

**CITY OF PINE CITY
PINE CITY, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2022**

CITY OF PINE CITY, MINNESOTA

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CITY OF PINE CITY, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2022

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Carl Pederson	Mayor	December 31, 2022
Steven Ovick	Council Member	December 31, 2024
Kyle Palmer	Council Member	December 31, 2024
Gina Pettie	Council Member	December 31, 2022
Mary Kay Sloan	Council Member	December 31, 2022

APPOINTED

<u>Name</u>	<u>Title</u>
Scott Hildebrand	Administrator
Nicole Tricker	Finance Manager
Billi Larson	Deputy Clerk
Tom Miller	Fire Chief
Maury Montbriand	Public Works



Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
Pine City, Minnesota

Report on the Audit of the Financial Statements

Qualified and Unmodified 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 the City of Pine City, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of Pine City Housing and Redevelopment Authority, which is a discretely presented component unit of the City.

Qualified Opinion on Business-type Activities and Municipal Liquor Fund

In our opinion, except for the effects of the matter described in the "Basis for Qualified and Unmodified Opinions" section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the municipal liquor fund of the City, as of December 31, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on the Governmental Activities, the Discretely Presented Component Unit, Each Major Fund, and the Aggregate Remaining Fund Information.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund (except the Municipal Liquor fund), and the aggregate remaining fund information of the City, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified 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 the City 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.

Matter Giving Rise to the Qualified Opinion on Business-type Activities and the Municipal Liquor Fund

Because of our inability to observe Municipal Liquor fund inventory at year-end, we were unable to form an opinion regarding the amount of Municipal Liquor fund ending inventory (stated at \$332,806).

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City'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 the City'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 the City'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 required supplementary information, such as the pension liability and OPEB liability schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental information, as listed in the table of contents under supplemental section, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Comparative Information

Other auditors have previously audited the City's 2021 financial statements, and they expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information in their report dated August 22, 2022. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2023, on our consideration of the City'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 the City's 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 City's internal control over financial reporting and compliance.



Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
August 28, 2023

BASIC FINANCIAL STATEMENTS

CITY OF PINE CITY, MINNESOTA

STATEMENT OF NET POSITION
December 31, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Authority
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash and Investments	\$ 2,792,907	\$ 6,609,274	\$ 9,402,181	\$ 168,543
Restricted Cash	0	0	0	10,814
Receivables:				
Accounts, Net of Allowance	19,015	277,208	296,223	1,664
Intergovernmental	264,379	0	264,379	0
Property Taxes	85,855	0	85,855	0
Leases	0	16,067	16,067	0
Notes	168,725	0	168,725	0
Inventory	0	332,806	332,806	0
Prepaid Expenses	22,868	10,613	33,481	5,621
Special Assessments	806,102	281,875	1,087,977	0
Property Held for Sale	30,372	0	30,372	0
Internal Balances	75,552	(75,552)	0	0
Capital Assets:				
Assets not Being Depreciated	1,417,566	138,278	1,555,844	14,281
Other Capital Assets, Net of Depreciation	15,855,686	15,762,341	31,618,027	379,073
Net Pension Asset	589,660	0	589,660	0
Total Assets	22,128,687	23,352,910	45,481,597	579,996
Deferred Outflows of Resources:				
Other Post Employment Benefits Deferments	28,405	0	28,405	0
Pension Plan Deferments	691,792	0	691,792	0
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 22,848,884	\$ 23,352,910	\$ 46,201,794	\$ 579,996
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities:				
Accrued Expenses	\$ 1,036,383	\$ 284,130	\$ 1,320,513	13,265
Due to Other Governments	0	40,164	40,164	5,220
Current Portion of Long-term Debt	634,000	692,000	1,326,000	0
Compensated Absences	53,225	36,520	89,745	0
Unearned Revenue	34,074	11,253	45,327	11,531
Long-term Debt, Net of Current Portion	5,192,925	5,886,387	11,079,312	0
Other Post Employment Benefits Liability	102,480	0	102,480	0
Net Pension Liability	760,323	0	760,323	0
Total Liabilities	7,813,410	6,950,454	14,763,864	30,016
Deferred Inflows of Resources:				
Lease Deferments	0	15,805	15,805	0
Other Post Employment Benefits Deferments	3,706	0	3,706	0
Pension Plan Deferments	871,598	0	871,598	0
Total Deferred Inflows of Resources	875,304	15,805	891,109	0
Net Position:				
Net Investment in Capital Assets	11,446,326	9,323,026	20,769,352	393,354
Restricted	2,280,949	0	2,280,949	0
Unrestricted	432,895	7,063,625	7,496,520	156,626
Total Net Position	14,160,170	16,386,651	30,546,821	549,980
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 22,848,884	\$ 23,352,910	\$ 46,201,794	\$ 579,996

The Notes to the Financial Statements are an Integral Part of this Statement.

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CITY OF PINE CITY, MINNESOTA

STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 1,113,701	\$ 163,927	\$ 0	\$ 0
Public Safety	911,258	237,545	88,214	0
Public Works	1,173,755	163,306	0	34,028
Culture and Recreation	355,075	7,325	0	250,000
Economic Development	410,438	668	302,550	0
Interest on Long-term Debt	147,768	0	0	0
Total Governmental Activities	<u>4,111,995</u>	<u>572,771</u>	<u>390,764</u>	<u>284,028</u>
BUSINESS-TYPE ACTIVITIES:				
Water	758,868	1,287,437	0	5,065
Sewer	671,361	815,190	0	4,767
Liquor	2,264,163	2,388,535	0	0
Total Business-type Activities	<u>3,694,392</u>	<u>4,491,162</u>	<u>0</u>	<u>9,832</u>
Total Primary Government	<u>\$ 7,806,387</u>	<u>\$ 5,063,933</u>	<u>\$ 390,764</u>	<u>\$ 293,860</u>
COMPONENT UNIT:				
Housing and Redevelopment Authority	<u>\$ 251,533</u>	<u>\$ 158,896</u>	<u>\$ 57,439</u>	<u>\$ 0</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Property Taxes, Levied for Other Purposes

Tax Increment

Intergovernmental

Unrestricted Investment Earnings

Other Revenues

Transfers

Total General Revenues

Change in Net Position

Net Position - January 1 (As Previously Stated)

Prior Period Adjustment

Net Position - January 1 (As Restated)

Net Position - December 31

The Notes to the Financial Statements are an Integral Part of this Statement.

Net (Expenses) Revenues and Changes in Net Position			Component
Primary Government			Unit
Governmental Activities	Business-type Activities	Total Primary Government	Housing and Redevelopment Authority
\$ (949,774)	\$ 0	\$ (949,774)	\$ 0
(585,499)	0	(585,499)	0
(976,421)	0	(976,421)	0
(97,750)	0	(97,750)	0
(107,220)	0	(107,220)	0
(147,768)	0	(147,768)	0
<u>(2,864,432)</u>	<u>0</u>	<u>(2,864,432)</u>	<u>0</u>
0	533,634	533,634	0
0	148,596	148,596	0
0	124,372	124,372	0
<u>0</u>	<u>806,602</u>	<u>806,602</u>	<u>0</u>
<u>(2,864,432)</u>	<u>806,602</u>	<u>(2,057,830)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(35,198)</u>
798,746	0	798,746	0
622,355	0	622,355	0
241,000	0	241,000	0
53,654	0	53,654	0
902,468	0	902,468	0
(8,047)	(31,019)	(39,066)	104
335,716	115,868	451,584	3,931
185,000	(185,000)	0	0
<u>3,130,892</u>	<u>(100,151)</u>	<u>3,030,741</u>	<u>4,035</u>
<u>266,460</u>	<u>706,451</u>	<u>972,911</u>	<u>(31,163)</u>
13,893,710	15,680,200	29,573,910	581,143
<u>(202,273)</u>	<u>0</u>	<u>(202,273)</u>	<u>0</u>
<u>13,893,710</u>	<u>15,680,200</u>	<u>29,573,910</u>	<u>581,143</u>
<u>\$ 14,160,170</u>	<u>\$ 16,386,651</u>	<u>\$ 30,546,821</u>	<u>\$ 549,980</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF PINE CITY, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022

	General	Debt Service Funds	Capital Improvement
ASSETS			
Cash and Investments	\$ 47,774	\$ 1,062,132	\$ 0
Receivables:			
Accounts	12,907	0	6,108
Intergovernmental	264,379	0	0
Property Taxes	85,855	0	0
Notes	0	0	0
Prepaid Expense	22,868	0	0
Due from Other Funds	1,797,205	0	581,703
Special Assessments	0	772,952	33,150
Land Held for Sale	30,372	0	0
TOTAL ASSETS	<u>\$ 2,261,360</u>	<u>\$ 1,835,084</u>	<u>\$ 620,961</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accrued Expenses	\$ 590,238	\$ 3,120	\$ 286,313
Unearned Revenue	34,074	0	0
Due to Other Funds	0	51,976	65,082
Total Liabilities	<u>624,312</u>	<u>55,096</u>	<u>351,395</u>
Deferred Inflows of Resources:			
Unavailable Revenue	<u>85,855</u>	<u>771,669</u>	<u>32,602</u>
Fund Balance:			
Nonspendable	53,240	0	0
Restricted	0	1,060,295	0
Committed	0	0	0
Assigned	0	0	236,964
Unassigned	1,497,953	(51,976)	0
Total Fund Balance	<u>1,551,193</u>	<u>1,008,319</u>	<u>236,964</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 2,261,360</u>	<u>\$ 1,835,084</u>	<u>\$ 620,961</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

2022 Street Project	Nonmajor Governmental Funds	Total Governmental Funds
\$ 357,211	\$ 1,325,790	\$ 2,792,907
0	0	19,015
0	0	264,379
0	0	85,855
0	168,725	168,725
0	0	22,868
0	4,420	2,383,328
0	0	806,102
0	0	30,372
<u>\$ 357,211</u>	<u>\$ 1,498,935</u>	<u>\$ 6,573,551</u>

\$ 108,140	\$ 1,631	\$ 989,442
0	0	34,074
1,680,147	586,124	2,383,329
<u>1,788,287</u>	<u>587,755</u>	<u>3,406,845</u>

<u>0</u>	<u>0</u>	<u>890,126</u>
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0	0	53,240
0	547,902	1,608,197
0	949,402	949,402
0	0	236,964
(1,431,076)	(586,124)	(571,223)
<u>(1,431,076)</u>	<u>911,180</u>	<u>2,276,580</u>

<u>\$ 357,211</u>	<u>\$ 1,498,935</u>	<u>\$ 6,573,551</u>
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The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF PINE CITY, MINNESOTA

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2022

Total Fund Balances - Governmental Funds	\$ 2,276,580
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	28,470,971
Less: Accumulated depreciation	(11,197,719)
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Bonds and notes payable	(5,712,000)
Discount/Premiums	(114,925)
Compensated absences payable	(53,225)
Long-term 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 inflows of resources in the funds.	
Delinquent property taxes	85,855
Special assessments	804,271
Net pension assets are not recognized under the current financial resource measurement focus and, therefore, have no effect on fund balance	
Net pension asset - volunteer firemen's relief pension fund	589,660
Deferred inflows and outflows of resources related to the pension assets are not recognized under the current financial resources measurement focus and, therefore, have no effect on fund balance	
Deferred outflows of resources related to Fire Relief pensions	128,277
Deferred inflows of resources related to Fire Relief pensions	(169,187)
Governmental funds do not report a liability for accrued interest payable until due and payable.	
	(46,941)
An internal service fund is used by management to charge the cost of pension and OPEB benefits to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position	
	<u>(901,446)</u>
Total Net Position - Governmental Activities	<u>\$ 14,160,170</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

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CITY OF PINE CITY, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	General	Debt Service Funds	Capital Improvement
Revenues:			
Taxes	\$ 813,048	\$ 622,355	\$ 150,000
Tax Increment	0	31,066	0
Special Assessments	207	104,308	8,445
Intergovernmental	1,068,781	0	0
Licenses and Permits	117,812	0	0
Charges for Services	293,580	0	135,105
Fines and Fees	8,091	0	0
Other Revenues	155,585	0	32,000
Investment Earnings	(7,857)	(727)	(3,056)
Total Revenues	<u>2,449,247</u>	<u>757,002</u>	<u>322,494</u>
Expenditures:			
Current:			
General Government	849,633	0	0
Public Safety	922,719	0	0
Public Works	469,063	0	0
Parks and Recreation	308,856	0	0
Economic Development	0	0	0
Capital Outlay:			
General Government	156,822	0	598,604
Public Safety	12,074	0	163,980
Public Works	0	0	112,955
Parks and Recreation	360,444	0	62,525
Debt Service:			
Principal	0	585,000	0
Interest and Fiscal Fees	0	157,090	0
Total Expenditures	<u>3,079,611</u>	<u>742,090</u>	<u>938,064</u>
Excess of Revenues Over (Under) Expenditures	<u>(630,364)</u>	<u>14,912</u>	<u>(615,570)</u>
Other Financing Sources (Uses):			
Transfers In	135,000	0	50,000
Transfers Out	(171,901)	0	0
Total Other Financing Sources (Uses)	<u>(36,901)</u>	<u>0</u>	<u>50,000</u>
Change in Fund Balance	<u>(667,265)</u>	<u>14,912</u>	<u>(565,570)</u>
Fund Balance - January 1 (As Previously Stated)	2,016,185	993,407	802,534
Prior Period Adjustment	<u>202,273</u>	<u>0</u>	<u>0</u>
Fund Balance - January 1 (As Restated)	<u>2,218,458</u>	<u>993,407</u>	<u>802,534</u>
Fund Balance - December 31	<u>\$ 1,551,193</u>	<u>\$ 1,008,319</u>	<u>\$ 236,964</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

2022 Street Project	Nonmajor Governmental Funds	Total Governmental Funds
\$ 0	\$ 91,000	\$ 1,676,403
0	22,588	53,654
0	0	112,960
0	474,451	1,543,232
0	0	117,812
0	18,183	446,868
0	0	8,091
0	144,794	332,379
0	3,593	(8,047)
<u>0</u>	<u>754,609</u>	<u>4,283,352</u>
0	0	849,633
0	0	922,719
0	13,410	482,473
0	0	308,856
0	405,510	405,510
0	0	755,426
0	0	176,054
1,431,076	25,393	1,569,424
0	0	422,969
0	0	585,000
0	0	157,090
<u>1,431,076</u>	<u>444,313</u>	<u>6,635,154</u>
<u>(1,431,076)</u>	<u>310,296</u>	<u>(2,351,802)</u>
0	171,901	356,901
0	0	(171,901)
<u>0</u>	<u>171,901</u>	<u>185,000</u>
<u>(1,431,076)</u>	<u>482,197</u>	<u>(2,166,802)</u>
0	428,983	4,241,109
0	0	202,273
<u>0</u>	<u>428,983</u>	<u>4,443,382</u>
<u>\$ (1,431,076)</u>	<u>\$ 911,180</u>	<u>\$ 2,276,580</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF PINE CITY, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

Net Change in Fund Balances - Governmental Funds \$ (2,166,802)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,549,095
Depreciation expense	(662,932)
Loss on disposed asset	(6,852)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources. Neither transaction, however, has any effect on net position.

Principal repayments	585,000
Amortization of premiums/discounts	11,233

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrued, regardless of when it is due.

(1,911)

Pension expense in the Statement of Activities is recognized as the change in net pension liabilities, including the amortization of layered deferred inflows and deferred outflows of resources of the current and prior periods, this does not require the use of current financial resources, and therefore is not reported in the government funds.

Pension expense	186,928
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Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes	(14,302)
Special assessments	(78,932)

Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(12,120)
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An internal service fund is used by management to charge pension and OPEB costs to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities in the government-wide financial statements.

(121,943)

Change in Net Position - Governmental Activities \$ 266,460

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF PINE CITY, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended December 31, 2022

	Original And Final Budget	Actual Amounts	Over (Under) Budget
Revenues:			
Taxes	\$ 848,145	\$ 813,048	\$ (35,097)
Intergovernmental	809,215	1,068,781	259,566
Licenses and Permits	119,175	117,812	(1,363)
Charges for Services	251,825	293,580	41,755
Fines and Fees	12,500	8,091	(4,409)
Special Assessments	0	207	207
Other Revenues	500	155,585	155,085
Interest and Dividends	1,500	(7,857)	(9,357)
Total Revenues	<u>2,042,860</u>	<u>2,449,247</u>	<u>406,387</u>
Expenditures:			
Current:			
General Government	660,553	849,633	189,080
Public Safety	877,876	922,719	44,843
Public Works	463,894	469,063	5,169
Culture and Recreation	368,037	308,856	(59,181)
Capital Outlay:			
General Government	0	156,822	156,822
Public Safety	10,000	12,074	2,074
Public Works	18,000	0	(18,000)
Culture and Recreation	9,500	360,444	350,944
Total Expenditures	<u>2,407,860</u>	<u>3,079,611</u>	<u>671,751</u>
Excess of Revenues Over (Under) Expenditures	(365,000)	(630,364)	(265,364)
Other Financing Sources (Uses):			
Transfers In	135,000	135,000	0
Transfers Out	0	(171,901)	(171,901)
Total Other Financing Sources (Uses)	<u>135,000</u>	<u>(36,901)</u>	<u>(171,901)</u>
Change in Fund Balance	<u>\$ (230,000)</u>	<u>(667,265)</u>	<u>\$ (437,265)</u>
Fund Balance - January 1 (As Previously Stated)		2,016,185	
Prior Period Adjustment		<u>202,273</u>	
Fund Balance - January 1 (As Restated)		<u>2,218,458</u>	
Fund Balance - December 31		<u>\$ 1,551,193</u>	

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF PINE CITY, MINNESOTA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2022

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Liquor Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets:			
Cash and Investments	\$ 3,092,292	\$ 2,980,496	\$ 536,486
Accounts Receivable	169,097	108,111	0
Lease Receivable	16,067	0	0
Inventory	0	0	332,806
Prepaid Expense	4,052	4,052	2,509
Total Current Assets	<u>3,281,508</u>	<u>3,092,659</u>	<u>871,801</u>
Noncurrent Assets:			
Special Assessments	153,398	128,477	0
Capital Assets Not Being Depreciated	20,000	85,278	33,000
Other Capital Asses, Net of Depreciation	8,853,460	6,763,130	145,751
Total Assets	<u>12,308,366</u>	<u>10,069,544</u>	<u>1,050,552</u>
Deferred Outflows of Resources:			
Pension Plan Deferments and OPEB Deferments	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,308,366</u>	<u>\$ 10,069,544</u>	<u>\$ 1,050,552</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current Liabilities:			
Accrued Expenses	\$ 100,323	\$ 64,290	\$ 156,036
Due to Other Governments	0	0	40,164
Unearned Revenue	6,731	4,522	0
Current Portion of Long-term Debt	548,020	143,980	0
Total Current Liabilities	<u>655,074</u>	<u>212,792</u>	<u>196,200</u>
Long-term Liabilities:			
Revenue Bonds Payable	4,149,809	1,736,578	0
Other Post-employment Benefits	0	0	0
Net Pension Liability	0	0	0
Total Liabilities	<u>4,804,883</u>	<u>1,949,370</u>	<u>196,200</u>
Deferred Inflows of Resources:			
Lease Deferments	15,805	0	0
Pension Plan Deferments and OPEB Deferments	0	0	0
Total Deferred Inflows of Resources	<u>15,805</u>	<u>0</u>	<u>0</u>
Net Position:			
Net Investment in Capital Assets	4,175,631	4,967,850	179,545
Unrestricted	3,312,047	3,152,324	674,807
Total Net Position	<u>7,487,678</u>	<u>8,120,174</u>	<u>854,352</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 12,308,366</u>	<u>\$ 10,069,544</u>	<u>\$ 1,050,552</u>

Net Position reported above
Adjustments to reflect the consolidation of internal
service fund activities related to enterprise funds

Net Position of Business-type Activities

The Notes to the Financial Statements are an Integral Part of this Statement.

<u>Business-type Activities</u>	<u>Governmental Activities</u>
<u>Totals</u>	<u>Internal Service Fund</u>
\$ 6,609,274	\$ 0
277,208	0
16,067	0
332,806	0
10,613	0
<u>7,245,968</u>	<u>0</u>
281,875	0
138,278	0
15,762,341	0
<u>23,428,462</u>	<u>0</u>
<u>0</u>	<u>591,921</u>
<u>\$ 23,428,462</u>	<u>\$ 591,921</u>
\$ 320,649	\$ 0
40,164	0
11,253	0
692,000	0
<u>1,064,066</u>	<u>0</u>
5,886,387	0
0	102,480
0	760,323
<u>6,950,453</u>	<u>862,803</u>
15,805	0
0	706,117
<u>15,805</u>	<u>706,117</u>
9,323,026	0
7,139,178	(976,999)
<u>16,462,204</u>	<u>(976,999)</u>
<u>\$ 23,428,462</u>	<u>\$ 591,921</u>
\$ 16,462,204	
<u>(75,553)</u>	
<u>\$ 16,386,651</u>	

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF PINE CITY, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS

For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Liquor Fund
Operating Revenues:			
Charges for Services and Sales	\$ 1,287,437	\$ 815,190	\$ 2,388,535
Cost of Revenues	<u>0</u>	<u>0</u>	<u>1,703,813</u>
Gross Profit	1,287,437	815,190	684,722
Operating Expenses:			
Personnel Services	221,788	222,132	349,116
Materials and Supplies	22,790	4,691	17,385
Professional Fees	21,730	46,641	32,905
Insurance	30,539	30,470	13,870
Utilities	45,098	62,051	14,893
Repairs and Maintenance	41,408	12,201	4,095
Contracted Services	2,035	15,020	50,035
Other Charges	11,543	12,167	9,222
Depreciation	246,395	184,628	16,323
Total Operating Expenses	<u>643,326</u>	<u>590,001</u>	<u>507,844</u>
Income (Loss) From Operations	644,111	225,189	176,878
Nonoperating Revenues (Expenses)			
Interest and Fiscal Charges	(82,329)	(48,147)	0
Special Assessments	5,065	4,767	0
Access Fees and Other Income	73,022	40,500	2,346
Investment Earnings	<u>(14,679)</u>	<u>(13,691)</u>	<u>(2,649)</u>
Total Nonoperating Revenues (Expenses)	<u>(18,921)</u>	<u>(16,571)</u>	<u>(303)</u>
Income (Loss) Before Transfers and Other Items	625,190	208,618	176,575
Transfers Out	<u>0</u>	<u>0</u>	<u>(185,000)</u>
Change in Net Position	625,190	208,618	(8,425)
Net Position - January 1	<u>6,862,488</u>	<u>7,911,556</u>	<u>862,777</u>
Net Position - December 31	<u>\$ 7,487,678</u>	<u>\$ 8,120,174</u>	<u>\$ 854,352</u>

Change in Net Position reported above

Adjustment to reflect the consolidation of internal
 service fund activities related to enterprise funds

Change in Net Position of Business-type Activities

The Notes to the Financial Statements are an Integral Part of this Statement.

Business-type Activities	Governmental Activities
Totals	Internal Service Fund
\$ 4,491,162	\$ 78,743
<u>1,703,813</u>	<u>0</u>
2,787,349	78,743
793,036	322,955
44,866	0
101,276	0
74,879	0
122,042	0
57,704	0
67,090	0
32,932	0
447,346	0
<u>1,741,171</u>	<u>322,955</u>
1,046,178	(244,212)
(130,476)	0
9,832	0
115,868	3,337
<u>(31,019)</u>	<u>0</u>
<u>(35,795)</u>	<u>3,337</u>
1,010,383	(240,875)
<u>(185,000)</u>	<u>0</u>
825,383	(240,875)
<u>15,636,821</u>	<u>(736,124)</u>
<u>\$ 16,462,204</u>	<u>\$ (976,999)</u>
\$ 825,383	
<u>(118,932)</u>	
<u>\$ 706,451</u>	

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF PINE CITY, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For The Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Liquor Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 1,220,712	\$ 778,029	\$ 2,388,536
Receipts from Interfund Charges for Employee Benefits	0	0	0
Payments to Suppliers	(136,783)	(169,303)	(1,789,880)
Payments to Employees	(219,955)	(219,853)	(336,319)
Other Receipts (Payments)	73,022	40,500	2,346
Net Cash from Operating Activities	<u>936,996</u>	<u>429,373</u>	<u>264,683</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers Out	0	0	(185,000)
Net Cash from Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>(185,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest Paid on Debt	(140,818)	(57,897)	0
Principal Paid on Debt	(557,960)	(138,040)	0
Special Assessment Collections	20,446	18,854	0
Acquisition and Construction of Capital Assets	(210,825)	(152,263)	(5,956)
Net Cash from Capital and Related Financing Activities	<u>(889,157)</u>	<u>(329,346)</u>	<u>(5,956)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends Received (Paid)	(14,679)	(13,691)	(2,649)
Net Change in Cash and Investments	33,160	86,336	71,078
Cash and Investments - January 1	<u>3,059,132</u>	<u>2,894,161</u>	<u>465,408</u>
Cash and Investments - December 31	<u>\$ 3,092,292</u>	<u>\$ 2,980,497</u>	<u>\$ 536,486</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:			
Income (Loss) from Operations	\$ 644,111	\$ 225,189	\$ 176,878
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Other Receipts (Payments)	73,022	40,500	2,346
Depreciation Expense	246,395	184,628	16,323
(Increase) Decrease in Accounts Receivable	(63,783)	(40,571)	0
(Increase) Decrease in Prepaid Expense	30,684	30,173	(316)
(Increase) Decrease in Inventory	0	0	(17,146)
Increase (Decrease) in Due to Other Governments	0	0	22,217
Increase (Decrease) in Unearned Revenue	(2,942)	3,410	0
Increase (Decrease) in Pension Resources and OPEB	0	0	0
Increase (Decrease) in Accrued Expenses	9,509	(13,956)	64,381
Net Cash from Operating Activities	<u>\$ 936,996</u>	<u>\$ 429,373</u>	<u>\$ 264,683</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

Business-type Activities	Governmental Activities
Totals	Internal Service Fund
\$ 4,387,277	\$ 0
0	78,742
(2,095,966)	0
(776,127)	(78,742)
115,868	0
<u>1,631,052</u>	<u>0</u>
(185,000)	0
<u>(185,000)</u>	<u>0</u>
(198,715)	0
(696,000)	0
39,300	0
(369,044)	0
<u>(1,224,459)</u>	<u>0</u>
(31,019)	0
190,574	0
6,418,701	0
<u>\$ 6,609,275</u>	<u>\$ 0</u>
\$ 1,046,178	\$ (244,212)
115,868	0
447,346	0
(104,354)	0
60,541	0
(17,146)	0
22,217	0
468	0
0	244,212
59,934	0
<u>\$ 1,631,052</u>	<u>\$ 0</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Pine City, Minnesota (the City) operates under the “Optional Plan A” form of government as defined in Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council Members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the primary government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is financially accountable.

Component units for which the City has been determined to be financially accountable can be blended with the primary government or be included as a discrete presentation. Blended component units, although legally separate entities, are in substance part of the City’s operations and so data from these units are combined with data of the City. Each discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize it is legally separate from the City. Included in the City’s reporting entity, based upon the application of these criteria, are the following blended component units. The blended component units presented have a December 31 year end.

Economic Development Authority. The Economic Development Authority (the EDA) was created pursuant to Minnesota statutes 469.090 through 469.108. The five-member Board of Directors carries out economic and industrial development and redevelopment within the City in accordance with policies established by the City. Separate financial statements are not issued for this component unit.

Housing and Redevelopment Authority. The Pine City House and Redevelopment Authority (the HRA) was created pursuant to Chapter 487 of the Minnesota Session Laws of 1947. The HRA was created by the City to carry out certain redevelopment projects. The governing board is comprised of a five-member board appointed by the City Council, two of which are the mayor and a council member. The fiscal year-end of the HRA is March 31, and its financial data as of and for the year ended March 31, 2023, is included in these financial statements. Separate financial statements are issued for this component unit.

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 nonfiduciary 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 are 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 as program revenues.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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. Aggregate information for the remaining nonmajor governmental funds is reported in a single column 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 and the fiduciary 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 *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 all revenues, except property taxes and reimbursement grants, to be available if they are collected within 90 days of the end of the current fiscal period. Property taxes are considered available if they are collected within 60 days of the end of the current fiscal 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 fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is 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.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on an accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred inflows of resources in the fund financial statements.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all the financial resources of the City, except those required to be accounted for in another fund.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The *Debt Service fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

The *Capital Improvement fund* accounts for the accumulation of resources used to purchase capital equipment and make other capital improvements.

The *2022 Street Project fund* accounts for the accumulation of resources used to finance the 2022 street improvement project.

The City reports the following major proprietary funds:

The *Water fund* accounts for the costs associated with the City's water utility system and ensures that user charges are sufficient to meet those costs.

The *Sewer fund* accounts for the costs associated with the City's sewer utility system and ensures that user charges are sufficient to meet those costs.

The *Liquor fund* accounts for the costs associated with the City's municipal liquor store.

Additionally, the City reports an Internal Service fund which is used to account for pension and other post-employment benefits provided to other funds on a cost reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer 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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 City 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.

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position/fund balance

Deposits and investments

The City's cash and cash equivalents are cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated based on applicable participation by each of the funds.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated “A” or better; revenue obligations rated “AA” or better.
4. General obligations of the Minnesota Housing Finance Agency rated “A” or better.
5. Bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks, corporations, or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers’ acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are also reported at amortized cost. Investment income is accrued at the Balance Sheet date.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants and would use in pricing the asset.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 3 for the City's recurring fair value measurements as of December 31, 2022. The City has adopted a formal investment policy.

Property taxes

The City Council annually adopts a tax levy and certifies it to Isanti County, Minnesota (the County) in December for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June, and December each year.

Taxes payable on homestead property, as defined by Minnesota statutes, were partially reduced by a market value credit aid. The credit is paid to the City by the State in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

Delinquent taxes receivable includes the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2022. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established. An estimated allowance in the amount of \$1,000 in the General Fund for uncollectible charges related to fire call is reported as of December 31, 2022. Uncollectible amounts are not material for all other receivables and have not been reported.

Notes receivable

Notes receivable represent loans made to various commercial entities throughout the City. An allowance has not been established due to the City's historical collection of outstanding balances.

Special assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessment receivables are offset by a deferred inflow of resources in the fund financial statements.

Land held for resale

Land held for resale is carried at the lower of cost or net realizable value.

Inventory and Prepaid items

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. The costs of governmental and business fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, 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 \$5,000 and an estimated useful life in excess of one year.

As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at acquisition cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the acquisition value of the item at the date of its donation.

Property, plant, and equipment of the City, as well as component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives in Years</u>
Buildings and improvements	15 to 75
Infrastructure	20 to 60
Machinery and equipment	3 to 15

Compensated absences

It is the City’s policy to permit employees to accumulate earned but unused personal leave benefits. All personal leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. In accordance with the Statement of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulated right to receive personal leave benefits. However, a liability is recognized for that portion of accumulating personal leave benefits that is vested as severance pay.

Deferred outflows/inflows of resources

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, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

In addition to assets, the statement of financial position and fund financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of resources that is applicable to future reporting period(s) and so will not be recognized as an outflow of resources (expense) until that time.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Unearned Revenue

Unearned revenues are those for which resources are received by the City before it has a legal claim against them. The City has reported unearned revenues for prepaid service revenues and security deposits in the proprietary funds.

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), Pine City Volunteer Fire Relief Association (VFRA) and additions to/deductions from PERA's fiduciary net position and VFRA's fiduciary net position have been determined on the same basis as they are reported by PERA and VFRA, 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.

All eligible employees as determined by the local HRA HUD approved personnel policy are covered by the defined contribution plan. See Note 3 for details.

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 delayed and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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.

Leases

Lease receivables

The City determines if an arrangement is a lease at inception. Leases are included in lease receivables and deferred inflows of resources in the statements of net position and fund financial statements.

Lease receivables represent the City's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

The City has elected to recognize payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows on the statements of net position and fund financial statements.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Lease liabilities

The City determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statements of net position.

Lease assets represent the City's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Entity will exercise that option.

The City has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

Significant lease terms are disclosed in note 3.

Net position

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquired capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

Fund balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance not less than 31% of next year's budgeted operating expenditures for cash-flow timing needs.

Note 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

On or before July 1 of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30, the proposed budget is presented to the City Council for review. The City Council holds public hearings, and a final budget is prepared and adopted in December.

The appropriated budget is prepared by fund, function, and department. The City's department heads, with the approval of the City Administrator, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted or as amended by the City Council. There were no budget amendments during the year.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2022, the General fund had expenditures over appropriations of \$671,751. Excess expenditures over appropriations were funded with additional revenues and available fund balance.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (Continued)

C. Deficit Fund Equity

The following had fund equity deficits at year end:

Fund	Amount
Governmental	
Major	
2022 Street Project	\$ 1,431,076
Nonmajor - Capital Projects	
2020 Street Project	581,703
TIF District 1-13	4,421
Debt Service	
G.O. Equipment Certificates 2019A	51,976

The fund deficits are planned to be eliminated with future interfund transfers.

Note 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City’s deposits and investments may not be returned, or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated “A” or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank’s public debt is rated “AA” or better by Moody’s Investors Service, Inc., or Standard & Poor’s Corporation; and
- Time deposits that are fully insured by any federal agency

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the government entity.

On December 31, 2022, the carrying amount of deposits was \$7,038,672 and the bank balance was \$7,389,794. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance was covered by collateral held by the City’s agent in the City’s name.

On March 31, 2023, the bank balance of the HRA’s deposits with financial institutions was \$179,357, and the carrying value was \$179,357. All deposits of the HRA were covered by federal depository insurance.

Investments

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. Although the City’s investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statute 118A.07 limits the City’s investments. The City’s investment policy does not place further restrictions on investment options.

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City’s investment policies do not address concentration risk. Investment holdings that exceed 5% of the City’s portfolio are shown below:

Negotiable certificates of deposit

Wells Fargo Bank	\$	129,864
American Express Natl Bank		159,042
Texas Exchange Bank		225,817
Sallie Mae Bank		137,048
Ally Bank		245,791
BMO Harris Bank		218,381
Capital One Natl Bank		248,129
Discover Bank		248,129
Live Oak Bkg		215,813

Nonnegotiable certificates of deposit

Stearns Bank, Pine City		111,380
Northwoods Bank, Pine City		107,504

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City’s investment policies do not limit the maturities of investments; however, when purchasing investments, the City considers such things as interest rates and cash flow needs.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

As of December 31, 2022, the City had the following investments that are insured or registered, or securities held by the City’s agent in the City’s name:

Deposit/Investments	Credit Risk		Fair Value Measurements Using	Interest Risk - Maturity Duration in Years		Total
	Rating	Agency		Less Than 1	1 to 5	
Pooled investment at amortized cost						
Broker money market funds	N/R	N/R	NAV	N/A	N/A	\$ 255,153
Investment pools						
Negotiable certificates of deposit	N/R	N/R	Level 2	191,324	1,698,148	1,889,472
Nonpooled investments						
Non-negotiable certificates of deposit	N/R	N/R	Level 2	218,884	-	<u>218,884</u>
Total investments						<u>\$ 2,363,509</u>

NAV - Investments measured at the net asset value

N/A - Not applicable

N/R - Not rated

A reconciliation of cash and investment as shown on the Statement of Net Position for the City is as follows:

	Primary Government	Component Unit
Cash and Cash equivalents	\$ 7,038,672	\$ 179,357
Investments	<u>2,363,509</u>	<u>-</u>
Total Cash and investment	<u>\$ 9,402,181</u>	<u>\$ 179,357</u>
Unrestricted cash and investments	\$ 9,402,181	\$ 168,543
Restricted cash and investments	<u>-</u>	<u>10,814</u>
Total cash and investments	<u>\$ 9,402,181</u>	<u>\$ 179,357</u>

B. Receivables

Taxes receivable as of the year-end for the City are reported on the Statement of Net Position. There are no estimates for allowances for uncollectible property tax and special assessment receivables.

Notes receivable represent loans made to various commercial entities throughout the City. These loans all carry various interest rates and are collectible in monthly installments with varying maturities. There is no collateral securing these notes. No allowance has been established for these various notes. The allowance was determined based on historical bad debt experience related to the nature of the receivable balance.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Intergovernmental and accounts receivables on the statement of net position consist of the following:

Nature of Receivable	Receivable Balance	Allowance for Uncollectibles	Total
Fire protection contracts	\$ 13,907	\$ (1,000)	\$ 12,907
Fire calls/MV charges	6,108	-	6,108
Grant	264,379	-	264,379
Notes	168,725	-	168,725
Total	\$ 453,119	\$ (1,000)	\$ 452,119

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred inflows* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Special assessments not yet due	\$ 798,727	\$ -
Delinquent special assessments	5,544	-
Delinquent property taxes	85,855	-
Escrow deposits	-	34,074
Total deferred inflows of resources/unearned revenue	\$ 890,126	\$ 34,074

The only receivables not expected to be collectible within one year are \$60,000 of delinquent taxes and \$734,000 of special assessments.

C. Lease Receivables

The City, acting as lessor, leases certain real property under a long-term, noncancelable lease agreement. The lease contains discount rates of 4.00% and expires in September 2023 and provides for five renewal options of five years. During the year ended December 31, 2022, the City recognized \$20,810 and \$971 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Total future minimum lease payments to be received under lease agreements are as follows:

Year Ending December 31	Business-type Activities	
	Principal	Interest
2023	\$ 16,067	\$ 338

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

D. Capital assets

Primary Government

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 604,654	\$ 90,100	\$ -	\$ 694,754
Construction in progress	285,027	444,637	(6,852)	722,812
Total capital assets not being depreciated	<u>889,681</u>	<u>534,737</u>	<u>(6,852)</u>	<u>1,417,566</u>
Capital assets being depreciated				
Buildings and Improvements	4,627,384	466,788	-	5,094,172
Infrastructure	16,645,709	1,354,212	(36,834)	17,963,087
Machinery and equipment	3,819,785	193,358	(16,997)	3,996,146
Total capital assets being depreciated	<u>25,092,878</u>	<u>2,014,358</u>	<u>(53,831)</u>	<u>27,053,405</u>
Less accumulated depreciation for				
Buildings and Improvements	(1,676,585)	(134,342)	-	(1,810,927)
Infrastructure	(6,201,853)	(360,044)	36,834	(6,525,063)
Machinery and equipment	(2,710,180)	(168,546)	16,997	(2,861,729)
Total accumulated depreciation	<u>(10,588,618)</u>	<u>(662,932)</u>	<u>53,831</u>	<u>(11,197,719)</u>
Total capital assets being depreciated, net	<u>14,504,260</u>	<u>1,351,426</u>	<u>-</u>	<u>15,855,686</u>
Governmental activities capital assets, net	<u>\$ 15,393,941</u>	<u>\$ 1,886,163</u>	<u>\$ (6,852)</u>	<u>\$ 17,273,252</u>

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 138,278	\$ -	\$ -	\$ 138,278
Total capital assets not being depreciated	<u>138,278</u>	<u>-</u>	<u>-</u>	<u>138,278</u>
Capital assets being depreciated				
Buildings and improvements	1,152,164	-	-	1,152,164
Distribution system	19,922,482	363,087	-	20,285,569
Machinery and equipment	1,187,674	5,956	-	1,193,630
Total capital assets being depreciated	<u>22,262,320</u>	<u>369,043</u>	<u>-</u>	<u>22,631,363</u>
Less accumulated depreciation for				
Buildings and improvements	(647,752)	(27,049)	-	(674,801)
Distribution system	(4,887,309)	(378,202)	-	(5,265,511)
Machinery and equipment	(886,615)	(42,095)	-	(928,710)
Total accumulated depreciation	<u>(6,421,676)</u>	<u>(447,346)</u>	<u>-</u>	<u>(6,869,022)</u>
Total capital assets being depreciated, net	<u>15,840,644</u>	<u>(78,303)</u>	<u>-</u>	<u>15,762,341</u>
Business-type activities capital assets, net	<u>\$ 15,978,922</u>	<u>\$ (78,303)</u>	<u>\$ -</u>	<u>\$ 15,900,619</u>

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

Governmental activities	
General government	\$ 71,553
Housing and EDA	4,928
Public safety	125,890
Public works	436,825
Parks and recreation	<u>23,736</u>
Total depreciation expense - governmental activities	<u>\$ 662,932</u>
Business-type activities	
Water	\$ 246,395
Sewer	184,628
Liquor	<u>16,323</u>
Total depreciation expense - business-type activities	<u>\$ 447,346</u>

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Discretely presented component unit

Capital asset activity for Pine City Housing and Redevelopment Authority for the year ended was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component unit				
Capital assets not being depreciated				
Land	\$ 14,281	\$ -	\$ -	\$ 14,281
Total capital assets not being depreciated	<u>14,281</u>	<u>-</u>	<u>-</u>	<u>14,281</u>
Capital assets being depreciated				
Buildings and Improvements	1,589,995	12,661	-	1,602,656
Machinery and equipment	<u>70,892</u>	<u>911</u>	<u>-</u>	<u>71,803</u>
Total capital assets being depreciated	<u>1,660,887</u>	<u>13,572</u>	<u>-</u>	<u>1,674,459</u>
Less accumulated depreciation	<u>(1,256,826)</u>	<u>(38,560)</u>	<u>-</u>	<u>(1,295,386)</u>
Total capital assets being depreciated, net	<u>404,061</u>	<u>(24,988)</u>	<u>-</u>	<u>379,073</u>
Component unit - HRA capital assets, net	<u>\$ 418,342</u>	<u>\$ (24,988)</u>	<u>\$ -</u>	<u>\$ 393,354</u>

Depreciation expense was charged to functions/programs of the Braham Housing and Redevelopment Authority as follows:

Component unit	
Housing and Redevelopment Authority	<u>\$ 38,560</u>

E. Long-term debt

General Obligation Revenue Bonds

The City issued general obligation revenue notes where the government pledges income derived from the acquired or constructed assets to pay debt service requirements. The City is obligated to levy ad valorem taxes in the event that anticipated income from the acquired or constructed assets will not be sufficient to cover debt service requirements. G.O. revenue notes currently outstanding are as follows:

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Taxable Water and Sewer Revenue					
Bonds of 2013A	\$ 1,481,000	2.75%	7/25/13	1/1/53	\$ 1,290,000
G.O. Water and Sewer Revenue					
Bonds of 2018A	1,125,000	3.125-4.00	9/17/18	2/1/34	950,000
G.O. Water and Sewer Revenue					
Bonds of 2019B	5,170,000	3.125-4.00	11/21/19	2/1/36	<u>4,120,000</u>
Total general obligation revenue notes					<u>\$ 6,360,000</u>

General Obligation Tax Increment Revenue Bonds

The City issues general obligation tax increment revenue bonds for redevelopment projects. The additional tax increments resulting from increased tax capacity of the redeveloped properties will be used to retire the related debt. General obligation tax increment bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Increment					
Bonds of 2010B	\$ 1,050,000	1.00-4.25%	11/1/10	12/1/23	<u>\$ 20,000</u>
Total G.O. tax increment revenue bonds					<u>\$ 20,000</u>

General Obligation Improvement Bonds/Notes

The City issues general obligation improvement bonds/notes to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. General obligation special assessment bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement					
Bonds of 2012B	\$ 610,000	1.20-2.25%	8/1/12	2/1/24	\$ 160,000
G.O. Improvement					
Bonds of 2013B	585,000	3.50	7/25/13	7/23/33	371,000
G.O. Improvement					
Bonds of 2015A	720,000	1.35-3.10	7/15/15	12/1/30	405,000
G.O. Improvement					
Bonds of 2018A	620,000	3.125-4.00	9/17/18	2/1/34	525,000
G.O. Improvement					
Bonds of 2019B	1,740,000	2.125-3.00	11/21/19	2/1/36	1,515,000
G.O. Improvement					
Bonds of 2020A	1,700,000	1.10-2.00	8/27/20	2/1/37	<u>1,700,000</u>
Total general obligation bonds/notes					<u>\$ 4,676,000</u>

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

General Obligation Bonds/Certificates

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding					
Bonds of 2016A	\$ 1,315,000	1.00-2.80%	4/1/16	12/1/31	\$ 945,000
G.O. Equipment					
Certificate of 2019A	204,000	3.875%	6/1/19	2/1/23	<u>71,000</u>
Total general obligation bonds/certificates					<u>\$ 1,016,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 634,000	\$ 134,288	\$ 768,288	\$ 692,000	\$ 175,889	\$ 867,889
2024	494,000	118,623	612,623	608,000	155,821	763,821
2025	415,000	106,894	521,894	618,000	136,919	754,919
2026	421,000	95,994	516,994	654,000	117,081	771,081
2027	432,000	84,934	516,934	670,000	96,908	766,908
2028-2032	2,106,000	251,452	2,357,452	1,563,000	290,197	1,853,197
2033-2037	1,210,000	50,708	1,260,708	755,000	150,326	905,326
2038-2042	-	-	-	214,000	98,610	312,610
2043-2047	-	-	-	245,000	67,521	312,521
2048-2052	-	-	-	280,000	31,948	311,948
2053	-	-	-	61,000	1,682	62,682
Total	<u>\$ 5,712,000</u>	<u>\$ 842,893</u>	<u>\$ 6,554,893</u>	<u>\$ 6,360,000</u>	<u>\$ 1,322,902</u>	<u>\$ 7,682,902</u>

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Changes in long-term liabilities

During the year ended December 31, 2022, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
GO bonds	\$ 1,095,000	\$ -	\$ (150,000)	\$ 945,000	\$ 95,000
GO improvement bonds	5,023,000	-	(347,000)	4,676,000	448,000
GO tax increment revenue bonds	40,000	-	(20,000)	20,000	20,000
GO equipment certificates	139,000	-	(68,000)	71,000	71,000
Total GO Debt	6,297,000	-	(585,000)	5,712,000	634,000
Unamortized bond premiums	126,158	-	(11,233)	114,925	-
Compensated absences	41,105	42,140	(30,020)	53,225	-
Governmental activity long-term liabilities	<u>\$ 6,464,263</u>	<u>\$ 42,140</u>	<u>\$ (626,253)</u>	<u>\$ 5,880,150</u>	<u>\$ 634,000</u>
Business-type activities:					
GO revenue bonds	\$ 7,031,000	\$ -	\$ (671,000)	\$ 6,360,000	\$ 692,000
Unamortized bond premiums	260,052	-	(41,665)	218,387	-
Compensated absences	52,998	33,150	(24,555)	61,593	-
Business-type activity long-term liabilities	<u>\$ 7,344,050</u>	<u>\$ 33,150</u>	<u>\$ (737,220)</u>	<u>\$ 6,639,980</u>	<u>\$ 692,000</u>

F. Interfund receivables, payables, and transfers

Interfund transfers

Interfund transfers for the year ended December 31, 2022, consisted of the following:

Transferred From	Transferred To			
	ARPA	General	Capital improvement	Total
General	\$ 171,901	\$ -	\$ -	\$ 171,901
Liquor	-	135,000	50,000	185,000
Total	<u>\$ 171,901</u>	<u>\$ 135,000</u>	<u>\$ 50,000</u>	<u>\$ 356,901</u>

The transfer from the General to ARPA fund was to money the funds received to the City's designated fund. The transfer from Liquor to the General and Capital Improvement funds was budgeted in the prior year.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Internal Balances

Receivable Fund	Payable Fund	Amount
General	Street improvements	\$ 1,680,147
General	Debt service	51,976
General	Capital improvement	65,082
EDA	TIF 1-13	4,421
Capital improvement	2020 street project	<u>581,703</u>
Total		<u>\$ 2,383,329</u>

The purpose of the above interfund loans was to provide financing for operating purposes and to cover deficit cash balances present at year-end.

G. Net Position/Fund Balance

Governmental Fund Balances

Governmental fund balances reported on the fund financial statements on December 31, 2022, included the following:

	General	Debt Service	Capital Improvement	2022 Street Project	Other Nonmajor Governmental	Total Fund Balance
Nonspendable:						
Prepaid expense	\$ 53,240	\$ -	\$ -	\$ -	\$ -	\$ 53,240
Restricted:						
Capital projects	-	-	-	-	153,459	153,459
Debt service	-	1,060,295	-	-	-	1,060,295
Tax increment	-	-	-	-	36,874	36,874
Unspent ARPA	-	-	-	-	342,946	342,946
Park improvements	-	-	-	-	14,623	14,623
Total restricted	<u>-</u>	<u>1,060,295</u>	<u>-</u>	<u>-</u>	<u>547,902</u>	<u>1,608,197</u>
Committed:						
Economic development	-	-	-	-	565,941	565,941
Cemetery operations	-	-	-	-	216,896	216,896
Housing operations	-	-	-	-	166,565	166,565
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>949,402</u>	<u>949,402</u>
Assigned:						
Capital projects	-	-	236,964	-	-	236,964
Unassigned:						
General fund	1,497,953	-	-	-	-	1,497,953
Debt service	-	(51,976)	-	-	-	(51,976)
Capital Project	-	-	-	(1,431,076)	(586,124)	(2,017,200)
Total unassigned	<u>1,497,953</u>	<u>(51,976)</u>	<u>-</u>	<u>(1,431,076)</u>	<u>(586,124)</u>	<u>(571,223)</u>
Total fund balance	<u>\$ 1,551,193</u>	<u>\$ 1,008,319</u>	<u>\$ 236,964</u>	<u>\$ (1,431,076)</u>	<u>\$ 911,180</u>	<u>\$ 2,276,580</u>

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Governmental Activities Net Position

Governmental activities net position reported on the government-wide statement of net position on December 31, 2022, includes the following:

Net Investment in Capital Assets:

Land	\$ 694,754
Construction in progress	722,812
Buildings and improvements	5,094,172
Infrastructure	17,963,087
Machinery and equipment	3,996,146
Less: accumulated depreciation	(11,197,719)
Less: long-term debt outstanding	(5,712,000)
Less: bond premiums	(114,925)
Total Net Investment in Capital Assets	<u>11,446,326</u>

Restricted for:

Debt Service	1,733,047
Tax increment financing	190,333
Capital projects	14,623
Unspent ARPA	<u>342,946</u>
Total restricted	<u>2,280,949</u>

Unrestricted

432,895

Total Governmental Activities Net Position \$ 14,160,170

Business-type Activities Net Position

Business-type activities net position reported on the government-wide statement of net position on December 31, 2022, includes the following:

Net Investment in Capital Assets:

Land	\$ 138,278
Buildings and improvements	1,152,164
Distribution systems	20,285,569
Machinery and equipment	1,193,630
Less: accumulated depreciation	(6,869,022)
Less: long-term debt outstanding	(6,360,000)
Less: bond premiums	(218,387)
Total Net Investment in Capital Assets	<u>9,323,026</u>

Unrestricted

7,063,625

Total Business-type Activities Net Position \$ 16,386,651

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (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 (GERP)

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.

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.

GERP Benefits

General Employees Plan benefits are based on a member's highest average salary for any five 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 Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all members. 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 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

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

GERP Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022; the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2022, were \$88,774. The City's contributions were equal to the required contributions as set by state statute.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

D. Pension Costs

GERP Pension Costs

On December 31, 2022, the City reported a liability of \$760,323 for its proportionate share of the GERP's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2022. 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 \$22,332.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. On June 30, 2022, the City's proportion was 0.0096% which was a decrease of 0.0038% from its proportion measured as of June 30, 2021. For the year ended December 31, 2022, the City recognized pension expense of \$245,700 for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$3,337 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.

On December 31, 2022, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 5,789	\$ 14,630
Differences between projected and actual investment earnings	302,224	522,684
Changes in actuarial assumptions	171,629	6,000
Changes in proportion	38,922	159,097
City's contributions subsequent to the measurement date	44,952	-
Total	<u>\$ 563,516</u>	<u>\$ 702,411</u>

\$44,952 reported as deferred outflows of resources related to pensions resulting from City contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ (36,972)
2024	(54,792)
2025	(160,665)
2026	68,582
2027	-
Thereafter	-

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)**E. Actuarial Assumptions***GERP*

The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions:

Key Methods and Assumptions Used in Valuation of Total Pension Liability**Actuarial Information:**

Measurement Date	June 30, 2022
Valuation Date	July 1, 2022
Actuarial Cost Method	Entry Age Normal

Actuarial Assumption:

Investment Rate of Return	6.50%
Inflation	2.25% per year
Projected Salary Increase	3.00% after 27 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 and the Correctional Plans are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation. The most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2022, actuarial valuation.

The following changes in actuarial assumptions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	34%	5.10%
International Stocks	17%	5.30%
Bonds	25%	0.75%
Alternative Assets	25%	5.90%

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

F. Discount Rate

GERP

The discount rate used to measure the total pension liability in 2022 was 6.50. 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 position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

GERP

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:

City’s proportionate share of NPL				
Plan	Rate	1 % Decrease	Current	1 % Increase
Proportionate share of the GERP net pension liability:	5.50%	6.50%	7.50%	
	\$ 1,200,970	\$ 760,323	\$ 398,925	

H. Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan’s fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

VOLUNTEER FIRE RELIEF ASSOCIATION

A. Plan Description

All active or probationary members of the Pine City Fire Department (the Department) are covered by a Defined Benefit Plan (the Plan) administered by the Pine City Fire Relief Association (the Association). The Plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association issues a publicly available financial report. The report may be obtained by writing to Pine City Fire Relief Association, 1015 Hillside Ave. SW, Ste. 2, Pine City, Minnesota 55063.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department’s membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Fire Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

If a member is terminated prior to age 50 with at least 20 years of service, a deferred lump sum pension payable will be established based on the lump sum pension formula and service at date of termination, reduced for less than 20 years of service. For members that terminate with at least 5 years of service, the Association will pay interest on the deferred service pensions during the period of deferral at the rate established by the Board of Trustees based on date of termination. If a member dies before payment, the benefit will be paid to the participant’s beneficiary.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The disability lump sum pension is payable immediately based on the lump sum pension formula and service at date of disability without regard to vesting.

A survivor benefit is paid based on years of service (not less than 5 years) times the lump sum rate in effect at the time of death without regard to vesting, payable to named beneficiary plus a Supplemental Benefit in the amount of 20% of the total benefit paid, but not more than \$2,000.

Summary of Participant Data

Active members	27
Inactive members entitled to future benefits	3
Inactive members or beneficiaries currently receiving benefits	24
Total number of participants	54

B. Benefits Provided

Benefits are provided to the Department members who reach the age of 50 or have 20 years of service. The benefit upon retirement is a lump sum payment of \$3,200 (effective January 1, 2022) per year of service plus a Supplemental Benefit of 10% of the regular lump sum distribution, but not more than \$1,000. If a member is both age 50 and has completed 5 years of service, but not 20 years of service, the lump sum pension will be reduced by 4% for each year of service less than 20 years.

C. Contributions

The pension plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed \$71,252 in fire state aid to the plan for the year ended December 31, 2022. Required employer contributions are calculated annually based on statutory provisions. There were no statutorily required contributions to the pension plan for the year ended December 31, 2022. In addition, the City made voluntary contributions of \$28,000 to the plan.

D. Pension Costs

On December 31, 2021, the Association reported an asset of \$589,660. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2021.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The following table presents the changes in net pension liability during the year:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at Previous Fiscal Year 12/31/2020	\$ 1,156,697	\$ 1,582,660	\$ (425,963)
Changes for the year:			
Service cost	21,586	-	21,586
Interest	57,129	-	57,129
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - State and local	-	92,927	(92,927)
Contributions - Donation and other income	-	-	-
Contributions - Member	-	-	-
Net investment incomes	-	79,146	(79,146)
Other additions (e.g. receivables)	-	91,331	(91,331)
Benefit payments, including member contribution refunds	(71,400)	(71,400)	-
Administrative expense	-	(20,992)	20,992
Other deductions (e.g. payables)	-	-	-
Net changes	<u>7,315</u>	<u>171,012</u>	<u>(163,697)</u>
Balance at Current Fiscal Year 12/31/2021	<u>\$ 1,164,012</u>	<u>\$ 1,753,672</u>	<u>\$ (589,660)</u>

There were no plan provision changes during the measurement period.

For the year ended December 31, 2022, the City recognized pension expense of \$(186,928).

On December 31, 2021, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 9,012	\$ -
Differences between projected and actual investment earnings	20,012	163,456
Changes in actuarial assumptions	-	5,731
City's contributions subsequent to the measurement date	99,252	-
Total	<u>\$ 128,276</u>	<u>\$ 169,187</u>

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

\$99,252 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ (41,247)
2024	(50,533)
2025	(30,116)
2026	(18,267)
2027	-
Thereafter	-

E. Actuarial Assumptions

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:

Measurement Date	December 31, 2021
Valuation Date	January 1, 2021
Actuarial Cost Method	Entry Age Normal

Actuarial Assumption:

Investment Rate of Return	5.00%
Inflation	2.50% per year
Lump Sum Benefit Increase	N/A*

* GASB rules require that accrued liabilities be based on the terms of the plan in effect on the measurement date. Therefore, the actuary has not reflected any future lump sum multiplier increases even though the Relief Association may have a history of regular benefit increases. Potential increases are contingent on future benefit agreements and statutory average available financing requirements. Any future increases will be reflected at the time they are approved.

Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments as follows:

Active: RP-2014 employee generational mortality table projected with mortality improvement scale MP-2019, from a base year of 2006.

Retirees: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2019 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Disabled: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP2019 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Actuarial assumptions used in the January 1, 2021, valuation were based on the most recent Minnesota PERA Police & Fire Plan actuarial valuation performed on July 1, 2020.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The following changes in actuarial assumptions occurred in 2021:

- None

The long-term expected rate of return on pension plan investments is 5.00%. The actuary used a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.50%) All results are then rounded to the nearest quarter percentage point.

The best estimates of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in the market data.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan’s assets allocation as of the measurement date are summarized in the following table:

<u>Asset Class</u>	<u>Allocation at Measurement Date</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Cash	26.0%	2.25%
Fixed Income	31.0%	3.80%
Equities	42.0%	7.40%
Other	<u>1.0%</u>	6.00%
Total	<u>100.00%</u>	5.00%
Reduced for assumed investment expense		<u>(0.0%)</u>
Net assumed investment return		<u>5.00%</u>

F. Discount Rate

The discount rate used to measure the total pension liability was 5.00%. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB 67, which states that “if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in make the evaluation.” The actuary believes that the plan’s current overfunded status, combined with statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, they have used the plan’s long-term expected investment return as the liability discount rate.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

G. Pension Liability Sensitivity

The following presents the Association’s net pension liability for plans it participates in, calculated using the discount rate disclosed in the preceding paragraphs, as well as what the Association’s 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:

Association’s Net Pension Asset		
1 Percent Decrease	Current	1 Percent Increase
4.00%	5.00%	6.00%
\$ 453,748	\$ 589,660	\$ 702,450

H. Pension Plan Fiduciary Net Position

Detailed information about the relief association’s defined benefit pension plan’s fiduciary net position is available in a separately issued financial report. That report may be obtained by writing to the City of Pine City, 1015 Hillside Ave. SW, Ste. 2, Pine City, Minnesota 55063.

Note 5 OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The City provides post-employment health care benefits to certain eligible employees through its OPEB Plan, a single employer defined benefit plan administered by the City through its group health insurance plan (the Plan). The Plan is a single-employer defined benefit plan OPEB plan administered by the City. The authority to provide these benefits is established in Minnesota Statutes Sections 471.61 Subd. 2a and 299A.465. The benefits, benefit levels, employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. Benefits Provided

The City is required by state statute to allow retirees to continue participation in the City’s group health insurance plan if the individual terminates service with the City through service retirement or disability retirement. Active employees who retire from the City when over age 55 and with 5 years of service may continue coverage with respect to both themselves and their eligible dependent(s) under the City’s health benefits program until age 65.

The City provides health coverage for firefighters disabled or killed in the line of duty in accordance with Minnesota Statute 299A.465. The amount of coverage provided is equal to the employer portion of health insurance premiums that would have otherwise been paid if the officer or firefighter was an active employee. During 2022, the City did not have any firefighters eligible for this benefit.

The City also pays 50% of the health care premiums for one retiree and one beneficiary, and 50% of the dental premiums for one retiree until age 65. During 2022, the City paid \$6,499 for these benefits. Two current employees are eligible to receive City reimbursement for 50% of their health care premiums upon retirement. The benefit is not available to any other current or future employee.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 5 OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN – (Continued)

All health care coverage is provided through the City’s group health insurance plans. Other than as described in the previous paragraph, the retiree is required to pay 100% of their premium cost for the City-sponsored group health insurance plan in which they participate. The premium is a blended rate determined on the entire active and retiree population. Since the projected claims costs for retirees exceed the blended premium paid by retirees, the retirees are receiving an implicit rate subsidy (benefit). The coverage levels are the same as those afforded to active employees. Upon a retiree reach age 65, Medicare becomes the primary insurer and the City’s plan becomes secondary.

C. Membership

On December 31, 2022, there were 16 active, and 1 retiree receiving payments and 1 spouse receiving payments.

D. Actuarial Methods and Assumptions

The City’s OPEB liability was measured as of January 1, 2022, and the total OPEB liability was determined by an actuarial valuation as of that date, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00 percent
Salary increases	3.50 percent, average, including inflation
Investment rate of return	N/A
Healthcare cost trend rates	6.50 percent as of January 1, 2022, grading to 5.00 percent over 6 years and then to 4.00 percent over the next 48 years

Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2015 tables for males or females, as appropriate, with slight adjustments.

The following changes in actuarial assumptions for OPEB occurred during the fiscal year:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.
- The salary increase rates were updated to reflect the latest experience study.
- The retirement and withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%.

E. Discount rate

The discount rate used to measure the total OPEB liability was 2.00 percent. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year AA-rated Municipal Bond Yield.

F. Changes in the Total OPEB Liability

The following table presents the changes in total OPEB liability during the year:

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 5 OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN – (Continued)

	Total OPEB Liability
Balance at Previous	
Fiscal Year 12/31/2021	<u>\$ 98,382</u>
Changes for the year:	
Service cost	6,819
Interest	1,947
Difference between actual and economic experience	14,309
Change in assumptions	(3,200)
Benefit payments	<u>(15,777)</u>
Net changes	<u>4,098</u>
Balance at Current	
Fiscal Year 12/31/2022	<u>\$ 102,480</u>

There were no changes to the benefit plan provisions during the year ended December 31, 2022.

G. Sensitivity of the Total OPEB Liability to changes in the discount rate and healthcare cost trend rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.00 percent) or 1% higher (3.00 percent) than the current discount rate:

Description	Changes in the Discount Rate		
	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB discount rate	1.00%	2.00%	3.00%
City's total OPEB liability	\$ 107,300	\$ 102,480	\$ 97,506

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.40 percent decreasing to 3.00 percent) or 1% higher (7.40 percent decreasing to 5.00 percent) than the current healthcare cost trend rates:

Description	Changes in the Healthcare Cost Trend Rate		
	1% Decrease in Medical Trend Rate	Current Medical Trend Rate	1% Increase in Medical Trend Rate
Healthcare cost trend rate	5.50% to 5.00% over 5 years	6.50% to 5.00% over 5 years	7.50% to 5.00% over 5 years
City's total OPEB liability	\$ 94,226	\$ 102,480	\$ 111,598

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 5 OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN – (Continued)

H. OPEB expense and deferred outflows and deferred inflows of resources related to OPEB

For the year ended December 31, 2022, the City recognized OPEB expense of \$(4,825). The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 10,731	\$ 761
Differences between projected and actual investment earnings	-	-
Changes in actuarial assumptions	3,415	2,945
City's contributions subsequent to the measurement date	14,259	-
Total	\$ 28,405	\$ 3,706

\$14,259 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ 3,180
2024	3,725
2025	3,535
2026	-
2027	-
Thereafter	-

Note 6 OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 6 OTHER INFORMATION – (Continued)

B. Legal debt margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore excludes debt financed partially or entirely by special assessments, enterprise fund revenues, or tax increments. The City has \$617,000 of debt outstanding subjected to this limit on December 31, 2022.

C. Tax increment districts

The City’s tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance, which would have a material effect on the financial statements.

D. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota through Local Government Aid (LGA). The amount received in 2022 was \$542,757 for LGA. This accounted for 17 percent of General fund revenues.

E. Construction Commitments

As of December 31, 2022, the City has signed contracts in place for four construction projects. The following summarizes these commitments:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
2021 Street improvements	\$ 1,086,654	\$ 145,429
2022 Street improvements	385,689	52,308
2022 sidewalk improvements	99,833	5,254
Wilcox Ave & Main St. crosswalk improvements	18,712	985
Total Commitments		<u>\$ 203,976</u>

F. Prior Period Adjustments

The City recorded a prior period adjustment to reclassify unavailable revenue to nonspendable fund balance relating to land held for sale and restricted fund balance for unspent ARPA funds, this resulted in a prior period adjustment of \$202,273 to the beginning fund balance of the General fund.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 7 ADOPTION OF NEW STANDARD

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, Leases. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The City adopted the requirements of the guidance effective January 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption. Beginning fund balance/net position was not restated due to the implementation of GASB 87. The implementation of this standard resulted in the City reporting a lease receivable as and a deferred inflow of resources as disclosed in Note 3.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF CITY'S PROPORTIONARE SHARE OF NET PENSION LIABILITY
 GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN
 Year Ended December 31, 2022

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Penion Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2022	6/30/2022	0.0096%	\$ 760,323	\$ 22,332	\$ 782,655	\$ 982,902	79.6%	76.7%
12/31/2021	6/30/2021	0.0134%	\$ 572,240	\$ 17,590	\$ 589,830	\$ 963,253	61.2%	87.0%
12/31/2020	6/30/2020	0.0127%	\$ 761,423	\$ 23,495	\$ 784,918	\$ 908,280	86.4%	79.1%
12/31/2019	6/30/2019	0.0116%	\$ 641,338	\$ 19,832	\$ 661,170	\$ 818,880	80.7%	80.2%
12/31/2018	6/30/2018	0.0121%	\$ 671,258	\$ 22,024	\$ 693,282	\$ 814,014	85.2%	79.5%
12/31/2017	6/30/2017	0.0129%	\$ 823,527	\$ 10,351	\$ 833,878	\$ 830,707	100.4%	75.9%
12/31/2016	6/30/2016	0.0129%	\$ 1,039,297	\$ 13,608	\$ 1,052,905	\$ 747,728	140.8%	68.9%
12/31/2015	6/30/2015	0.0123%	\$ 637,450	\$ -	\$ 637,450	\$ 821,238	77.6%	78.2%

SCHEDULE OF CITY'S CONTRIBUTIONS
 GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN
 Year Ended December 31, 2022

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2022	6/30/2022	\$ 53,790	\$ 53,790	\$ -	\$ 717,200	7.50%
12/31/2021	6/30/2021	\$ 72,569	\$ 72,569	\$ -	\$ 967,587	7.50%
12/31/2020	6/30/2020	\$ 68,044	\$ 68,044	\$ -	\$ 907,253	7.50%
12/31/2019	6/30/2019	\$ 61,416	\$ 61,416	\$ -	\$ 818,880	7.50%
12/31/2018	6/30/2018	\$ 61,025	\$ 61,025	\$ -	\$ 813,667	7.50%
12/31/2017	6/30/2017	\$ 62,304	\$ 62,304	\$ -	\$ 830,720	7.50%
12/31/2016	6/30/2016	\$ 59,687	\$ 59,687	\$ -	\$ 795,827	7.50%
12/31/2015	6/30/2015	\$ 53,492	\$ 53,492	\$ -	\$ 713,227	7.50%

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF CHANGES IN THE CITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
Year Ended December 31, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 6,819	\$ 5,138	\$ 4,355	\$ 3,453	\$ 3,635
Interest	1,947	2,999	4,423	4,405	4,896
Difference between expected and actual experience	14,309	-	(1,902)	-	-
Changes of assumptions	(3,200)	3,791	2,850	(2,725)	-
Changes in benefit terms	-	-	-	-	-
Benefit payments	<u>(15,777)</u>	<u>(23,442)</u>	<u>(23,513)</u>	<u>(22,753)</u>	<u>(23,738)</u>
Net change in total OPEB liability	4,098	(11,514)	(13,787)	(17,620)	(15,207)
Total OPEB Liability - beginning of year	<u>98,382</u>	<u>109,896</u>	<u>123,683</u>	<u>141,303</u>	<u>156,510</u>
Total OPEB Liability - end of year	<u><u>\$ 102,480</u></u>	<u><u>\$ 98,382</u></u>	<u><u>\$ 109,896</u></u>	<u><u>\$ 123,683</u></u>	<u><u>\$ 141,303</u></u>
Covered employee payroll	\$ 923,842	\$ 814,752	\$ 789,106	\$ 737,841	\$ 716,350
Total OPEB Liability as a percent of covered employee payroll	11.09%	12.08%	13.93%	16.76%	19.73%

The City implemented GASB Statement No. 75 in fiscal year 2018, and the above table will be expanded to 10 years of information as the information becomes available.

No assets are accumulated in a trust.

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 PINE CITY FIRE RELIEF ASSOCIATION
 (Last 10 Fiscal Years)

Total Pension Liability	2021	2020	2019	2018	2017	2016
Service cost	\$ 21,586	\$ 19,802	\$ 19,319	\$ 17,361	\$ 15,635	\$ 15,254
Interest	57,129	52,040	51,720	51,256	49,915	49,994
Difference between expected and actual experience	-	22,531	-	(49,855)	-	-
Changes of assumptions	-	(8,293)	-	(3,777)	-	-
Changes in benefit terms	-	83,214	-	56,375	23,831	-
Benefit payments, including member contribution refunds	(71,400)	(67,200)	(63,050)	(65,000)	(63,600)	(70,800)
Net change in total pension liability	7,315	102,094	7,989	6,360	25,781	(5,552)
Total Pension Liability - beginning	1,156,697	1,054,603	1,046,614	1,040,254	1,014,473	1,020,025
Total Pension Liability - ending	\$ 1,164,012	\$ 1,156,697	\$ 1,054,603	\$ 1,046,614	\$ 1,040,254	\$ 1,014,473
Plan Fiduciary Net Position						
Contributions - state and local	\$ 92,927	\$ 89,251	\$ 85,303	\$ 84,053	\$ 81,672	\$ 80,853
Contributions - donation and other income	-	-	-	-	-	-
Contributions - member	-	-	-	-	-	-
Net investment income	79,146	123,728	187,615	(35,647)	116,978	57,704
Other additions (e.g. receivable)	91,331	-	-	-	-	-
Benefit payments, including member contribution refunds	(71,400)	(67,200)	(63,050)	(65,000)	(63,600)	(70,800)
Administrative expenses	(20,992)	(15,127)	(13,354)	(13,490)	(6,776)	(6,353)
Other deductions (e.g. payables)	-	-	-	-	-	-
Net change in plan fiduciary net position	171,012	130,652	196,514	(30,084)	128,274	61,404
Plan Fiduciary Net Position - beginning	1,582,660	1,452,008	1,255,494	1,285,578	1,157,304	1,095,900
Plan Fiduciary Net Position - ending	\$ 1,753,672	\$ 1,582,660	\$ 1,452,008	\$ 1,255,494	\$ 1,285,578	\$ 1,157,304
Net Pension (Asset) Liability - ending	\$ (589,660)	\$ (425,963)	\$ (397,405)	\$ (208,880)	\$ (245,324)	\$ (142,831)
FNP as a percentage of the TPL	150.66%	136.83%	137.68%	119.96%	123.58%	114.08%

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF CONTRIBUTIONS AND NET PENSION LIABILITY AS A PERCENT OF PAYROLL
 PINE CITY FIRE RELIEF ASSOCIATION
 (Last 10 Fiscal Years)

Fiscal year ending	Actuarially determined contribution	Contributions in relation to the ADC	Contribution deficiency (excess)	Payroll	Contributions as a percentage of payroll	NPL as a percent of payroll
December 31, 2021	\$ 21,586	\$ 92,927	\$ (71,341)	-	-	-
December 31, 2020	\$ 14,579	\$ 89,251	\$ (74,672)	-	-	-
December 31, 2019	\$ 14,579	\$ 85,303	\$ (70,724)	-	-	-
December 31, 2018	\$ 9,890	\$ 84,053	\$ (74,163)	-	-	-
December 31, 2017	\$ 9,890	\$ 81,672	\$ (71,782)	-	-	-
December 31, 2016	\$ 14,035	\$ 80,853	\$ (66,818)	-	-	-
December 31, 2015	\$ 14,035	\$ 79,676	\$ (65,641)	-	-	-
December 31, 2014	\$ 17,714	\$ 76,194	\$ (58,480)	-	-	-
December 31, 2013	\$ 17,714	\$ 75,885	\$ (58,171)	-	-	-
December 31, 2012	\$ 15,259	\$ 58,325	\$ (43,066)	-	-	-

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2022

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

A. Public Employees Retirement Association – General Employees Retirement Fund

2022 changes:

Changes in Actuarial Assumptions. The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions. There were no changes in plan provisions since the previous valuation.

2021 changes:

Changes in Actuarial Assumptions. The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions. There were no changes in plan provisions since the previous valuation.

2020 changes:

Changes in Actuarial Assumptions. The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & 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% after. 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:

Change of Assumptions. The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2022

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS – (Continued)

A. Public Employees Retirement Association – General Employees Retirement Fund – (Continued)

2017 changes:

Change of Assumptions. The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. 2) The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2 044 and 2.5 percent per year thereafter.

2016 changes:

Changes in Actuarial Assumptions: 1) 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. 2) The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%. 3) Other assumptions were changed pursuant to the experience study dated June 30, 2015. 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.

2015 changes:

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.

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.

B. Volunteer Fire Relief Association

2021 changes:

None.

2020 changes:

Changes in Plan Provisions: The annual benefit level was increased from \$2,600 to \$2,800 (paid quarterly).

2019 changes:

None.

2018 changes:

Changes in Plan Provisions: The annual benefit level was increased from \$2,400 to \$2,600 (paid quarterly).

2017 changes:

None.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2022

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS – (Continued)

C. OPEB Information

2022 changes:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

2021 changes:

Changes in Actuarial Assumptions: The discount rate was changed from 2.90% to 2.00%.

2020 changes:

Changes in Actuarial Assumptions: The discount rate was changed from 3.80% to 2.90% and the health care trend rates, mortality tables, and salary increase rates were updated.

2019 changes:

Changes in Actuarial Assumptions: The discount rate was changed from 3.30% to 3.80%.

2018 changes:

Effective January 1, 2018, medical plan premiums were changed from age-based rates to blended rates which resulted in a liability for a post-employment implicit rate medical subsidy.

Changes in Actuarial Assumptions: The discount rate was changed from 3.50% to 3.30%.

SUPPLEMENTARY INFORMATION SECTION

CITY OF PINE CITY, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2022

	Special Revenue	Capital Projects	Total Nonmajor Governmental
ASSETS			
Cash and Investments	\$ 777,888	\$ 547,902	\$ 1,325,790
Due from Other Funds	4,420	0	4,420
Notes Receivable	<u>168,725</u>	<u>0</u>	<u>168,725</u>
TOTAL ASSETS	<u><u>\$ 951,033</u></u>	<u><u>\$ 547,902</u></u>	<u><u>\$ 1,498,935</u></u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 1,631	\$ 0	\$ 1,631
Due to Other Funds	<u>0</u>	<u>586,124</u>	<u>586,124</u>
Total Liabilities	<u>1,631</u>	<u>586,124</u>	<u>587,755</u>
Fund Balance:			
Restricted	0	547,902	547,902
Committed	949,402	0	949,402
Unassigned	<u>0</u>	<u>(586,124)</u>	<u>(586,124)</u>
Total Fund Balance	<u>949,402</u>	<u>(38,222)</u>	<u>911,180</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 951,033</u></u>	<u><u>\$ 547,902</u></u>	<u><u>\$ 1,498,935</u></u>

CITY OF PINE CITY, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2022

	Special Revenue	Capital Projects	Total Nonmajor Governmental
Revenues:			
Property Taxes	\$ 91,000	\$ 0	\$ 91,000
Tax Increment	0	22,588	22,588
Intergovernmental	302,550	171,901	474,451
Charges for Services	18,183	0	18,183
Other Revenues	144,794	0	144,794
Interest Earnings	5,134	(1,541)	3,593
Total Revenues	<u>561,661</u>	<u>192,948</u>	<u>754,609</u>
Expenditures:			
Current:			
Public Works	13,410	0	13,410
Economic Development	391,989	13,521	405,510
Capital Outlay:			
Public Works	2,605	22,788	25,393
Total Expenditures	<u>408,004</u>	<u>36,309</u>	<u>444,313</u>
Excess of Revenues Over (Under) Expenditures	153,657	156,639	310,296
Other Financing Sources (Uses):			
Transfers In	<u>0</u>	<u>171,901</u>	<u>171,901</u>
Change in Fund Balance	153,657	328,540	482,197
Fund Balance - January 1	<u>795,745</u>	<u>(366,762)</u>	<u>428,983</u>
Fund Balance - December 31	<u>\$ 949,402</u>	<u>\$ (38,222)</u>	<u>\$ 911,180</u>

CITY OF PINE CITY, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 December 31, 2022

	Economic Development Authority	Revolving Loan	Cemetery
ASSETS			
Cash and Investments	\$ 171,304	\$ 136,008	\$ 217,158
Due from Other Funds	4,420	0	0
Notes Receivable	<u>7,362</u>	<u>161,363</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 183,086</u>	<u>\$ 297,371</u>	<u>\$ 217,158</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 1,003	\$ 0	\$ 262
Fund Balance:			
Committed	<u>182,083</u>	<u>297,371</u>	<u>216,896</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 183,086</u>	<u>\$ 297,371</u>	<u>\$ 217,158</u>

Housing Operations	HRA Loan	Total
\$ 166,931	\$ 86,487	\$ 777,888
0	0	4,420
<u>0</u>	<u>0</u>	<u>168,725</u>
<u>\$ 166,931</u>	<u>\$ 86,487</u>	<u>\$ 951,033</u>

\$ 366	\$ 0	\$ 1,631
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<u>166,565</u>	<u>86,487</u>	<u>949,402</u>
<u>\$ 166,931</u>	<u>\$ 86,487</u>	<u>\$ 951,033</u>

CITY OF PINE CITY, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 For the Year Ended December 31, 2022

	Economic Development Authority	Revolving Loan	Cemetery
Revenues:			
Property Taxes	\$ 45,000	\$ 0	\$ 0
Intergovernmental	302,550	0	0
Charges for Services	668	0	17,515
Other Revenues	0	0	2,605
Interest Earnings	720	5,373	(959)
Total Revenues	<u>348,938</u>	<u>5,373</u>	<u>19,161</u>
Expenditures:			
Current:			
Public Works	0	0	13,410
Economic Development	280,728	0	0
Capital Outlay:			
Public Works	0	0	2,605
Total Expenditures	<u>280,728</u>	<u>0</u>	<u>16,015</u>
Change in Fund Balance	68,210	5,373	3,146
Fund Balance - January 1	<u>113,873</u>	<u>291,998</u>	<u>213,750</u>
Fund Balance - December 31	<u>\$ 182,083</u>	<u>\$ 297,371</u>	<u>\$ 216,896</u>

Housing Operations	HRA Loan	Total
\$ 46,000	\$ 0	\$ 91,000
0	0	302,550
0	0	18,183
142,189	0	144,794
<u>0</u>	<u>0</u>	<u>5,134</u>
<u>188,189</u>	<u>0</u>	<u>561,661</u>
0	0	13,410
109,560	1,701	391,989
<u>0</u>	<u>0</u>	<u>2,605</u>
<u>109,560</u>	<u>1,701</u>	<u>408,004</u>
78,629	(1,701)	153,657
<u>87,936</u>	<u>88,188</u>	<u>795,745</u>
<u>\$ 166,565</u>	<u>\$ 86,487</u>	<u>\$ 949,402</u>

CITY OF PINE CITY, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 December 31, 2022

	TIF District 2-1	TIF District 1-12	2019 Street Project	2020 Street Project
ASSETS				
Cash and Investments	<u>\$ 18,451</u>	<u>\$ 15,021</u>	<u>\$ 153,459</u>	<u>\$ 0</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Due to Other Funds	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 581,703</u>
Fund Balance:				
Restricted	18,451	15,021	153,459	0
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>(581,703)</u>
Total Fund Balance	<u>18,451</u>	<u>15,021</u>	<u>153,459</u>	<u>(581,703)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 18,451</u></u>	<u><u>\$ 15,021</u></u>	<u><u>\$ 153,459</u></u>	<u><u>\$ 0</u></u>

<u>TIF District 1-13</u>	<u>TIF District 1-14</u>	<u>Park Dedication</u>	<u>ARPA Relief</u>	<u>Total</u>
<u>\$ 0</u>	<u>\$ 3,402</u>	<u>\$ 14,623</u>	<u>\$ 342,946</u>	<u>\$ 547,902</u>
<u>\$ 4,421</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 586,124</u>
0	3,402	14,623	342,946	547,902
<u>(4,421)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(586,124)</u>
<u>(4,421)</u>	<u>3,402</u>	<u>14,623</u>	<u>342,946</u>	<u>(38,222)</u>
<u>\$ 0</u>	<u>\$ 3,402</u>	<u>\$ 14,623</u>	<u>\$ 342,946</u>	<u>\$ 547,902</u>

CITY OF PINE CITY, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 For the Year Ended December 31, 2022

	TIF District 2-1	TIF District 1-12	2019 Street Project	2020 Street Project
Revenues:				
Tax Increment	\$ 17,347	\$ (945)	\$ 0	\$ 0
Intergovernmental	0	0	0	0
Interest Earnings	0	0	(685)	0
Total Revenues	<u>17,347</u>	<u>(945)</u>	<u>(685)</u>	<u>0</u>
Expenditures:				
Current:				
Economic Development	9,888	850	0	0
Capital Outlay:				
Public Works	0	0	22,179	609
Total Expenditures	<u>9,888</u>	<u>850</u>	<u>22,179</u>	<u>609</u>
Excess of Revenues Over (Under) Expenditures	7,459	(1,795)	(22,864)	(609)
Other Financing Sources (Uses):				
Transfers In	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in Fund Balance	7,459	(1,795)	(22,864)	(609)
Fund Balance - January 1	<u>10,992</u>	<u>16,816</u>	<u>176,323</u>	<u>(581,094)</u>
Fund Balance - December 31	<u>\$ 18,451</u>	<u>\$ 15,021</u>	<u>\$ 153,459</u>	<u>\$ (581,703)</u>

TIF District 1-13	TIF District 1-14	Park Dedication	ARPA Relief	Total
\$ 1	\$ 6,185	\$ 0	\$ 0	\$ 22,588
0	0	0	171,901	171,901
0	0	0	(856)	(1,541)
<u>1</u>	<u>6,185</u>	<u>0</u>	<u>171,045</u>	<u>192,948</u>
0	2,783	0	0	13,521
0	0	0	0	22,788
<u>0</u>	<u>2,783</u>	<u>0</u>	<u>0</u>	<u>36,309</u>
1	3,402	0	171,045	156,639
0	0	0	171,901	171,901
1	3,402	0	342,946	328,540
(4,422)	0	14,623	0	(366,762)
<u>\$ (4,421)</u>	<u>\$ 3,402</u>	<u>\$ 14,623</u>	<u>\$ 342,946</u>	<u>\$ (38,222)</u>

CITY OF PINE CITY, MINNESOTA

COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
December 31, 2022

	G.O. Taxable TIF Bonds 2010B	G.O. Improvement Bonds 2012B	G.O. Refunding Bonds 2010A	G.O. Refunding Bonds 2012A	G.O. Improvement Bonds 2013B
ASSETS					
Cash and Investments	\$ 66,342	\$ 182,648	\$ 211,832	\$ 0	\$ 127,157
Special Assessments	<u>0</u>	<u>45,261</u>	<u>0</u>	<u>0</u>	<u>78,368</u>
TOTAL ASSETS	<u><u>\$ 66,342</u></u>	<u><u>\$ 227,909</u></u>	<u><u>\$ 211,832</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 205,525</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 0	\$ 390	\$ 390	\$ 0	\$ 390
Due to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>390</u>	<u>390</u>	<u>0</u>	<u>390</u>
Deferred Inflows of Resources:					
Unavailable Revenue	<u>0</u>	<u>45,243</u>	<u>0</u>	<u>0</u>	<u>77,712</u>
Fund Balance:					
Restricted	66,342	182,276	211,442	0	127,423
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>66,342</u>	<u>182,276</u>	<u>211,442</u>	<u>0</u>	<u>127,423</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 66,342</u></u>	<u><u>\$ 227,909</u></u>	<u><u>\$ 211,832</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 205,525</u></u>

<u>G.O. Improvement Bonds 2015A</u>	<u>G.O. Improvement Bonds 2016A</u>	<u>G.O. Improvement Bonds 2018A</u>	<u>G.O. Equipment Certificates 2019A</u>	<u>G.O. Improvement Bonds 2019B</u>	<u>G.O. Improvement Bonds 2020A</u>	<u>Total Debt Service Funds</u>
\$ 102,409	\$ 27,417	\$ 86,073	\$ 0	\$ 116,405	\$ 141,849	\$ 1,062,132
<u>103,749</u>	<u>0</u>	<u>85,725</u>	<u>0</u>	<u>281,813</u>	<u>178,036</u>	<u>772,952</u>
<u>\$ 206,158</u>	<u>\$ 27,417</u>	<u>\$ 171,798</u>	<u>\$ 0</u>	<u>\$ 398,218</u>	<u>\$ 319,885</u>	<u>\$ 1,835,084</u>
\$ 390	\$ 390	\$ 390	\$ 0	\$ 390	\$ 390	\$ 3,120
<u>0</u>	<u>0</u>	<u>0</u>	<u>51,976</u>	<u>0</u>	<u>0</u>	<u>51,976</u>
<u>390</u>	<u>390</u>	<u>390</u>	<u>51,976</u>	<u>390</u>	<u>390</u>	<u>55,096</u>
<u>103,140</u>	<u>0</u>	<u>85,725</u>	<u>0</u>	<u>281,813</u>	<u>178,036</u>	<u>771,669</u>
102,628	27,027	85,683	0	116,015	141,459	1,060,295
<u>0</u>	<u>0</u>	<u>0</u>	<u>(51,976)</u>	<u>0</u>	<u>0</u>	<u>(51,976)</u>
<u>102,628</u>	<u>27,027</u>	<u>85,683</u>	<u>(51,976)</u>	<u>116,015</u>	<u>141,459</u>	<u>1,008,319</u>
<u>\$ 206,158</u>	<u>\$ 27,417</u>	<u>\$ 171,798</u>	<u>\$ 0</u>	<u>\$ 398,218</u>	<u>\$ 319,885</u>	<u>\$ 1,835,084</u>

CITY OF PINE CITY, MINNESOTA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - DEBT SERVICE FUNDS

For the Year Ended December 31, 2022

	G.O. Taxable TIF Bonds 2010B	G.O. Improvement Bonds 2012B	G.O. Refunding Bonds 2010A	G.O. Refunding Bonds 2012A	G.O. Improvement Bonds 2013B
Revenues:					
Property Taxes	\$ 0	\$ 84,400	\$ 55,949	\$ 0	\$ 40,939
Tax Increment	31,066	0	0	0	0
Special Assessments	0	15,338	(337)	(95)	28,461
Interest Earnings	0	1	(728)	0	0
Total Revenues	<u>31,066</u>	<u>99,739</u>	<u>54,884</u>	<u>(95)</u>	<u>69,400</u>
Expenditures:					
Debt Service:					
Principal	20,000	80,000	55,000	0	27,000
Interest and Fiscal Charges	2,195	5,285	1,339	0	14,320
Total Expenditures	<u>22,195</u>	<u>85,285</u>	<u>56,339</u>	<u>0</u>	<u>41,320</u>
Change in Fund Balance	8,871	14,454	(1,455)	(95)	28,080
Fund Balance - January 1	<u>57,471</u>	<u>167,822</u>	<u>212,897</u>	<u>95</u>	<u>99,343</u>
Fund Balance - December 31	<u>\$ 66,342</u>	<u>\$ 182,276</u>	<u>\$ 211,442</u>	<u>\$ 0</u>	<u>\$ 127,423</u>

G.O. Improvement Bonds 2015A	G.O. Improvement Bonds 2016A	G.O. Improvement Bonds 2018A	G.O. Equipment Certificates 2019A	G.O. Improvement Bonds 2019B	G.O. Improvement Bonds 2020A	Total Debt Service Funds
\$ 57,863	\$ 119,125	\$ 64,607	\$ 0	\$ 156,408	\$ 43,064	\$ 622,355
0	0	0	0	0	0	31,066
8,832	0	9,289	0	26,791	16,029	104,308
0	0	0	0	0	0	(727)
<u>66,695</u>	<u>119,125</u>	<u>73,896</u>	<u>0</u>	<u>183,199</u>	<u>59,093</u>	<u>757,002</u>
45,000	95,000	35,000	68,000	160,000	0	585,000
13,748	25,010	18,409	4,335	42,860	29,589	157,090
<u>58,748</u>	<u>120,010</u>	<u>53,409</u>	<u>72,335</u>	<u>202,860</u>	<u>29,589</u>	<u>742,090</u>
7,947	(885)	20,487	(72,335)	(19,661)	29,504	14,912
<u>94,681</u>	<u>27,912</u>	<u>65,196</u>	<u>20,359</u>	<u>135,676</u>	<u>111,955</u>	<u>993,407</u>
<u>\$ 102,628</u>	<u>\$ 27,027</u>	<u>\$ 85,683</u>	<u>\$ (51,976)</u>	<u>\$ 116,015</u>	<u>\$ 141,459</u>	<u>\$ 1,008,319</u>

CITY OF PINE CITY, MINNESOTA

BALANCE SHEET

GENERAL FUND

December 31, 2022

(With Comparative Amounts for December 31, 2021)

	<u>2022</u>	<u>Restated 2021</u>
ASSETS		
Cash and Investments	\$ 47,774	\$ 2,245,870
Accounts Receivable	12,907	307,844
Property Taxes	85,855	40,714
Due from Other Funds	1,797,205	0
Due from Other Governments	264,379	22,310
Prepaid Expense	22,868	22,925
Land Held for Resale	<u>30,372</u>	<u>30,372</u>
TOTAL ASSETS	<u>\$ 2,261,360</u>	<u>\$ 2,670,035</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accrued Expenses	\$ 590,238	\$ 293,862
Due to Other Governments	0	11,952
Unearned Revenue	<u>34,074</u>	<u>45,606</u>
Total Liabilities	<u>624,312</u>	<u>351,420</u>
Deferred Inflows of Resources:		
Unavailable Revenue - Delinquent Taxes	<u>85,855</u>	<u>100,157</u>
Fund Balance:		
Nonspendable	53,240	53,297
Restricted	0	171,901
Unassigned	<u>1,497,953</u>	<u>1,993,260</u>
Total Fund Balance	<u>1,551,193</u>	<u>2,218,458</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 2,261,360</u>	<u>\$ 2,670,035</u>

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 For The Year Ended December 31, 2022
 (With Comparative Amounts For the Year Ended December 31, 2021)

	2022 Budget	2022 Actual	Over (Under) Budget	Restated 2021 Actual
Revenues:				
Taxes:				
Property Taxes	\$ 823,445	\$ 789,619	\$ (33,826)	\$ 922,577
Franchise Fees	24,700	23,429	(1,271)	12,121
Total Taxes	<u>848,145</u>	<u>813,048</u>	<u>(35,097)</u>	<u>934,698</u>
Special Assessments	<u>0</u>	<u>207</u>	<u>207</u>	<u>0</u>
Intergovernmental:				
Grants And Aids From Local Govt Units	0	698	698	0
Local Government Aid	729,355	729,355	0	770,347
Homestead & Agricultural Credit Aid	0	514	514	363
Fire Department State Grants and Aids	64,360	71,252	6,892	67,877
Police Services State Grants and Aids	15,500	16,962	1,462	15,288
State Grants and Aids	<u>0</u>	<u>250,000</u>	<u>250,000</u>	<u>0</u>
Total Intergovernmental	<u>809,215</u>	<u>1,068,781</u>	<u>259,566</u>	<u>853,875</u>
Licenses and Permits:				
Amusement License	0	0	0	20
Kennel License	0	0	0	75
Street Opening	0	0	0	2,900
Alcoholic Bev License	12,750	12,250	(500)	10,050
Peddlers, Solicitors, Transient Mer Fees	200	545	345	235
Solid Waste Hauling Fran & Licenses Fees	2,050	0	(2,050)	3,060
Building Permits W/ State Surcharge	95,000	79,240	(15,760)	196,462
Plumbing Permit	0	3,038	3,038	0
HVAC Permit	0	5,394	5,394	0
Surcharge - Permits	0	2,205	2,205	0
Animal Licenses (Dogs)	200	155	(45)	185
Sewer Permit And Inspection Fees	475	0	(475)	0
Rental Registration Fees	6,250	8,810	2,560	2,550
Rental Inspection Fees	2,250	6,055	3,805	775
Dance License	<u>0</u>	<u>120</u>	<u>120</u>	<u>60</u>
Total Licenses and Permits	<u>119,175</u>	<u>117,812</u>	<u>(1,363)</u>	<u>216,372</u>
Charges for Services:				
Zoning And Subdivision Fees	4,500	6,944	2,444	6,256
Sale Of Maps And Publications	300	2	(298)	191
Assessment Searches	3,500	3,045	(455)	3,605
Administrative Charges To Other Funds	0	222	222	566
Election Filing Fee	0	8	8	0
Charge For Cntrt Insp Srv Other Cities	0	17,437	17,437	0
Rents & Royalties(Rent & Lease Payments)	13,000	2,225	(10,775)	1,745
Misc-State Lease Payment	1,100	275	(825)	1,650
Rent - City Hall Occupants	0	15,957	15,957	11,965
Special Fire Protection Srv (Fire Calls)	30,000	32,114	2,114	44,682
Charges For Cntrt Fire Srv Other Cities	<u>190,000</u>	<u>205,431</u>	<u>15,431</u>	<u>197,856</u>

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 For The Year Ended December 31, 2022
 (With Comparative Amounts For the Year Ended December 31, 2021)

	2022 Budget	2022 Actual	Over (Under) Budget	Restated 2021 Actual
Revenues (Continued):				
Charges for Services:				
Revenues From Highways And Streets	\$ 2,800	\$ 2,595	\$ (205)	\$ 7,639
Swimming Lesson Fees	5,250	6,175	925	7,475
Park And Recreation Concessions	750	0	(750)	535
Park Fees (Ballfields)	625	1,150	525	800
Total Charges for Services	<u>251,825</u>	<u>293,580</u>	<u>41,755</u>	<u>284,965</u>
Fines and Forfeitures:				
Fines And Forfeitures (City Ordinance)	10,000	4,729	(5,271)	14,859
Parking Fines	2,400	3,125	725	1,545
Returned Check Fine	0	175	175	140
Dog Impoundment	100	62	(38)	73
Total Fines and Forfeitures	<u>12,500</u>	<u>8,091</u>	<u>(4,409)</u>	<u>16,617</u>
Other Revenues:				
Donations	0	62,846	62,846	10,300
Reimbursements	0	32,296	32,296	23,851
Miscellaneous	500	60,443	59,943	11,020
Total Other Revenues	<u>500</u>	<u>155,585</u>	<u>155,085</u>	<u>45,171</u>
Interest and Dividends:				
Interest Earnings	1,500	(7,857)	(9,357)	(3,733)
Total Interest and Dividends	<u>1,500</u>	<u>(7,857)</u>	<u>(9,357)</u>	<u>(3,733)</u>
Total Revenues	<u>2,042,860</u>	<u>2,449,247</u>	<u>406,387</u>	<u>2,347,965</u>
Expenditures:				
Current				
General Government:				
Mayor and Council:				
Personal Services	17,493	17,174	(319)	18,144
Supplies	500	0	(500)	476
Other Services and Charges	3,498	2,319	(1,179)	4,494
Total Mayor and Council	<u>21,491</u>	<u>19,493</u>	<u>(1,998)</u>	<u>23,114</u>
Administration:				
Personal Services	218,477	235,099	16,622	222,208
Supplies	21,200	16,487	(4,713)	11,722
Other Services and Charges	124,041	372,914	248,873	286,511
Total Administration	<u>363,718</u>	<u>624,500</u>	<u>260,782</u>	<u>520,441</u>
Government Buildings:				
Personal Services	84,636	2,948	(81,688)	1,137
Supplies	5,000	2,958	(2,042)	2,605
Other Services and Charges	14,000	52,233	38,233	60,434
Total Government Buildings	<u>103,636</u>	<u>58,139</u>	<u>(45,497)</u>	<u>64,176</u>

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 For The Year Ended December 31, 2022
 (With Comparative Amounts For the Year Ended December 31, 2021)

	2022 Budget	2022 Actual	Over (Under) Budget	Restated 2021 Actual
Expenditures (Continued):				
Planning and Zoning:				
Personal Services	\$ 111,228	\$ 74,080	\$ (37,148)	\$ 61,561
Supplies	500	856	356	34
Other Services and Charges	23,265	39,113	15,848	13,930
Total Planning and Zoning	<u>134,993</u>	<u>114,049</u>	<u>(20,944)</u>	<u>75,525</u>
Other General Government:				
Personal Services	3,060	0	(3,060)	0
Other Services and Charges	33,655	33,452	(203)	30,908
Total Other General Government	<u>36,715</u>	<u>33,452</u>	<u>(3,263)</u>	<u>30,908</u>
Total General Government	<u>660,553</u>	<u>849,633</u>	<u>189,080</u>	<u>714,164</u>
Public Safety:				
Police Protection:				
Other Services and Charges	217,197	217,175	(22)	213,002
Total Police Protection	<u>217,197</u>	<u>217,175</u>	<u>(22)</u>	<u>213,002</u>
Fire Protection:				
Personal Services	322,899	365,864	42,965	267,959
Supplies	38,500	53,653	15,153	43,702
Other Services and Charges	136,310	140,310	4,000	167,047
Total Fire Protection	<u>497,709</u>	<u>559,827</u>	<u>62,118</u>	<u>478,708</u>
Building Inspection:				
Personal Services	82,970	48,276	(34,694)	49,517
Supplies	0	441	441	2,686
Other Services and Charges	80,000	97,000	17,000	148,857
Total Building Inspection	<u>162,970</u>	<u>145,717</u>	<u>(17,253)</u>	<u>201,060</u>
Total Public Safety	<u>877,876</u>	<u>922,719</u>	<u>44,843</u>	<u>892,770</u>
Public Works:				
Street and Highway:				
Personal Services	272,333	251,535	(20,798)	256,898
Supplies	28,825	35,556	6,731	17,850
Other Services and Charges	162,736	181,972	19,236	169,227
Total Public Works	<u>463,894</u>	<u>469,063</u>	<u>5,169</u>	<u>443,975</u>
Culture and Recreation:				
Recreation:				
Supplies	0	0	0	360
Other Services and Charges	22,750	20,335	(2,415)	27,700
Total Recreation	<u>22,750</u>	<u>20,335</u>	<u>(2,415)</u>	<u>28,060</u>

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For The Year Ended December 31, 2022

(With Comparative Amounts For the Year Ended December 31, 2021)

	2022 Budget	2022 Actual	Over (Under) Budget	Restated 2021 Actual
Expenditures (Continued):				
Swimming Beach:				
Personal Services	\$ 52,994	\$ 36,616	\$ (16,378)	\$ 53,269
Supplies	1,530	1,015	(515)	2,511
Other Services and Charges	14,814	6,792	(8,022)	8,235
Total Swimming Beach	<u>69,338</u>	<u>44,423</u>	<u>(24,915)</u>	<u>64,015</u>
Skating Rink:				
Personal Services	7,300	3,723	(3,577)	4,144
Supplies	2,500	813	(1,687)	838
Other Services and Charges	18,350	27,433	9,083	15,324
Total Skating Rink	<u>28,150</u>	<u>31,969</u>	<u>3,819</u>	<u>20,306</u>
Softball Fields:				
Personal Services	0	6,627	6,627	0
Supplies	1,950	1,264	(686)	1,101
Other Services and Charges	21,400	24,347	2,947	7,715
Total Softball Fields	<u>23,350</u>	<u>32,238</u>	<u>8,888</u>	<u>8,816</u>
Parks:				
Personal Services	105,628	87,661	(17,967)	101,174
Supplies	6,000	6,167	167	5,367
Other Services and Charges	91,528	44,376	(47,152)	72,255
Total Parks	<u>203,156</u>	<u>138,204</u>	<u>(64,952)</u>	<u>178,796</u>
Library:				
Supplies	9,000	6,262	(2,738)	8,539
Other Services and Charges	12,293	35,425	23,132	33,136
Total Library	<u>21,293</u>	<u>41,687</u>	<u>20,394</u>	<u>41,675</u>
Total Culture and Recreation	<u>368,037</u>	<u>308,856</u>	<u>(59,181)</u>	<u>341,668</u>
Total Current Expenditures	<u>2,370,360</u>	<u>2,550,271</u>	<u>179,911</u>	<u>2,392,577</u>
Capital Outlay:				
General Government	0	156,822	156,822	3,600
Public Safety	10,000	12,074	2,074	0
Public Works	18,000	0	(18,000)	0
Culture and Recreation	9,500	360,444	350,944	1,964
Total Capital Outlay	<u>37,500</u>	<u>529,340</u>	<u>491,840</u>	<u>5,564</u>
Total Expenditures	<u>2,407,860</u>	<u>3,079,611</u>	<u>671,751</u>	<u>2,398,141</u>
Excess of Revenues Over (Under) Expenditures	(365,000)	(630,364)	(265,364)	(50,176)

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 For The Year Ended December 31, 2022
 (With Comparative Amounts For the Year Ended December 31, 2021)

	2022 Budget	2022 Actual	Over (Under) Budget	Restated 2021 Actual
Other Financing Sources (Uses):				
Transfers In	\$ 135,000	\$ 135,000	\$ 0	\$ 135,000
Transfers Out	<u>0</u>	<u>(171,901)</u>	<u>(171,901)</u>	<u>(81,528)</u>
Total Other Financing Sources (Uses)	<u>135,000</u>	<u>(36,901)</u>	<u>(171,901)</u>	<u>53,472</u>
Change in Fund Balance	<u>\$ (230,000)</u>	(667,265)	<u>\$ (437,265)</u>	<u>3,296</u>
Fund Balance - January 1 (As Previously Stated)				2,012,889
Prior Period Adjustment				<u>202,273</u>
Fund Balance - January 1 (As Restated)		<u>2,218,458</u>		<u>2,215,162</u>
Fund Balance - December 31		<u>\$ 1,551,193</u>		<u>\$ 2,218,458</u>

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF NET POSITION
WATER FUND

December 31, 2022

(With Comparative Amounts For December 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and Investments	\$ 3,092,292	\$ 3,059,132
Accounts Receivable	169,097	105,572
Lease Receivable	16,067	0
Prepaid Expense	4,052	34,736
Total Current Assets	<u>3,281,508</u>	<u>3,199,440</u>
Noncurrent Assets:		
Special Assessments	153,398	168,779
Capital Assets Not Being Depreciated	20,000	20,000
Other Capital Assets, Net of Depreciation	8,853,460	8,889,030
Total Noncurrent Assets	<u>9,026,858</u>	<u>9,077,809</u>
TOTAL ASSETS	<u>\$ 12,308,366</u>	<u>\$ 12,277,249</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accrued Expenses	\$ 100,323	\$ 112,458
Unearned Revenue	6,731	9,673
Current Portion of Long-term Debt	548,020	557,960
Total Current Liabilities	<u>655,074</u>	<u>680,091</u>
Long-term Liabilities:		
Revenue Note Payable, Net of Current Portion	4,149,809	4,734,670
Total Liabilities	<u>4,804,883</u>	<u>5,414,761</u>
Deferred Inflows of Resources:		
Lease Deferrals	<u>15,805</u>	<u>0</u>
Net Position:		
Net Investment in Capital Assets	4,175,631	3,616,400
Unrestricted	3,312,047	3,246,088
Total Net Position	<u>7,487,678</u>	<u>6,862,488</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 12,308,366</u>	<u>\$ 12,277,249</u>

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
WATER FUND

For the Year Ended December 31, 2022

(With Comparative Amounts For the Year Ended December 31, 2021)

	2022 Budget	2022 Actual	Over (Under) Budget	2021 Actual
Operating Revenues:				
Charges for Services	\$ 1,191,366	\$ 1,287,437	\$ 96,071	\$ 1,246,015
Operating Expenses:				
Personnel Services	249,235	221,788	(27,447)	233,644
Materials and Supplies	16,550	22,790	6,240	24,060
Professional Fees	27,331	21,730	(5,601)	34,540
Insurance	9,031	30,539	21,508	(3,469)
Utilities	45,700	45,098	(602)	35,720
Repairs and Maintenance	25,000	41,408	16,408	34,084
Contracted Services	2,000	2,035	35	726
Other Charges	5,590	11,543	5,953	23,917
Depreciation	225,056	246,395	21,339	246,394
Total Operating Expenses	<u>605,493</u>	<u>643,326</u>	<u>37,833</u>	<u>629,616</u>
Income (Loss) from Operations	585,873	644,111	58,238	616,399
Nonoperating Revenues (Expenses):				
Interest and Fiscal Charges	(140,874)	(82,329)	58,545	(133,468)
Special Assessments	0	5,065	5,065	9,148
Access Fees and Other Revenues	61,612	73,022	11,410	105,467
Investment Earnings	0	(14,679)	(14,679)	4,110
Total Nonoperating Revenues (Expenses)	<u>(79,262)</u>	<u>(18,921)</u>	<u>60,341</u>	<u>(14,743)</u>
Change in Net Position	<u>\$ 506,611</u>	625,190	<u>\$ 118,579</u>	601,656
Net Position - January 1		<u>6,862,488</u>		<u>6,260,832</u>
Net Position - December 31		<u>\$ 7,487,678</u>		<u>\$ 6,862,488</u>

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF NET POSITION
SEWER FUND

December 31, 2022

(With Comparative Amounts For December 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and Investments	\$ 2,980,496	\$ 2,894,161
Accounts Receivable	108,111	67,538
Prepaid Expense	4,052	34,225
Total Current Assets	<u>3,092,659</u>	<u>2,995,924</u>
Noncurrent Assets:		
Special Assessments	128,477	142,564
Capital Assets Not Being Depreciated	85,278	85,278
Other Capital Assets, Net of Depreciation	6,763,130	6,795,495
Total Noncurrent Assets	<u>6,976,885</u>	<u>7,023,337</u>
TOTAL ASSETS	<u>\$ 10,069,544</u>	<u>\$ 10,019,261</u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accrued Expenses	\$ 64,290	\$ 83,171
Unearned Revenue	4,522	1,112
Current Portion of Long-term Debt	143,980	138,040
Total Current Liabilities	<u>212,792</u>	<u>222,323</u>
Long-term Liabilities:		
Revenue Bonds Payable, Net of Current Portion	<u>1,736,578</u>	<u>1,885,382</u>
Total Liabilities	<u>1,949,370</u>	<u>2,107,705</u>
Net Position:		
Net Investment in Capital Assets	4,967,850	4,857,351
Unrestricted	3,152,324	3,054,205
Total Net Position	<u>8,120,174</u>	<u>7,911,556</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 10,069,544</u>	<u>\$ 10,019,261</u>

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
SEWER FUND

For the Year Ended December 31, 2022

(With Comparative Amounts For the Year Ended December 31, 2021)

	2022 Budget	2022 Actual	Over (Under) Budget	2021 Actual
Operating Revenues:				
Charges for Services	\$ 766,596	\$ 815,190	\$ 48,594	\$ 777,049
Operating Expenses:				
Personnel Services	249,016	222,132	(26,884)	234,079
Materials and Supplies	5,600	4,691	(909)	6,059
Professional Fees	6,431	46,641	40,210	38,977
Insurance	20,103	30,470	10,367	2,215
Utilities	53,000	62,051	9,051	54,974
Repairs and Maintenance	16,500	12,201	(4,299)	42,209
Contracted Services	14,300	15,020	720	13,046
Other Charges	13,350	12,167	(1,183)	17,163
Depreciation	168,508	184,628	16,120	185,249
Total Operating Expenses	<u>546,808</u>	<u>590,001</u>	<u>43,193</u>	<u>593,971</u>
Income (Loss) from Operations	<u>219,788</u>	<u>225,189</u>	<u>5,401</u>	<u>183,078</u>
Nonoperating Revenues (Expenses):				
Interest and Fiscal Charges	(56,029)	(48,147)	7,882	(64,171)
Special Assessments	0	4,767	4,767	8,239
Access Fees and Other Revenues	17,971	40,500	22,529	75,800
Investment Earnings	12,342	(13,691)	(26,033)	4,140
Total Nonoperating Revenues (Expenses)	<u>(25,716)</u>	<u>(16,571)</u>	<u>9,145</u>	<u>24,008</u>
Change in Net Position	<u>\$ 194,072</u>	208,618	<u>\$ 14,546</u>	207,086
Net Position - January 1		<u>7,911,556</u>		<u>7,704,470</u>
Net Position - December 31		<u>\$ 8,120,174</u>		<u>\$ 7,911,556</u>

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF NET POSITION

LIQUOR FUND

December 31, 2022

(With Comparative Amounts For December 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and Investments	\$ 536,486	\$ 465,408
Inventory	332,806	315,659
Prepaid Expense	2,509	2,193
Total Current Assets	<u>871,801</u>	<u>783,260</u>
Noncurrent Assets:		
Capital Assets Not Being Depreciated	33,000	33,000
Other Capital Assets, Net of Depreciation	145,751	156,118
Total Noncurrent Assets	<u>178,751</u>	<u>189,118</u>
TOTAL ASSETS	<u>\$ 1,050,552</u>	<u>\$ 972,378</u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accrued Expenses	\$ 156,036	\$ 91,654
Due to Other Governments	40,164	17,947
Total Current Liabilities	<u>196,200</u>	<u>109,601</u>
Net Position:		
Net Investment in Capital Assets	179,545	189,118
Unrestricted	674,807	673,659
Total Net Position	<u>854,352</u>	<u>862,777</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,050,552</u>	<u>\$ 972,378</u>

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
LIQUOR FUND

For the Year Ended December 31, 2022

(With Comparative Amounts For the Year Ended December 31, 2021)

	2022 Budget	2022 Actual	Over (Under) Budget	2021 Actual
Operating Revenues:				
Beer	\$ 1,139,009	\$ 1,165,606	\$ 26,597	\$ 1,154,419
Liquor and Wine	975,249	1,161,749	186,500	1,067,780
Other Operating Revenues	46,875	61,180	14,305	59,067
Total Operating Revenues	<u>2,161,133</u>	<u>2,388,535</u>	<u>227,402</u>	<u>2,281,266</u>
Cost of Revenues:				
Beer	795,000	860,544	65,544	855,495
Liquor and Wine	659,166	785,140	125,974	712,435
Miscellaneous	50,959	58,129	7,170	56,237
Total Cost of Revenues	<u>1,505,125</u>	<u>1,703,813</u>	<u>198,688</u>	<u>1,624,167</u>
Gross Profit	<u>656,008</u>	<u>684,722</u>	<u>28,714</u>	<u>657,099</u>
Operating Expenses:				
Personnel Services	353,350	349,116	(4,234)	340,763
Materials and Supplies	11,750	17,385	5,635	14,204
Professional Fees	10,653	32,905	22,252	5,116
Insurance	11,494	13,870	2,376	2,389
Utilities	14,650	14,893	243	12,665
Repairs and Maintenance	10,500	4,095	(6,405)	3,729
Contracted Services	38,500	50,035	11,535	47,207
Other Charges	9,100	9,222	122	7,030
Depreciation	11,640	16,323	4,683	15,672
Total Operating Expenses	<u>471,637</u>	<u>507,844</u>	<u>36,207</u>	<u>448,775</u>
Income (Loss) from Operations	<u>184,371</u>	<u>176,878</u>	<u>(7,493)</u>	<u>208,324</u>
Nonoperating Revenues (Expenses):				
Other Revenues	2,000	2,346	346	0
Investment Earnings	3,500	(2,649)	(6,149)	257
Total Nonoperating Revenues (Expenses)	<u>5,500</u>	<u>(303)</u>	<u>(5,803)</u>	<u>257</u>
Income (Loss) Before Transfers	189,871	176,575	(13,296)	208,581
Transfers Out	<u>(185,000)</u>	<u>(185,000)</u>	<u>0</u>	<u>(180,000)</u>
Change in Net Position	<u>\$ 4,871</u>	<u>(8,425)</u>	<u>\$ (13,296)</u>	<u>28,581</u>
Net Position - January 1		<u>862,777</u>		<u>834,196</u>
Net Position - December 31		<u>\$ 854,352</u>		<u>\$ 862,777</u>

OTHER REQUIRED REPORTS



Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

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MINNESOTA LEGAL COMPLIANCE

Independent Auditor's Report

Honorable Mayor and
Members of the City Council
Pine City, Minnesota

We have audited, in accordance with the 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, business-type activities, the discretely presented component unit, each major fund and the aggregate fund information of the City of Pine City, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated August 28, 2023. Our report includes a reference to other auditors of the financial statements of the Pine City Housing and Redevelopment Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of the provisions of the *Minnesota Legal Compliance Audit Guide* that are reported on separately by those auditors.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

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 *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the schedule of findings and responses as item 2022-004. 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.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Burkhardt & Burkhardt, Ltd.

Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
August 28, 2023



Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

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INDEPENDENT AUDITOR'S 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

Honorable Mayor and
Members of the City Council
City of Pine City
Pine City, Minnesota

We have audited, in accordance with the 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Pine City, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 28, 2023. Our report includes a reference to other auditors of the financial statements of Pine City Housing and Redevelopment Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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.

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. Given these limitations, during our audit we did identify deficiencies in internal control that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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. As described in the accompanying schedule of findings and responses, we consider the following deficiencies in internal control to be material weaknesses as items 2022-001 and 2022-002.

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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a significant deficiency as item 2022-003.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, as noted in the schedule of findings and responses.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.



Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
August 28, 2023

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
INTERNAL CONTROL AND LEGAL COMPLIANCE
December 31, 2022

CURRENT YEAR FINANCIAL STATEMENT FINDINGS

Material Weaknesses

Finding 2022-001. Material Audit Adjustments

Condition:	The audit firm proposed and the City approved corrections of certain misstatements.
Criteria	The City should have controls in place to prevent and detect a material misstatement in the financial statements in a timely manner. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibility includes adjusting the financial statements to correct material misstatements.
Cause:	The City has not established controls to ensure that all accounts are adjusted to their appropriate year-end balances in accordance with GAAP.
Effect:	The design of internal control over completeness and accuracy of financial records could adversely affect the City's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.
Recommendation:	The City should continue to evaluate its internal controls processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City will continue to review and approve adjusting journal entries as proposed by the auditor, as well as taking responsibility for the audited financial statements.

Official Responsible for Ensuring CAP:

Nicole Tricker, Finance Manager

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
INTERNAL CONTROL AND LEGAL COMPLIANCE
December 31, 2022

Finding 2022-002. Untimely Bank Account Reconciliations

Condition:	The City did not complete the monthly bank reconciliations in a reasonable amount of time after the month was completed.
Criteria	The City should have controls in place to ensure bank reconciliation are completed within two weeks after the end of the month.
Cause:	The City has not established controls related to completing monthly bank reconciliations.
Effect:	In the absence of timely bank reconciliations, there is the possibility that transactions are not recorded or recorded incorrectly and would not be determined through other procedures.
Recommendation:	The City should develop a policy to review bank reconciliations at each council meeting and have a member of the council designated to initial that review has taken place.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City will develop a policy to review bank reconciliations at each council meeting and designate a council member to initial to reconciliation.

Official Responsible for Ensuring CAP:

Nicole Tricker, Finance Manager

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
INTERNAL CONTROL AND LEGAL COMPLIANCE
December 31, 2022

Significant Deficiencies

Finding 2022-003. Controls Over Posting of Journal Entries

Condition:	The City does have an internal control in place for the review of journal entries prior to posting to the general ledger.
Criteria	Management should review proposed journal entries to make sure there is adequate support for the entry and that it is posted correctly.
Cause:	The City has informed us they do not have a process or policy in place to review and approve journal entries prior to posting to the general ledger.
Effect:	This could result in a material misstatement in the general ledger that would not be detected or corrected in a timely manner.
Recommendation:	The City should develop a policy to have the City Administrator review and approve all journal entries to ensure there is adequate support and the proper account numbers are being used.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City will develop a policy to have the City Administrator review and approve all journal entries to ensure there is adequate support and the proper account numbers are being used.

Official Responsible for Ensuring CAP:

Scott Hildebrand, City Administrator

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
INTERNAL CONTROL AND LEGAL COMPLIANCE
December 31, 2022

CURRENT YEAR MINNESOTA LEGAL COMPLIANCE FINDINGS

Finding 2022-004. Public Purpose Expenditures

Several Minnesota Statutes provide specific authority for a governmental entity to make donations to a nonprofit organization. Outside this specific authority, a governmental entity may not provide public funds to a nonprofit organization.

During 2022, the City provided public funds to several nonprofit organizations that were not authorized under state statutes.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City will review state statutes prior to making a donation to a nonprofit organization to ensure it is specifically authorized.

Official Responsible for Ensuring CAP:

Nicole Tricker, Finance Manager

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF PINE CITY, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2022

<u>Finding Reference</u>	<u>Finding Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If Not Corrected, Provide Planned Corrective Action or Other Explanation</u>
Financial Statement Findings:				
2021-001	Financial Statement Corrections	Not Corrected	2021	See Current Year Finding 2022-001
2021-002	Reconciling Bank Balances to the General Ledger	Not Corrected	2021	See Current Year Finding 2022-002
2021-003	Controls Over Journal Entry Process	Not Corrected	2021	See Current Year Finding 2022-003
Minnesota Legal Compliance Findings:				
2021-004	Lack of Record Retention	Corrected	2021	N/A
2021-005	Report and Payment of Abandoned Property	Corrected	2021	N/A
2021-006	Lack of Annual Broker Certification Form	Corrected	2021	N/A
2021-007	Inadequate Property Tax Levy for Debt Service	Corrected	2021	N/A
2021-008	Untimely Transmission of Fire State Aid to the Relief Association	Corrected	2021	N/A
2021-009	Prompt Payment of Bills	Corrected	2021	N/A
2021-010	Decertification of TIF District	Corrected	2021	N/A