the notes to the financial statements if all three of the following criteria are true:

- The City knows about the concentration or constraint prior to financial statement issuance.
- The concentration or constraint makes the City vulnerable to risk of a substantial impact.
- An event or events associated with the concentration or constraint that could cause a substantial impact have either (1) happened; (2) started to happen; or (3) are more likely than not to start happening within 12 months of the financial statements being issued.

If a government determines the above criteria for disclosure have been met, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. Disclosures are required for the government as a whole as well as any opinion unit in the financial statements that includes outstanding revenue debt. Disclosures can be combined to avoid unnecessary duplication (e.g., a subsequent event footnote).

GASB Statement No. 102 is effective for fiscal years beginning after June 15, 2024. Earlier application is encouraged.

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

City of St. Joseph Emerging Issues

Accounting Standard Update - GASB Statement No. 103 - *Financial Reporting Model Improvements*

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement addresses 5 areas of the financial statements (1) Management's Discussion and Analysis (MD&A), (2) Unusual or Infrequent Items, (3) Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position, (4) Major Component Unit Information, and (5) Budgetary Comparison Information.

This Statement continues the requirement that the MD&A precede the basic financial statements as part of the Required Supplementary Information (RSI). This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. The Statement stresses that detailed analyses should explain why balances and results of operations changed, rather than stating amounts and "boilerplate" discussions.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. The Statement provides clarification regarding operating and nonoperating revenues and expenses. Also, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This Statement requires governments to present budgetary comparison information using a single method of communication - RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

GASB Statement No. 103 is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

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

**City of St. Joseph
Emerging Issues**

Accounting Standard Update - GASB Statement No. 104 - *Disclosure of Certain Capital Assets*

The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets continue to be disclosed separately in the capital assets note disclosures including presentation of capital assets by major class and separate disclosure of lease assets, subscription assets, and intangible right-to-use assets.

This Statement requires additional disclosures for capital assets held for sale. A capital asset is held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date.

Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

GASB Statement No. 104 is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

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