

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

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2024**

CITY OF PINE CITY, MINNESOTA

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CITY OF PINE CITY, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2024

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kent Bombard – appointed	Mayor	December 31, 2024
Mary Kay Sloan – appointed	Council Member	December 31, 2024
Vacant	Council Member	December 31, 2024
Gina Pettie	Council Member	December 31, 2026
David Hill	Council Member	December 31, 2026

APPOINTED

<u>Name</u>	<u>Title</u>
Marcy Peterson	Administrator
Nicole Tricker	Finance Director
Melanie Bloomquist	Deputy Clerk
Tom Miller	Fire Chief
Maury Montbriand	Public Works



# Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

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F: 507.387.5199

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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**

#### ***Opinions***

We have audited 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2024, 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.

We did not audit the financial statements of the Pine City Housing and Redevelopment Authority (the HRA) as of December 31, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the HRA, is based solely on the report of the other auditors.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

#### ***Emphasis of Matter***

As described in Note 1 to the financial statements, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended December 31, 2024. Also, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*, for the year ended December 31, 2024. Our opinion is not modified with respect to these matters.

### ***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, which 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***

We have previously audited the City's 2023 financial statements 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 our report dated September 5, 2024. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2023, 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 July 8, 2025, 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  
July 8, 2025

## BASIC FINANCIAL STATEMENTS

CITY OF PINE CITY, MINNESOTA

STATEMENT OF NET POSITION  
December 31, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Authority
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Assets</b>				
Cash and Investments	\$ 4,816,454	\$ 4,677,683	\$ 9,494,137	\$ 263,029
Restricted Cash	0	0	0	14,680
Receivables:				
Interest	5,323	0	5,323	0
Accounts, Net of Allowance	28,589	264,226	292,815	2,298
Property Taxes	105,564	0	105,564	0
Leases	0	75,732	75,732	0
Notes	240,136	0	240,136	0
Inventory	0	388,005	388,005	0
Prepaid Expenses	14,442	9,456	23,898	6,374
Special Assessments	672,737	225,360	898,097	0
Property Held for Sale	30,372	0	30,372	0
Internal Balances	(2,494,516)	2,494,516	0	0
Capital Assets:				
Assets not Being Depreciated	789,803	138,278	928,081	14,281
Other Capital Assets, Net of Depreciation	18,262,703	16,750,930	35,013,633	371,993
Net Pension Asset	458,494	0	458,494	0
Total Assets	<u>22,930,101</u>	<u>25,024,186</u>	<u>47,954,287</u>	<u>672,655</u>
<b>Deferred Outflows of Resources:</b>				
Other Post Employment Benefits Deferments	16,788	0	16,788	0
Pension Plan Deferments	914,728	0	914,728	0
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 23,861,617</u>	<u>\$ 25,024,186</u>	<u>\$ 48,885,803</u>	<u>\$ 672,655</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
<b>Liabilities:</b>				
Accrued Expenses	\$ 474,494	\$ 231,945	\$ 706,439	\$ 17,044
Unearned Revenue	27,687	9,163	36,850	14,770
Noncurrent Liabilities:				
Due Within One Year	524,013	778,600	1,302,613	1,033
Due in More than One Year	6,540,183	5,689,879	12,230,062	3,781
Other Post Employment Benefits Liability	113,812	0	113,812	0
Net Pension Liability	520,491	0	520,491	0
Total Liabilities	<u>8,200,680</u>	<u>6,709,587</u>	<u>14,910,267</u>	<u>36,628</u>
<b>Deferred Inflows of Resources:</b>				
Lease Deferments	0	74,046	74,046	0
Other Post Employment Benefits Deferments	4,997	0	4,997	0
Pension Plan Deferments	1,186,541	0	1,186,541	0
Total Deferred Inflows of Resources	<u>1,191,538</u>	<u>74,046</u>	<u>1,265,584</u>	<u>0</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	12,099,447	10,598,644	22,698,091	386,274
Restricted	2,863,233	0	2,863,233	0
Unrestricted	(493,281)	7,641,909	7,148,628	249,753
Total Net Position	<u>14,469,399</u>	<u>18,240,553</u>	<u>32,709,952</u>	<u>636,027</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 23,861,617</u>	<u>\$ 25,024,186</u>	<u>\$ 48,885,803</u>	<u>\$ 672,655</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 ACTIVITIES  
For The Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	\$ 848,922	\$ 424,616	\$ 0	\$ 0
Public Safety	1,355,435	450,331	117,551	0
Public Works	988,524	2,255	0	99,213
Culture and Recreation	481,249	1,672	0	0
Economic Development	114,225	0	0	0
Interest on Long-term Debt	185,742	0	0	0
Total Governmental Activities	<u>3,974,097</u>	<u>878,874</u>	<u>117,551</u>	<u>99,213</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Water	808,225	1,353,366	0	7,166
Sewer	760,212	844,644	0	7,985
Liquor	2,483,091	2,519,030	0	0
Total Business-type Activities	<u>4,051,528</u>	<u>4,717,040</u>	<u>0</u>	<u>15,151</u>
Total Primary Government	<u>\$ 8,025,625</u>	<u>\$ 5,595,914</u>	<u>\$ 117,551</u>	<u>\$ 114,364</u>
<b>COMPONENT UNIT:</b>				
Housing and Redevelopment Authority	<u>\$ 225,587</u>	<u>\$ 164,490</u>	<u>\$ 125,278</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)

Change in Accounting Principle

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 Primary Government			Component Unit Housing and Redevelopment Authority
Governmental Activities	Business-type Activities	Total Primary Government	
\$ (424,306)	\$ 0	\$ (424,306)	\$ 0
(787,553)	0	(787,553)	0
(887,056)	0	(887,056)	0
(479,577)	0	(479,577)	0
(114,225)	0	(114,225)	0
(185,742)	0	(185,742)	0
<u>(2,878,459)</u>	<u>0</u>	<u>(2,878,459)</u>	<u>0</u>
0	552,307	552,307	0
0	92,417	92,417	0
0	35,939	35,939	0
<u>0</u>	<u>680,663</u>	<u>680,663</u>	<u>0</u>
<u>(2,878,459)</u>	<u>680,663</u>	<u>(2,197,796)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>64,181</u>
1,096,659	0	1,096,659	0
640,314	0	640,314	0
310,298	0	310,298	0
168,389	0	168,389	0
865,603	0	865,603	0
63,556	95,049	158,605	115
60,534	43,364	103,898	3,954
60,000	(60,000)	0	0
<u>3,265,353</u>	<u>78,413</u>	<u>3,343,766</u>	<u>4,069</u>
<u>386,894</u>	<u>759,076</u>	<u>1,145,970</u>	<u>68,250</u>
14,132,905	17,538,917	31,671,822	567,777
<u>(50,400)</u>	<u>(57,440)</u>	<u>(107,840)</u>	<u>0</u>
<u>14,082,505</u>	<u>17,481,477</u>	<u>31,563,982</u>	<u>567,777</u>
<u>\$ 14,469,399</u>	<u>\$ 18,240,553</u>	<u>\$ 32,709,952</u>	<u>\$ 636,027</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, 2024

	General	Debt Service Funds	2024 Street Improvement
<b>ASSETS</b>			
Cash and Investments	\$ 1,054,943	\$ 1,448,166	\$ 735,342
Receivables:			
Interest	5,323	0	0
Accounts	14,349	0	0
Property Taxes	105,564	0	0
Notes	0	0	0
Prepaid Expense	14,277	0	0
Special Assessments	33,782	614,379	0
Land Held for Sale	30,372	0	0
<b>TOTAL ASSETS</b>	<b><u>\$ 1,258,610</u></b>	<b><u>\$ 2,062,545</u></b>	<b><u>\$ 735,342</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accrued Expenses	\$ 159,002	\$ 3,003	\$ 115,806
Unearned Revenue	27,687	0	0
Advance from Other Funds	0	0	0
Total Liabilities	<u>186,689</u>	<u>3,003</u>	<u>115,806</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue	<u>114,955</u>	<u>613,628</u>	<u>0</u>
<b>Fund Balance:</b>			
Nonspendable	44,650	0	0
Restricted	0	1,445,914	619,536
Committed	0	0	0
Assigned	0	0	0
Unassigned	912,316	0	0
Total Fund Balance	<u>956,966</u>	<u>1,445,914</u>	<u>619,536</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b><u>\$ 1,258,610</u></b>	<b><u>\$ 2,062,545</u></b>	<b><u>\$ 735,342</u></b>

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

2022 Street Project	2020 Street Project	Nonmajor Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 1,578,003	\$ 4,816,454
0	0	0	5,323
0	0	14,240	28,589
0	0	0	105,564
0	0	240,136	240,136
0	0	165	14,442
0	0	24,576	672,737
0	0	0	30,372
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,857,120</u>	<u>\$ 5,913,617</u>
\$ 28,966	\$ 0	\$ 130,759	\$ 437,536
0	0	0	27,687
2,000,000	581,703	0	2,581,703
<u>2,028,966</u>	<u>581,703</u>	<u>130,759</u>	<u>3,046,926</u>
<u>0</u>	<u>0</u>	<u>24,576</u>	<u>753,159</u>
0	0	165	44,815
0	0	221,109	2,286,559
0	0	1,123,428	1,123,428
0	0	357,083	357,083
(2,028,966)	(581,703)	0	(1,698,353)
<u>(2,028,966)</u>	<u>(581,703)</u>	<u>1,701,785</u>	<u>2,113,532</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,857,120</u>	<u>\$ 5,913,617</u>

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, 2024

Total Fund Balances - Governmental Funds \$ 2,113,532

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	31,294,971
Less: Accumulated depreciation	(12,242,465)

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	(6,729,928)
Discount/Premiums	(223,131)
Compensated absences payable	(111,137)

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	66,824
Accounts receivable	14,349
Special assessments	671,986

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	458,494
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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	282,730
Deferred inflows of resources related to Fire Relief pensions	(176,170)

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

(36,954)

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

(913,698)

Total Net Position - Governmental Activities \$ 14,469,399

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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, 2024

	General	Debt Service Funds	2024 Street Improvement
<b>Revenues:</b>			
Taxes	\$ 1,118,565	\$ 640,314	\$ 0
Tax Increment	0	35,649	0
Special Assessments	0	92,344	0
Intergovernmental	1,026,882	0	0
Licenses and Permits	353,954	0	0
Charges for Services	466,901	0	0
Fines and Fees	6,522	0	0
Other Revenues	21,866	0	0
Investment Earnings	20,783	16,262	0
Total Revenues	<u>3,015,473</u>	<u>784,569</u>	<u>0</u>
<b>Expenditures:</b>			
Current:			
General Government	607,380	0	0
Public Safety	1,241,849	0	0
Public Works	435,713	0	0
Parks and Recreation	395,179	0	0
Economic Development	0	0	0
Capital Outlay:			
Public Safety	52,952	0	0
Public Works	340	0	1,422,222
Parks and Recreation	8,332	0	0
Debt Service:			
Principal	0	494,000	0
Interest and Fiscal Fees	0	131,245	70,782
Total Expenditures	<u>2,741,745</u>	<u>625,245</u>	<u>1,493,004</u>
Excess of Revenues Over (Under) Expenditures	<u>273,728</u>	<u>159,324</u>	<u>(1,493,004)</u>
<b>Other Financing Sources (Uses):</b>			
Debt Proceeds	0	71,864	1,983,136
Bond Premium	0	0	129,404
Transfers In	30,000	0	0
Transfers Out	(562,118)	0	0
Sale of Capital Assets	200	0	0
Total Other Financing Sources (Uses)	<u>(531,918)</u>	<u>71,864</u>	<u>2,112,540</u>
Change in Fund Balance	<u>(258,190)</u>	<u>231,188</u>	<u>619,536</u>
Fund Balance - January (As Previously Stated)	1,215,156	1,214,726	0
Change from Major to Nonmajor Fund	0	0	0
Change from Nonmajor to Major Fund	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance - January (As Restated)	<u>1,215,156</u>	<u>1,214,726</u>	<u>0</u>
Fund Balance - December 31	<u>\$ 956,966</u>	<u>\$ 1,445,914</u>	<u>\$ 619,536</u>

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

2022 Street Project	2020 Street Project	Nonmajor Governmental Funds	Formerly Major/Non- Major Fund	Total Governmental Funds
\$ 0	\$ 0	\$ 310,298	\$ 0	\$ 2,069,177
0	0	132,740	0	168,389
0	0	7,040	0	99,384
0	0	0	0	1,026,882
0	0	0	0	353,954
0	0	57,498	0	524,399
0	0	0	0	6,522
0	0	17,895	0	39,761
0	0	26,511	0	63,556
<u>0</u>	<u>0</u>	<u>551,982</u>	<u>0</u>	<u>4,352,024</u>
0	0	0	0	607,380
0	0	1,457	0	1,243,306
0	0	7,908	0	443,621
0	0	24,411	0	419,590
0	0	109,685	0	109,685
0	0	133,350	0	186,302
19,277	0	201,426	0	1,643,265
0	0	105,119	0	113,451
0	0	0	0	494,000
0	0	0	0	202,027
<u>19,277</u>	<u>0</u>	<u>583,356</u>	<u>0</u>	<u>5,462,627</u>
<u>(19,277)</u>	<u>0</u>	<u>(31,374)</u>	<u>0</u>	<u>(1,110,603)</u>
0	0	90,928	0	2,145,928
0	0	0	0	129,404
527,319	0	120,000	0	677,319
0	0	(55,201)	0	(617,319)
0	0	0	0	200
<u>527,319</u>	<u>0</u>	<u>155,727</u>	<u>0</u>	<u>2,335,532</u>
<u>508,042</u>	<u>0</u>	<u>124,353</u>	<u>0</u>	<u>1,224,929</u>
(2,537,008)	(581,703)	728,644	848,788	888,603
0	0	267,085	(267,085)	0
0	0	581,703	(581,703)	0
<u>(2,537,008)</u>	<u>(581,703)</u>	<u>1,577,432</u>	<u>0</u>	<u>888,603</u>
<u>\$ (2,028,966)</u>	<u>\$ (581,703)</u>	<u>\$ 1,701,785</u>	<u>\$ 0</u>	<u>\$ 2,113,532</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, 2024

Net Change in Fund Balances - Governmental Funds \$ 1,224,929

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	1,877,823
Depreciation expense	(757,417)

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	494,000
Amortization of premiums/discounts	12,540
Bond and note proceeds	(2,275,332)

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.

3,745

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	66,582
-----------------	--------

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	(1,333)
Special assessments	(43,899)
Accounts receivable	(6,001)

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	9,997
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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.

(218,737)

Change in Net Position - Governmental Activities \$ 386,894

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, 2024

	Original And Final Budget	Actual Amounts	Over (Under) Budget
<b>Revenues:</b>			
Taxes	\$ 1,120,776	\$ 1,118,565	\$ (2,211)
Intergovernmental	1,014,473	1,026,882	12,409
Licenses and Permits	110,300	353,954	243,654
Charges for Services	438,259	466,901	28,642
Fines and Fees	3,400	6,522	3,122
Other Revenues	15,500	21,866	6,366
Interest and Dividends	1,500	20,783	19,283
Total Revenues	<u>2,704,208</u>	<u>3,015,473</u>	<u>311,265</u>
<b>Expenditures:</b>			
Current:			
General Government	679,038	607,380	(71,658)
Public Safety	1,066,309	1,241,849	175,540
Public Works	588,267	435,713	(152,554)
Culture and Recreation	360,594	395,179	34,585
Capital Outlay:			
Public Safety	10,000	52,952	42,952
Public Works	20,000	340	(19,660)
Culture and Recreation	10,000	8,332	(1,668)
Total Expenditures	<u>2,734,208</u>	<u>2,741,745</u>	<u>7,537</u>
Excess of Revenues Over (Under) Expenditures	(30,000)	273,728	303,728
<b>Other Financing Sources (Uses):</b>			
Transfers In	30,000	30,000	0
Transfers Out	0	(562,118)	(562,118)
Sale of Capital Assets	0	200	200
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>(531,918)</u>	<u>(561,918)</u>
Change in Fund Balance	<u>\$ 0</u>	(258,190)	<u>\$ (258,190)</u>
Fund Balance - January 1		<u>1,215,156</u>	
Fund Balance - December 31		<u>\$ 956,966</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, 2024

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Liquor Fund
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>Current Assets:</b>			
Cash and Investments	\$ 2,723,374	\$ 1,545,182	\$ 409,127
Accounts Receivable	167,076	97,150	0
Lease Receivable	19,100	0	0
Inventory	0	0	388,005
Special Assessments	9,476	6,997	0
Prepaid Expense	3,750	3,750	1,956
Total Current Assets	<u>2,922,776</u>	<u>1,653,079</u>	<u>799,088</u>
<b>Noncurrent Assets:</b>			
Lease Receivable	56,632	0	0
Advance to Other Funds	1,290,851	1,290,852	0
Special Assessments	113,096	95,791	0
Capital Assets Not Being Depreciated	20,000	85,278	33,000
Other Capital Asses, Net of Depreciation	8,887,698	7,746,222	117,010
Total Assets	<u>13,291,053</u>	<u>10,871,222</u>	<u>949,098</u>
<b>Deferred Outflows of Resources:</b>			
Pension Plan Deferments and OPEB Deferments	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>\$ 13,291,053</b></u>	<u><b>\$ 10,871,222</b></u>	<u><b>\$ 949,098</b></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
<b>Current Liabilities:</b>			
Accrued Expenses	\$ 105,329	\$ 79,081	\$ 208,135
Unearned Revenue	2,953	2,496	3,714
Current Portion of Long-term Debt	527,880	90,120	0
Total Current Liabilities	<u>636,162</u>	<u>171,697</u>	<u>211,849</u>
<b>Long-term Liabilities:</b>			
Revenue Bonds Payable	3,587,602	2,084,962	0
Compensated Absences	3,846	3,846	9,623
Other Post-employment Benefits	0	0	0
Net Pension Liability	0	0	0
Total Liabilities	<u>4,227,610</u>	<u>2,260,505</u>	<u>221,472</u>
<b>Deferred Inflows of Resources:</b>			
Lease Deferments	74,046	0	0
Pension Plan Deferments and OPEB Deferments	0	0	0
Total Deferred Inflows of Resources	<u>74,046</u>	<u>0</u>	<u>0</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	4,792,216	5,656,418	150,010
Unrestricted	4,197,181	2,954,299	577,616
Total Net Position	<u>8,989,397</u>	<u>8,610,717</u>	<u>727,626</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u><b>\$ 13,291,053</b></u>	<u><b>\$ 10,871,222</b></u>	<u><b>\$ 949,098</b></u>

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

Business-type	Governmental Activities
Totals	Internal Service Fund
\$ 4,677,683	\$ 0
264,226	0
19,100	0
388,005	0
16,473	0
9,456	0
<u>5,374,943</u>	<u>0</u>
56,632	0
2,581,703	0
208,887	0
138,278	0
<u>16,750,930</u>	<u>0</u>
<u>25,111,373</u>	<u>0</u>
0	648,787
<u>\$ 25,111,373</u>	<u>\$ 648,787</u>
\$ 392,545	\$ 0
9,163	0
<u>618,000</u>	<u>0</u>
1,019,708	0
5,672,564	0
17,315	0
0	113,812
<u>0</u>	<u>520,491</u>
<u>6,709,587</u>	<u>634,303</u>
74,046	0
<u>0</u>	<u>1,015,368</u>
<u>74,046</u>	<u>1,015,368</u>
10,598,644	0
<u>7,729,096</u>	<u>(1,000,884)</u>
<u>18,327,740</u>	<u>(1,000,884)</u>
<u>\$ 25,111,373</u>	<u>\$ 648,787</u>
\$ 18,327,740	
(87,187)	
<u>\$ 18,240,553</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, 2024

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Liquor Fund
<b>Operating Revenues:</b>			
Charges for Services and Sales	\$ 1,353,366	\$ 844,644	\$ 2,519,030
Cost of Revenues	<u>0</u>	<u>0</u>	<u>1,788,595</u>
Gross Profit	1,353,366	844,644	730,435
<b>Operating Expenses:</b>			
Personnel Services	262,134	258,358	469,726
Materials and Supplies	35,738	4,828	15,702
Professional Fees	10,892	11,793	9,351
Insurance	9,235	20,541	11,747
Utilities	37,599	65,226	14,541
Repairs and Maintenance	33,958	33,606	6,339
Contracted Services	2,952	18,367	7,916
Other Charges	14,900	15,447	55,036
Depreciation	<u>258,104</u>	<u>213,814</u>	<u>12,554</u>
Total Operating Expenses	<u>665,512</u>	<u>641,980</u>	<u>602,912</u>
Income From Operations	687,854	202,664	127,523
<b>Nonoperating Revenues (Expenses)</b>			
Interest and Fiscal Charges	(84,685)	(60,100)	0
Special Assessments	7,166	7,985	0
Access Fees and Other Income	41,364	1,500	500
Investment Earnings	<u>49,671</u>	<u>39,380</u>	<u>5,998</u>
Total Nonoperating Revenues (Expenses)	<u>13,516</u>	<u>(11,235)</u>	<u>6,498</u>
Income Before Transfers	701,370	191,429	134,021
Transfers Out	<u>0</u>	<u>0</u>	<u>(60,000)</u>
Change in Net Position	<u>701,370</u>	<u>191,429</u>	<u>74,021</u>
Net Position - January 1 (As Previously Stated)	8,301,498	8,432,759	684,103
Change in Accounting Principle	<u>(13,471)</u>	<u>(13,471)</u>	<u>(30,498)</u>
Net Position - January 1 (As Restated)	<u>8,288,027</u>	<u>8,419,288</u>	<u>653,605</u>
Net Position - December 31	<u>\$ 8,989,397</u>	<u>\$ 8,610,717</u>	<u>\$ 727,626</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	Governmental Activities
Totals	Internal Service Fund
\$ 4,717,040	\$ 0
<u>1,788,595</u>	<u>0</u>
2,928,445	0
990,218	426,480
56,268	0
32,036	0
41,523	0
117,366	0
73,903	0
29,235	0
85,383	0
<u>484,472</u>	<u>0</u>
1,910,404	426,480
1,018,041	(426,480)
(144,785)	0
15,151	0
43,364	0
<u>95,049</u>	<u>0</u>
8,779	0
1,026,820	(426,480)
<u>(60,000)</u>	<u>0</u>
966,820	(426,480)
17,418,360	(574,404)
<u>(57,440)</u>	<u>0</u>
17,360,920	(574,404)
<u>\$ 18,327,740</u>	<u>\$ (1,000,884)</u>
\$ 966,820	
<u>(207,744)</u>	
<u>\$ 759,076</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, 2024

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Liquor Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers and Users	\$ 1,337,150	\$ 840,660	\$ 2,518,901
Payments to Suppliers	(138,288)	(173,250)	(1,989,536)
Payments to Employees	(252,736)	(249,088)	(434,235)
Other Receipts (Payments)	41,364	1,500	500
Net Cash from Operating Activities	<u>987,490</u>	<u>419,822</u>	<u>95,630</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Payments Received (Paid) on Interfund Loans	(290,851)	(290,852)	0
Transfers Out	0	0	(60,000)
Net Cash from Noncapital Financing Activities	<u>(290,851)</u>	<u>(290,852)</u>	<u>(60,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest Paid on Debt	(91,957)	(31,993)	0
Principal Paid on Debt	(522,880)	(85,120)	0
Debt Proceeds	523,400	496,600	0
Special Assessment Collections	18,542	17,910	0
Acquisition and Construction of Capital Assets	(439,958)	(631,220)	0
Net Cash from Capital and Related Financing Activities	<u>(512,853)</u>	<u>(233,823)</u>	<u>0</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and Dividends Received	<u>49,671</u>	<u>39,380</u>	<u>5,998</u>
Net Change in Cash and Investments	233,457	(65,473)	41,628
Cash and Investments - January 1	<u>2,489,917</u>	<u>1,610,655</u>	<u>367,499</u>
Cash and Investments - December 31	<u>\$ 2,723,374</u>	<u>\$ 1,545,182</u>	<u>\$ 409,127</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:</b>			
Income from Operations	\$ 687,854	\$ 202,664	\$ 127,523
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:			
Other Receipts (Payments)	41,364	1,500	500
Depreciation Expense	258,104	213,814	12,554
(Increase) Decrease in Accounts Receivable	(15,059)	(3,984)	0
(Increase) Decrease in Prepaid Expense	(52)	(52)	475
(Increase) Decrease in Inventory	0	0	(30,810)
Increase (Decrease) in Due to Other Governments	3,428	0	687
Increase (Decrease) in Unearned Revenue	(1,157)	0	(129)
Increase (Decrease) in Pension Resources and OPEB	0	0	0
Increase (Decrease) in Accrued Expenses	13,008	5,880	(15,170)
Net Cash from Operating Activities	<u>\$ 987,490</u>	<u>\$ 419,822</u>	<u>\$ 95,630</u>

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

Business-type	Governmental Activities
Totals	Internal Service Fund
\$ 4,696,711	\$ 0
(2,301,074)	0
(936,059)	0
43,364	0
<u>1,502,942</u>	<u>0</u>
(581,703)	0
(60,000)	0
<u>(641,703)</u>	<u>0</u>
(123,950)	0
(608,000)	0
1,020,000	0
36,452	0
(1,071,178)	0
<u>(746,676)</u>	<u>0</u>
<u>95,049</u>	<u>0</u>
209,612	0
<u>4,468,071</u>	<u>0</u>
<u>\$ 4,677,683</u>	<u>\$ 0</u>
\$ 1,018,041	\$ (426,480)
43,364	0
484,472	0
(19,043)	0
371	0
(30,810)	0
4,115	0
(1,286)	0
0	426,480
3,718	0
<u>\$ 1,502,942</u>	<u>\$ 0</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024Note 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 the 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, is the following blended component unit. The blended component unit presented has 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.

Included in the City’s reporting entity is the following discretely presented component unit. The fiscal year-end of the discretely presented component unit is March 31, and its financial data as of and for the year ended March 31, 2025, is included in these financial statements.

***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. 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, 2024

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.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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

The *2024 Street Improvement fund* accounts for the accumulation of resources used to finance the 2024 street improvement project.

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

The *2020 Street Project fund* accounts for the accumulation of resources used to finance the 2020 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.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

**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.

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.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

**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.

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, 2024. The City has adopted a formal investment policy.

***Property taxes***

The City Council annually adopts a tax levy and certifies it to Pine 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 2024. 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. The General fund accounts receivable was shown net of an allowance of \$24,180.

***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.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

***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.

***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:

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

***Compensated absences***

The City provides paid leave benefits to employees, including vacation, sick leave, and other compensated absences, in accordance with its personnel policies. Employees earn leave based on the number of months worked during the year. Upon termination, employees are entitled to receive compensation for unused leave balances based on the City’s policy. Employees accrue sick leave based on the number of years of service, with a maximum accrual limit of 68 days. The liability for compensated absences is recognized when earned and measured using an expected payout approach, considering historical usage patterns and projected future payments.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

***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.

***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.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

*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.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

*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.

*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 of 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.

Each August, all departments of the City submit requests for appropriations to the Finance Director so that a budget may be prepared. Before September 30, the proposed budget is presented to the City Council for review. The 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, 2024, the General fund had expenditures over appropriations of \$7,537. Excess expenditures over appropriations were funded with additional revenues.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (Continued)

**C. Deficit Fund Equity**

The following had fund equity deficits at year end:

<u>Fund</u>	<u>Amount</u>
Governmental	
Major - Capital Projects	
2022 Street Project	\$ 2,028,966
2020 Street Project	581,703

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

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.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

On December 31, 2024, the carrying amount of deposits was \$7,133,392 and the bank balance was \$7,243,225. 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, 2025, the bank balance of the HRA’s deposits with financial institutions was \$278,277, and the carrying value was \$277,709. 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:

First Natl BK Amer East Lans	11%
American Express Natl Bank	7%
Texas Exchange Bank	10%
Sallie Mae Bank	6%
Ally Bank	10%
BMO Harris Bank	10%
Capital One Natl Assn	11%
Discover Bank	11%
Live Oak Bkg Co	9%
Farmers and Merchants	10%

*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, 2024

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

As of December 31, 2024, 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	
Investment pools						
Broker money market funds	N/R	N/R	Cost	N/A	N/A	\$ 117,795
Nonpooled investments						
Negotiable certificates of deposit	N/R	N/R	Level 2	802,825	1,439,125	2,241,950
Non-negotiable certificates of deposit	N/R	N/R	Level 2	165,322	-	165,322
<b>Total investments</b>						<b>\$ 2,525,067</b>

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	\$ 6,969,070	\$ 233,904
Investments	2,525,067	43,805
Total Cash and investment	\$ 9,494,137	\$ 277,709
Unrestricted cash and investments	\$ 9,494,137	\$ 263,029
Restricted cash and investments	-	14,680
Total cash and investments	\$ 9,494,137	\$ 277,709

**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 consist of loans made to various commercial entities within the City. These loans bear an interest rate of 2% and are repayable in monthly installments, with maturities that vary by loan. The notes are unsecured, with no collateral backing them. Based on the City’s historical experience with bad debts and the nature of the receivable balances, no allowance for doubtful accounts has been established.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Intergovernmental and accounts receivable on the Statement of Net Position consist of the following:

Nature of Receivable	Receivable Balance	Allowance for Uncollectibles	Total
Fire calls/MV charges	\$ 38,529	\$ (24,180)	\$ 14,349
Reimbursements	14,240	-	14,240
Utility sales	265,211	(985)	264,226
Total	<u>\$ 317,980</u>	<u>\$ (25,165)</u>	<u>\$ 292,815</u>

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	\$ 667,148	\$ -
Delinquent special assessments	4,838	-
Delinquent property taxes	66,824	-
Fire calls	14,349	
Escrow deposits	-	27,687
Total deferred inflows of resources/unearned revenue	<u>\$ 753,159</u>	<u>\$ 27,687</u>

The only receivables not expected to be collected within one year are \$50,000 of delinquent taxes and \$602,000 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 2028 and provides for five renewal options of five years. During the year ended December 31, 2024, the City recognized \$18,352 and \$3,429 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
2025	\$ 19,100	\$ 2,682
2026	19,878	1,904
2027	20,688	1,094
2028	16,066	269
Total	<u>\$ 75,732</u>	<u>\$ 5,949</u>

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

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, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 694,754	\$ -	\$ -	\$ 694,754
Construction in progress	104,886	95,049	(104,886)	95,049
Total capital assets not being depreciated	<u>799,640</u>	<u>95,049</u>	<u>(104,886)</u>	<u>789,803</u>
Capital assets being depreciated				
Buildings and Improvements	5,433,922	-	(4,717)	5,429,205
Infrastructure	18,887,641	1,422,221	-	20,309,862
Machinery and equipment	4,725,648	465,439	(424,986)	4,766,101
Total capital assets being depreciated	<u>29,047,211</u>	<u>1,887,660</u>	<u>(429,703)</u>	<u>30,505,168</u>
Less accumulated depreciation for				
Buildings and Improvements	(1,979,913)	(168,559)	4,717	(2,143,755)
Infrastructure	(6,932,042)	(431,547)	-	(7,363,589)
Machinery and equipment	(3,002,796)	(157,311)	424,986	(2,735,121)
Total accumulated depreciation	<u>(11,914,751)</u>	<u>(757,417)</u>	<u>429,703</u>	<u>(12,242,465)</u>
Total capital assets being depreciated, net	<u>17,132,460</u>	<u>1,130,243</u>	<u>-</u>	<u>18,262,703</u>
Governmental activities capital assets, net	<u>\$ 17,932,100</u>	<u>\$ 1,225,292</u>	<u>\$ (104,886)</u>	<u>\$ 19,052,506</u>

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
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	-	(6,907)	1,145,257
Distribution system	21,065,962	1,060,310	-	22,126,272
Machinery and equipment	1,271,687	10,851	(52,923)	1,229,615
Total capital assets being depreciated	<u>23,489,813</u>	<u>1,071,161</u>	<u>(59,830)</u>	<u>24,501,144</u>
Less accumulated depreciation for				
Buildings and improvements	(701,850)	(26,049)	6,907	(720,992)
Distribution system	(5,661,325)	(415,503)	-	(6,076,828)
Machinery and equipment	(962,397)	(42,920)	52,923	(952,394)
Total accumulated depreciation	<u>(7,325,572)</u>	<u>(484,472)</u>	<u>59,830</u>	<u>(7,750,214)</u>
Total capital assets being depreciated, net	<u>16,164,241</u>	<u>586,689</u>	<u>-</u>	<u>16,750,930</u>
Business-type activities capital assets, net	<u>\$ 16,302,519</u>	<u>\$ 586,689</u>	<u>\$ -</u>	<u>\$ 16,889,208</u>

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

<b>Governmental activities</b>	
General government	\$ 97,743
Housing and EDA	4,540
Public safety	147,270
Public works	464,607
Parks and recreation	<u>43,257</u>
Total depreciation expense - governmental activities	<u>\$ 757,417</u>
<b>Business-type activities</b>	
Water	\$ 258,104
Sewer	213,814
Liquor	<u>12,554</u>
Total depreciation expense - business-type activities	<u>\$ 484,472</u>

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

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
<b>Component unit</b>				
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	1,639,849	26,920	-	1,666,769
Machinery and equipment	<u>72,557</u>	<u>-</u>	<u>-</u>	<u>72,557</u>
Total capital assets being depreciated	<u>1,712,406</u>	<u>26,920</u>	<u>-</u>	<u>1,739,326</u>
Less accumulated depreciation	<u>(1,331,455)</u>	<u>(35,878)</u>	<u>-</u>	<u>(1,367,333)</u>
Total capital assets being depreciated, net	<u>380,951</u>	<u>(8,958)</u>	<u>-</u>	<u>371,993</u>
Component unit - HRA capital assets, net	<u>\$ 395,232</u>	<u>\$ (8,958)</u>	<u>\$ -</u>	<u>\$ 386,274</u>

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

<b>Component unit</b>	
Housing and Redevelopment Authority	<u>\$ 35,878</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, 2024

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	\$ 1,235,000
G.O. Water and Sewer Revenue					
Bonds of 2018A	1,125,000	3.125-4.00	9/17/18	2/1/34	820,000
G.O. Water and Sewer Revenue					
Bonds of 2019B	5,170,000	3.125-4.00	11/21/19	2/1/36	3,005,000
G.O. Water and Sewer Revenue					
Bonds of 2024A	1,020,000	4.00-5.00%	5/22/24	2/1/41	<u>1,020,000</u>
Total general obligation revenue notes					<u>\$ 6,080,000</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	\$ -
G.O. Improvement					
Bonds of 2013B	585,000	3.50	7/25/13	7/23/33	314,000
G.O. Improvement					
Bonds of 2015A	720,000	1.35-3.10	7/15/15	12/1/30	310,000
G.O. Improvement					
Bonds of 2018A	620,000	3.125-4.00	9/17/18	2/1/34	450,000
G.O. Improvement					
Bonds of 2019B	1,740,000	2.125-3.00	11/21/19	2/1/36	1,260,000
G.O. Improvement					
Bonds of 2020A	1,700,000	1.10-2.00	8/27/20	2/1/37	1,500,000
G.O. Improvement					
Bonds of 2024A	2,055,000	4.00-5.00	5/22/24	2/1/41	<u>2,055,000</u>
Total general obligation bonds/notes					<u>\$ 5,889,000</u>

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

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	\$ 750,000

Promissory Notes

The City issues promissory notes to provide funds for the acquisition of capital equipment. Promissory notes have been issued for governmental activities. Promissory notes are direct obligations and pledge the full faith and credit of the City. Promissory notes currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
East Central Energy					
Revolving loan fund	\$ 90,928	1.00%	7/8/24	8/1/34	\$ 90,928

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
2025	\$ 423,691	\$ 218,449	\$ 612,623	\$ 618,000	\$ 192,450	\$ 763,821
2026	429,778	189,666	521,894	689,000	162,805	754,919
2027	535,866	176,143	516,994	715,000	140,633	771,081
2028	552,954	159,821	516,934	791,000	117,183	766,908
2029	569,044	142,670	711,714	257,000	100,537	357,537
2030-2034	2,478,595	468,502	2,947,097	1,386,000	372,366	1,758,366
2035-2039	1,385,000	166,726	1,551,726	796,000	183,988	979,988
2040-2044	355,000	14,300	369,300	336,000	89,675	425,675
2045-2049	-	-	-	258,000	53,874	311,874
2050-2053	-	-	-	234,000	16,312	250,312
Total	\$ 6,729,928	\$ 1,536,277	\$ 7,748,282	\$ 6,080,000	\$ 1,429,823	\$ 7,140,481

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Changes in long-term liabilities

During the year ended December 31, 2024, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
GO bonds	\$ 850,000	\$ -	\$ (100,000)	\$ 750,000	\$ 100,000
GO improvement bonds	4,228,000	2,055,000	(394,000)	5,889,000	315,000
Promissory notes	-	90,928	-	90,928	8,691
Total GO Debt	5,078,000	2,145,928	(494,000)	6,729,928	423,691
Unamortized bond premiums	106,267	129,404	(12,540)	223,131	-
Compensated absences	121,135	-	(9,998) *	111,137	100,322
Governmental activity long-term liabilities	<u>\$ 5,305,402</u>	<u>\$ 2,275,332</u>	<u>\$ (516,538)</u>	<u>\$ 7,064,196</u>	<u>\$ 524,013</u>
<b>Business-type activities:</b>					
GO revenue bonds	\$ 5,668,000	\$ 1,020,000	\$ (608,000)	\$ 6,080,000	\$ 618,000
Unamortized bond premiums	181,597	67,708	(38,741)	210,564	-
Compensated absences	94,267	83,648 *	-	177,915	160,600
Business-type activity long-term liabilities	<u>\$ 5,943,864</u>	<u>\$ 1,171,356</u>	<u>\$ (646,741)</u>	<u>\$ 6,468,479</u>	<u>\$ 778,600</u>

\*The change in the compensated absences liability is presented as a net change.

**F. Interfund receivables, payables, and transfers**

Interfund transfers

Interfund transfers for the year ended December 31, 2024, consisted of the following:

Transferred From	Transferred In			
	General	2022 Street Project	Nonmajor	Total
General	\$ -	\$ 502,118	\$ 60,000	\$ 562,118
Nonmajor	-	25,201	30,000	55,201
Liquor	30,000	-	30,000	60,000
Total	<u>\$ 30,000</u>	<u>\$ 527,319</u>	<u>\$ 120,000</u>	<u>\$ 677,319</u>

Transfers from the Liquor Fund to the General and Nonmajor Funds were included in the prior year's budget. Transfers from the General Fund to both the 2022 Street Project Fund and Nonmajor Funds were made to provide working capital. Similarly, a transfer from the Nonmajor Funds to the 2022 Street Project Fund was made for working capital purposes. Transfers between the Nonmajor Funds were also budgeted in the prior year.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Internal Balances

Receivable Fund	Payable Fund	Amount
Water	2022 Street Project	\$ 1,000,000
Sewer	2022 Street Project	1,000,000
Water	2020 Street Project	290,851
Sewer	2020 Street Project	290,852
Total		<u>\$ 2,581,703</u>

The purpose of the above interfund loans was to cover deficit cash balances present at year-end and are scheduled to be repaid over thirty years with no interest.

**G. Net Position/Fund Balance**

Governmental Fund Balances

Governmental fund balances reported on the fund financial statements on December 31, 2024, included the following:

	General	Debt Service	2024 Street Improvement	2022 Street Project	2020 Street Project	Other Nonmajor Governmental	Total Fund Balance
<b>Nonspendable:</b>							
Prepaid expense	\$ 14,278	\$ -	\$ -	\$ -	\$ -	\$ 165	\$ 14,443
Land held for sale	30,372						30,372
Total nonspendable	<u>44,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165</u>	<u>44,815</u>
<b>Restricted:</b>							
Capital projects	-	-	619,536	-	-	131,986	751,522
Debt service	-	1,445,914	-	-	-	-	1,445,914
Unspent ARPA	-	-	-	-	-	74,500	74,500
Park improvements	-	-	-	-	-	14,623	14,623
Total restricted	<u>-</u>	<u>1,445,914</u>	<u>619,536</u>	<u>-</u>	<u>-</u>	<u>221,109</u>	<u>2,286,559</u>
<b>Committed:</b>							
Economic development	-	-	-	-	-	548,177	548,177
Cemetery operations	-	-	-	-	-	256,394	256,394
Housing operations	-	-	-	-	-	318,857	318,857
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,123,428</u>	<u>1,123,428</u>
<b>Assigned:</b>							
Capital projects	-	-	-	-	-	357,083	357,083
<b>Unassigned:</b>							
General fund	912,316	-	-	-	-	-	912,316
Capital Project	-	-	-	(2,028,966)	(581,703)	-	(2,610,669)
Total unassigned	<u>912,316</u>	<u>-</u>	<u>-</u>	<u>(2,028,966)</u>	<u>(581,703)</u>	<u>-</u>	<u>(1,698,353)</u>
<b>Total fund balance</b>	<u>\$ 956,966</u>	<u>\$ 1,445,914</u>	<u>\$ 619,536</u>	<u>\$ (2,028,966)</u>	<u>\$ (581,703)</u>	<u>\$ 1,701,785</u>	<u>\$ 2,113,532</u>

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

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, 2024, includes the following:

Net Investment in Capital Assets:

Land	\$ 694,754
Construction in progress	95,049
Buildings and improvements	5,429,205
Infrastructure	20,309,862
Machinery and equipment	4,766,101
Less: accumulated depreciation	(12,242,465)
Less: long-term debt outstanding	(6,729,928)
Less: bond premiums	(223,131)
Total Net Investment in Capital Assets	<u>12,099,447</u>

Restricted for:

Debt Service	2,022,589
Tax increment financing	131,986
Capital projects	634,157
Grant Funding - ARPA	74,500
Total restricted	<u>2,863,233</u>

Unrestricted	<u>(493,281)</u>
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Total Governmental Activities Net Position	<u>\$ 14,469,399</u>
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Business-type Activities Net Position

Business-type activities net position reported on the government-wide statement of net position on December 31, 2024, includes the following:

Net Investment in Capital Assets:

Land	\$ 138,278
Buildings and improvements	1,145,257
Distribution systems	22,126,272
Machinery and equipment	1,229,615
Less: accumulated depreciation	(7,750,214)
Less: long-term debt outstanding	(6,080,000)
Less: bond premiums	(210,564)
Total Net Investment in Capital Assets	<u>10,598,644</u>

Unrestricted	<u>7,641,909</u>
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Total Business-type Activities Net Position	<u>\$ 18,240,553</u>
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024Note 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). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

*General Employees Retirement Plan (GERP)*

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

**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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

*GERP Benefits*

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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. The 2024 annual increase was 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 prorated increase.

**C. Contributions**

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

*GERP Contributions*

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024; 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, 2024, were \$89,965. The City’s contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

*GERP Pension Costs*

On December 31, 2024, the City reported a liability of \$520,491 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 2024. 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 \$13,459.

The net pension liability was measured as of June 30, 2024, 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA’s participating employers. On June 30, 2024, the City’s proportion was 0.0141% which was a decrease of 0.0059% from its proportion measured as of June 30, 2023. For the year ended December 31, 2024, the City recognized pension expense of \$396,534 for its proportionate share of GERP’s pension expense. In addition, the City recognized an additional \$361 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.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$776 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the General Employees Fund.

On December 31, 2024, 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	\$ 48,502	\$ -
Differences between projected and actual investment earnings	195,782	360,330
Changes in actuarial assumptions	28,280	317,758
Changes in proportion	313,485	332,283
City's contributions subsequent to the measurement date	45,950	-
Total	\$ 631,999	\$ 1,010,371

\$45,950 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

Year Ending December 31,	Pension Expense Amount
2025	\$ (154,570)
2026	5,746
2027	(235,606)
2028	(39,892)
2029	-
Thereafter	-

**E. Actuarial Assumptions**

*GERP*

The total pension liability in the June 30, 2024, 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, 2024
Valuation Date	July 1, 2024
Actuarial Cost Method	Entry Age Normal

**Actuarial Assumption:**

Investment Rate of Return	7.00%
Inflation	2.25% per year
Projected Salary Increase	3.00% after 27 years of service

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11.0 percent at age 20 to 3.0 percent at age 60.

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 General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan and Correctional Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

**General Employees Fund**

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

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%

**F. Discount Rate**

*GERP*

The discount rate used to measure the total pension liability in 2024 was 7.00. 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:

<u>Plan</u>	<u>City's proportionate share of NPL</u>			
	<u>1 % Decrease</u>	<u>Current</u>	<u>1 % Increase</u>	
	Rate	6.00%	7.00%	8.00%
Proportionate share of the GERP net pension liability:	\$	1,136,837	\$ 520,491	\$ 13,491

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

**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](http://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.

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	24
Inactive members entitled to future benefits	3
Inactive members or beneficiaries currently receiving benefits	25
Total number of participants	52

**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.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

**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 \$95,044 in fire state aid to the plan for the year ended December 31, 2024. 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, 2024. In addition, the City made voluntary contributions of \$25,000 to the plan.

**D. Pension Costs**

On December 31, 2023, the Association reported an asset of \$458,494. The net pension asset was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2023.

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)
<b>Balance at Previous</b>			
<b>Fiscal Year 12/31/2022</b>	\$ 1,196,980	\$ 1,576,672	\$ (379,692)
<b>Changes for the year:</b>			
Service cost	19,267	-	19,267
Interest	67,519	-	67,519
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Changes of benefit terms	80,387	-	80,387
Contributions - State and local	-	103,945	(103,945)
Contributions - Donation and other income	-	-	-
Contributions - Member	-	-	-
Net investment incomes	-	90,854	(90,854)
Other additions (e.g. receivables)	-	64,319	(64,319)
Benefit payments, including member contribution refunds	(84,000)	(84,000)	-
Administrative expense	-	(13,143)	13,143
Other deductions (e.g. payables)	-	-	-
<b>Net changes</b>	<b>83,173</b>	<b>161,975</b>	<b>(78,802)</b>
<b>Balance at Current</b>			
<b>Fiscal Year 12/31/2023</b>	<b>\$ 1,280,153</b>	<b>\$ 1,738,647</b>	<b>\$ (458,494)</b>

The benefit level increased from \$3,200 to \$3,400 during the measurement period.

For the year ended December 31, 2024, the City recognized pension expense of \$(66,581).

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

On December 31, 2023, 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	\$ 4,506	\$ 18,947
Differences between projected and actual investment earnings	158,228	98,179
Changes in actuarial assumptions	-	59,044
City's contributions subsequent to the measurement date	119,995	-
Total	\$ 282,729	\$ 176,170

\$119,995 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, 2025. 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
2025	\$ (11,175)
2026	(3,831)
2027	14,435
2028	(12,865)
2029	-
Thereafter	-

***E. Actuarial Assumptions***

The total pension liability in the January 1, 2023, 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, 2023
Valuation Date	January 1, 2023
Actuarial Cost Method	Entry Age Normal

**Actuarial Assumption:**

Investment Rate of Return	5.75%
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.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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-2021, from a base year of 2006.

Retirees: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2021 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 MP2021 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Actuarial assumptions used in the January 1, 2023, valuation were based on the most recent Minnesota PERA Police & Fire Plan actuarial valuation performed on July 1, 2022.

The following changes in actuarial assumptions occurred in 2023:

- None.

The long-term expected rate of return on pension plan investments is 5.75%. 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:

Asset Class	Allocation at Measurement Date	Long-Term Expected Nominal Rate of Return
Cash	21.0%	2.00%
Fixed Income	25.0%	3.90%
Equities	54.0%	8.00%
Other	0.0%	0.00%
Total	100.00%	5.75%
Reduced for assumed investment expense		(0.0%)
Net assumed investment return		5.75%

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

**F. Discount Rate**

The discount rate used to measure the total pension liability was 5.75%. 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.

**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
4.75%	5.75%	6.75%
\$ 317,163	\$ 458,494	\$ 576,522

**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 them 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 2024, the City did not have any firefighters eligible for this benefit.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

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

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 2024, the City paid \$8,553 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.

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 reaching age 65, Medicare becomes the primary insurer and the City's plan becomes secondary.

**C. Membership**

On December 31, 2024, there were 17 active, and 0 retirees receiving payments and 0 spouses receiving payments.

**D. Actuarial Methods and Assumptions**

The City's OPEB liability was measured as of January 1, 2024, 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, 2024, 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 discount rate was changed from 4.00% to 3.70%.
- The health care trend rates were changed to better anticipate short term and long term medical increases.

**E. Discount rate**

The discount rate used to measure the total OPEB liability was 3.70 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, 2024

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

	Total OPEB Liability
<b>Balance at Previous</b>	
<b>Fiscal Year 12/31/2023</b>	<u>\$ 87,299</u>
<b>Changes for the year:</b>	
Service cost	8,540
Interest	3,831
Diff bwt expected & actual exp	9,885
Change in assumptions	4,386
Benefit payments	<u>(129)</u>
<b>Net changes</b>	<u>26,513</u>
<b>Balance at Current</b>	
<b>Fiscal Year 12/31/2024</b>	<u>\$ 113,812</u>

There were no changes to the benefit plan provisions during the year ended December 31, 2024.

**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 (2.70 percent) or 1% higher (4.70 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	2.70%	3.70%	4.70%
City's total OPEB liability	\$ 119,531	\$ 113,812	\$ 108,034

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 (5.50 percent decreasing to 3.00 percent) or 1% higher (7.50 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	\$ 104,987	\$ 113,812	\$ 123,452

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

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, 2024, the City recognized OPEB expense of \$29,946. 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	\$ 11,485	\$ -
Differences between projected and actual investment earnings	-	-
Changes in actuarial assumptions	4,267	4,997
City's contributions subsequent to the measurement date	1,036	-
Total	<u>\$ 16,788</u>	<u>\$ 4,997</u>

\$1,036 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, 2025. 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
2025	\$ 4,291
2026	756
2027	2,854
2028	2,854
2029	-
Thereafter	-

Note 6 TAX ABATEMENT

The City is authorized by Minnesota statute §469.1813 to enter into property tax abatement agreements for the purpose of attracting or retaining businesses if the City expects the benefits to the City of the proposed abatement agreement to at least equal the costs of the proposed agreement. Tax abatements may be granted only after holding a public hearing on the proposed abatement. In any year, the total amount of property taxes abated by the City may not exceed ten percent of the net tax capacity of the City for the taxes payable year to which the abatement applies, or \$200,000, whichever is greater. The City determines the percentage amount and duration of the tax abatement, which generally is not to exceed 15 years, except in certain cases where abatement duration can be increased to 20 years.

For the ended December 31, 2024, the City abated property taxes totaling \$1,776 under this program, including the following tax abatement agreement that exceeded 10 percent of the total, which is the percentage the City considers to be material for purposes of individual disclosure:

Type Business	Purpose	Percent Abated	Term	Ending	Amount Abated
The Village Apartments, LLC	To construct and make improvements to a property located within the City.	100%	16 years	2039	\$ 1,776

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 7 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.

**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 \$750,000 of debt outstanding subjected to this limit on December 31, 2024.

**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 2024 was \$855,618 for LGA. This accounted for 28 percent of General fund revenues.

**E. Construction Commitments**

As of December 31, 2024, the City has signed contracts in place for two construction projects. The following summarizes these commitments:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
2023 mill and overlay	\$ 521,797	\$ 30,703
2024 street and utility	2,200,312	376,608
Total Commitments		<u>\$ 407,311</u>

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024

Note 8 ADOPTION OF NEW STANDARD

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending previously required disclosures. The City adopted the requirements of the guidance effective January 1, 2024, and has applied the provisions of this standard to the beginning of the period of adoption. The beginning fund balance/net position was restated due to the implementation of GASB 101 in the amount of \$107,840.

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*. The objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The City adopted the requirements of the guidance effective January 1, 2024, and has applied the provisions of this standard to the beginning of the period of adoption. The beginning fund balance/net position was unchanged due to the implementation of GASB 100.

During 2024, the Capital Improvement fund changed from being reported as a major fund to a nonmajor fund due to revenues and expenditures not meeting the threshold for major fund classification. Also, the 2020 Street Project fund changed from being reported as a nonmajor fund to a major fund due to liabilities meeting the threshold for major fund classification. The beginning fund balances of the governmental funds were changed as seen below:

	12/31/2023 As Previously Stated	Change to or within the financial reporting entity	12/31/2024 As restated
Governmental funds			
General	\$ 1,215,156	\$ -	\$ 1,215,156
Debt service	1,214,726	-	1,214,726
Capital improvement	267,085	(267,085)	-
2022 street project	(2,537,008)	-	(2,537,008)
2020 street project	-	(581,703)	(581,703)
Other nonmajor	728,644	848,788	1,577,432
Total governmental funds	<u>\$ 888,603</u>	<u>\$ -</u>	<u>\$ 888,603</u>

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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, 2024

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 Pension 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
12/31/2024	6/30/2024	0.0141%	\$ 520,491	\$ 13,459	\$ 533,950	\$ 1,191,933	44.8%	89.1%
12/31/2023	6/30/2023	0.0200%	\$ 1,118,378	\$ 30,903	\$ 1,149,281	\$ 1,331,370	86.3%	83.1%
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, 2024

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
12/31/2024	6/30/2024	\$ 89,369	\$ 89,369	\$ -	\$ 1,191,587	7.50%
12/31/2023	6/30/2023	\$ 119,542	\$ 119,542	\$ -	\$ 1,593,893	7.50%
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, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 8,540	\$ 5,454	\$ 6,819	\$ 5,138	\$ 4,355	\$ 3,453	\$ 3,635
Interest	3,831	2,017	1,947	2,999	4,423	4,405	4,896
Difference between expected and actual experience	9,885	-	14,309	-	(1,902)	-	-
Changes of assumptions	4,386	(8,393)	(3,200)	3,791	2,850	(2,725)	-
Changes in benefit terms	-	-	-	-	-	-	-
Benefit payments	(129)	(14,259)	(15,777)	(23,442)	(23,513)	(22,753)	(23,738)
<b>Net change in total OPEB liability</b>	<u>26,513</u>	<u>(15,181)</u>	<u>4,098</u>	<u>(11,514)</u>	<u>(13,787)</u>	<u>(17,620)</u>	<u>(15,207)</u>
<b>Total OPEB Liability - beginning of year</b>	<u>87,299</u>	<u>102,480</u>	<u>98,382</u>	<u>109,896</u>	<u>123,683</u>	<u>141,303</u>	<u>156,510</u>
<b>Total OPEB Liability - end of year</b>	<u>\$ 113,812</u>	<u>\$ 87,299</u>	<u>\$ 102,480</u>	<u>\$ 98,382</u>	<u>\$ 109,896</u>	<u>\$ 123,683</u>	<u>\$ 141,303</u>
<b>Covered employee payroll</b>	\$ 1,119,611	\$ 951,557	\$ 923,842	\$ 814,752	\$ 789,106	\$ 737,841	\$ 716,350
<b>Total OPEB Liability as a percent of covered employee payroll</b>	10.17%	9.17%	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)

<b>Total Pension Liability</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Service cost	\$ 19,267	\$ 22,126	\$ 21,586	\$ 19,802	\$ 19,319	\$ 17,361	\$ 15,635	\$ 15,254
Interest	67,519	57,287	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	-	(95,643)	-	(8,293)	-	(3,777)	-	-
Changes in benefit terms	80,387	161,577	-	83,214	-	56,375	23,831	-
Gain or loss	-	(31,579)	-	-	-	-	-	-
Benefit payments, including member contribution refunds	(84,000)	(80,800)	(71,400)	(67,200)	(63,050)	(65,000)	(63,600)	(70,800)
<b>Net change in total pension liability</b>	<b>83,173</b>	<b>32,968</b>	<b>7,315</b>	<b>102,094</b>	<b>7,989</b>	<b>6,360</b>	<b>25,781</b>	<b>(5,552)</b>
<b>Total Pension Liability - beginning</b>	<b>1,196,980</b>	<b>1,164,012</b>	<b>1,156,697</b>	<b>1,054,603</b>	<b>1,046,614</b>	<b>1,040,254</b>	<b>1,014,473</b>	<b>1,020,025</b>
<b>Total Pension Liability - ending</b>	<b>\$ 1,280,153</b>	<b>\$ 1,196,980</b>	<b>\$ 1,164,012</b>	<b>\$ 1,156,697</b>	<b>\$ 1,054,603</b>	<b>\$ 1,046,614</b>	<b>\$ 1,040,254</b>	<b>\$ 1,014,473</b>
<b>Plan Fiduciary Net Position</b>								
Contributions - state and local	\$ 103,945	\$ 96,252	\$ 92,927	\$ 89,251	\$ 85,303	\$ 84,053	\$ 81,672	\$ 80,853
Contributions - donation and other income	-	-	-	-	-	-	-	-
Contributions - member	-	-	-	-	-	-	-	-
Net investment income	90,854	87,660	79,146	123,728	187,615	(35,647)	116,978	57,704
Other additions (e.g. receivable)	64,319	(263,715)	91,331	-	-	-	-	-
Benefit payments, including member contribution refunds	(84,000)	(80,800)	(71,400)	(67,200)	(63,050)	(65,000)	(63,600)	(70,800)
Administrative expenses	(13,143)	(16,397)	(20,992)	(15,127)	(13,354)	(13,490)	(6,776)	(6,353)
Other deductions (e.g. payables)	-	-	-	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>161,975</b>	<b>(177,000)</b>	<b>171,012</b>	<b>130,652</b>	<b>196,514</b>	<b>(30,084)</b>	<b>128,274</b>	<b>61,404</b>
<b>Plan Fiduciary Net Position - beginning</b>	<b>1,576,672</b>	<b>1,753,672</b>	<b>1,582,660</b>	<b>1,452,008</b>	<b>1,255,494</b>	<b>1,285,578</b>	<b>1,157,304</b>	<b>1,095,900</b>
<b>Plan Fiduciary Net Position - ending</b>	<b>\$ 1,738,647</b>	<b>\$ 1,576,672</b>	<b>\$ 1,753,672</b>	<b>\$ 1,582,660</b>	<b>\$ 1,452,008</b>	<b>\$ 1,255,494</b>	<b>\$ 1,285,578</b>	<b>\$ 1,157,304</b>
<b>Net Pension (Asset) Liability - ending</b>	<b>\$ (458,494)</b>	<b>\$ (379,692)</b>	<b>\$ (589,660)</b>	<b>\$ (425,963)</b>	<b>\$ (397,405)</b>	<b>\$ (208,880)</b>	<b>\$ (245,324)</b>	<b>\$ (142,831)</b>
<b>FNP as a percentage of the TPL</b>	<b>135.82%</b>	<b>131.72%</b>	<b>150.66%</b>	<b>136.83%</b>	<b>137.68%</b>	<b>119.96%</b>	<b>123.58%</b>	<b>114.08%</b>

**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)

<b>Fiscal year ending</b>	<b>Actuarially determined contribution</b>	<b>Contributions in relation to the ADC</b>	<b>Contribution deficiency (excess)</b>	<b>Payroll</b>	<b>Contributions as a percentage of payroll</b>	<b>NPL as a percent of payroll</b>
December 31, 2023	\$ 20,471	\$ 120,044	\$ (99,573)	-	-	-
December 31, 2022	\$ 15,492	\$ 103,995	\$ (88,503)	-	-	-
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)	-	-	-

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

December 31, 2024

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

**A. Public Employees Retirement Association – General Employees Retirement Fund**

2024 Changes

**Changes in Actuarial Assumptions.** Rates of merit and seniority were adjusted, resulting in slightly higher rates. Assumed rates of retirement were adjusted as follows: an increase in the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members. A minor increase in assumed withdrawals for males and females and lower rates of disability. Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study. Minor changes to the form of payment assumptions for male and female retirees. Minor changes to assumptions made with respect to missing participant data.

**Changes in Plan Provisions.** The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors are updated to reflect the changes in assumptions.

2023 changes:

**Changes in Actuarial Assumptions.** The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

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

2022 changes:

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

**Changes in Plan Provisions.** There 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.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
December 31, 2024Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS – (Continued)**A. Public Employees Retirement Association – General Employees Retirement Fund – (Continued)**

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.

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 2044 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.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
December 31, 2024

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

**B. Volunteer Fire Relief Association**

2023 changes:

**Changes in Actuarial Assumptions:** None.

**Changes in Plan Provisions:** The annual benefit level was increased from \$3,200 to \$3,400 (paid quarterly).

2022 changes:

**Changes in Actuarial Assumptions:** The investment return assumption and single discount rate were changed from 5.00 percent to 5.75 percent. The mortality projection scale was updated to MP-2021.

**Changes in Plan Provisions:** The annual benefit level was increased from \$2,800 to \$3,200 (paid quarterly).

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 Actuarial Assumptions:** None.

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

2017 changes:

None.

**C. OPEB Information**

2024 changes:

**Changes in Actuarial Assumptions:** The health care trend rates were changed to better anticipate short term and long-term medical increases. The discount rate was changed from 4.00% to 3.70%.

2023 changes:

**Changes in Actuarial Assumptions:** The discount rate was changed from 2.00% to 4.00%. The inflation rates was changed from 2.00 percent to 2.50 percent.

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.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
December 31, 2024

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

**C. OPEB Information – (Continued)**

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, 2024

	Special Revenue	Capital Projects	Total Nonmajor Governmental
<b>ASSETS</b>			
Cash and Investments	\$ 870,361	\$ 707,642	\$ 1,578,003
Accounts Receivable	14,240	0	14,240
Prepaid Expense	165	0	165
Notes Receivable	240,136	0	240,136
Special Assessments	<u>0</u>	<u>24,576</u>	<u>24,576</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,124,902</u></u>	<u><u>\$ 732,218</u></u>	<u><u>\$ 1,857,120</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts Payable	<u>\$ 1,309</u>	<u>\$ 129,450</u>	<u>\$ 130,759</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue	<u>0</u>	<u>24,576</u>	<u>24,576</u>
<b>Fund Balance:</b>			
Nonspendable	165	0	165
Restricted	0	221,109	221,109
Committed	1,123,428	0	1,123,428
Assigned	<u>0</u>	<u>357,083</u>	<u>357,083</u>
Total Fund Balance	<u>1,123,593</u>	<u>578,192</u>	<u>1,701,785</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE</b>	<u><u>\$ 1,124,902</u></u>	<u><u>\$ 732,218</u></u>	<u><u>\$ 1,857,120</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, 2024

	Special Revenue	Capital Projects	Formerly Major/Non- Major Fund	Total Nonmajor Governmental
<b>Revenues:</b>				
Property Taxes	\$ 103,743	\$ 206,555	\$ 0	\$ 310,298
Tax Increment	0	132,740	0	132,740
Special Assessments	0	7,040	0	7,040
Charges for Services	27,890	29,608	0	57,498
Other Revenues	11,895	6,000	0	17,895
Interest Earnings	21,139	5,372	0	26,511
Total Revenues	<u>164,667</u>	<u>387,315</u>	<u>0</u>	<u>551,982</u>
<b>Expenditures:</b>				
Current:				
Public Safety	0	1,457	0	1,457
Public Works	7,908	0	0	7,908
Parks and Recreation	0	24,411	0	24,411
Economic Development	65,214	44,471	0	109,685
Capital Outlay:				
Public Safety	0	133,350	0	133,350
Public Works	0	201,426	0	201,426
Park and Recreation	0	105,119	0	105,119
Total Expenditures	<u>73,122</u>	<u>510,234</u>	<u>0</u>	<u>583,356</u>
Excess of Revenues Over (Under) Expenditures	91,545	(122,919)	0	(31,374)
<b>Other Financing Sources (Uses):</b>				
Bond Proceeds	0	90,928	0	90,928
Transfers In	30,000	90,000	0	120,000
Transfers Out	(30,000)	(25,201)	0	(55,201)
Total Other Financing Sources (Uses)	<u>0</u>	<u>155,727</u>	<u>0</u>	<u>155,727</u>
Change in Fund Balance	<u>91,545</u>	<u>32,808</u>	<u>0</u>	<u>124,353</u>
Fund Balance - January 1 (As Previously Stated)	1,032,048	545,384	(848,788)	728,644
Change from Major to Nonmajor Fund	0	0	267,085	267,085
Change from Nonmajor to Major Fund	0	0	581,703	581,703
Fund Balance - January 1 (As Restated)	<u>1,032,048</u>	<u>545,384</u>	<u>0</u>	<u>1,577,432</u>
Fund Balance - December 31	<u>\$ 1,123,593</u>	<u>\$ 578,192</u>	<u>\$ 0</u>	<u>\$ 1,701,785</u>

CITY OF PINE CITY, MINNESOTA

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 December 31, 2024

	Economic Development Authority	Revolving Loan	Cemetery
<b>ASSETS</b>			
Cash and Investments	\$ 184,214	\$ 224,155	\$ 242,299
Accounts Receivable	0	0	14,240
Prepaid Expense	37	0	112
Notes Receivable	<u>13,074</u>	<u>127,062</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 197,325</u>	<u>\$ 351,217</u>	<u>\$ 256,651</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 330	\$ 0	\$ 145
<b>Fund Balance:</b>			
Nonspendable	37	0	112
Committed	<u>196,958</u>	<u>351,217</u>	<u>256,394</u>
Total Fund Balance	<u>196,995</u>	<u>351,217</u>	<u>256,506</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 197,325</u>	<u>\$ 351,217</u>	<u>\$ 256,651</u>

Housing Operations	HRA Loan	Total
\$ 166,670	\$ 53,023	\$ 870,361
0	0	14,240
16	0	165
<u>0</u>	<u>100,000</u>	<u>240,136</u>
<u>\$ 166,686</u>	<u>\$ 153,023</u>	<u>\$ 1,124,902</u>

\$ 834	\$ 0	\$ 1,309
16	0	165
<u>165,836</u>	<u>153,023</u>	<u>1,123,428</u>
<u>165,852</u>	<u>153,023</u>	<u>1,123,593</u>
<u>\$ 166,686</u>	<u>\$ 153,023</u>	<u>\$ 1,124,902</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, 2024

	Economic Development Authority	Revolving Loan	Cemetery
<b>Revenues:</b>			
Property Taxes	\$ 57,743	\$ 0	\$ 0
Charges for Services	0	0	27,890
Other Revenues	11,895	0	0
Interest Earnings	3,094	9,021	3,510
Total Revenues	<u>72,732</u>	<u>9,021</u>	<u>31,400</u>
<b>Expenditures:</b>			
Current:			
Public Works	0	0	7,908
Economic Development	25,072	16,582	0
Total Expenditures	<u>25,072</u>	<u>16,582</u>	<u>7,908</u>
Excess of Revenues Over (Under) Expenditures	47,660	(7,561)	23,492
<b>Other Financing Sources (Uses):</b>			
Transfers In	0	15,000	0
Transfers Out	(15,000)	0	0
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>15,000</u>	<u>0</u>
Change in Fund Balance	32,660	7,439	23,492
Fund Balance - January 1	<u>164,335</u>	<u>343,778</u>	<u>233,014</u>
Fund Balance - December 31	<u>\$ 196,995</u>	<u>\$ 351,217</u>	<u>\$ 256,506</u>

Housing Operations	HRA Loan	Total
\$ 46,000	\$ 0	\$ 103,743
0	0	27,890
0	0	11,895
2,344	3,170	21,139
<u>48,344</u>	<u>3,170</u>	<u>164,667</u>
0	0	7,908
23,560	0	65,214
<u>23,560</u>	<u>0</u>	<u>73,122</u>
24,784	3,170	91,545
0	15,000	30,000
(15,000)	0	(30,000)
<u>(15,000)</u>	<u>15,000</u>	<u>0</u>
9,784	18,170	91,545
156,068	134,853	1,032,048
<u>\$ 165,852</u>	<u>\$ 153,023</u>	<u>\$ 1,123,593</u>

CITY OF PINE CITY, MINNESOTA

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
 December 31, 2024

	TIF District 2-1	TIF District 1-12	TIF District 1-13	TIF District 1-14
<b>ASSETS</b>				
Cash and Investments	\$ 20,787	\$ 13,930	\$ 85,700	\$ 11,569
Special Assessments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 20,787</u></u>	<u><u>\$ 13,930</u></u>	<u><u>\$ 85,700</u></u>	<u><u>\$ 11,569</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>Liabilities:</b>				
Accounts Payable	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balance:</b>				
Restricted	20,787	13,930	85,700	11,569
Assigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>20,787</u>	<u>13,930</u>	<u>85,700</u>	<u>11,569</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u><u>\$ 20,787</u></u>	<u><u>\$ 13,930</u></u>	<u><u>\$ 85,700</u></u>	<u><u>\$ 11,569</u></u>

Capital Improvement	Park Dedication	ARPA Relief	Total
\$ 486,533	\$ 14,623	\$ 74,500	\$ 707,642
<u>24,576</u>	<u>0</u>	<u>0</u>	<u>24,576</u>
<u>\$ 511,109</u>	<u>\$ 14,623</u>	<u>\$ 74,500</u>	<u>\$ 732,218</u>
\$ 129,450	\$ 0	\$ 0	\$ 129,450
<u>24,576</u>	<u>0</u>	<u>0</u>	<u>24,576</u>
0	14,623	74,500	221,109
<u>357,083</u>	<u>0</u>	<u>0</u>	<u>357,083</u>
<u>357,083</u>	<u>14,623</u>	<u>74,500</u>	<u>578,192</u>
<u>\$ 511,109</u>	<u>\$ 14,623</u>	<u>\$ 74,500</u>	<u>\$ 732,218</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, 2024

	TIF District 2-1	TIF District 1-12	TIF District 1-13	TIF District 1-14
<b>Revenues:</b>				
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Tax Increment	21,375	0	90,303	21,062
Special Assessments	0	0	0	0
Charges for Services	0	0	0	0
Other Revenues	0	0	0	0
Interest Earnings	192	222	178	67
Total Revenue	<u>21,567</u>	<u>222</u>	<u>90,481</u>	<u>21,129</u>
<b>Expenditures:</b>				
Current:				
Public Safety	0	0	0	0
Parks and Recreation	0	0	0	0
Economic Development	19,695	2,232	2,603	19,941
Capital Outlay:				
Public Safety	0	0	0	0
Public Works	0	0	0	0
Park and Recreation	0	0	0	0
Total Expenditures	<u>19,695</u>	<u>2,232</u>	<u>2,603</u>	<u>19,941</u>
Excess of Revenues Over (Under) Expenditures	1,872	(2,010)	87,878	1,188
<b>Other Financing Sources (Uses):</b>				
Debt Proceeds	0	0	0	0
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in Fund Balance	<u>1,872</u>	<u>(2,010)</u>	<u>87,878</u>	<u>1,188</u>
Fund Balance - January 1 (As Previously Stated)	18,915	15,940	(2,178)	10,381
Change from Major to Nonmajor Fund	0	0	0	0
Change from Nonmajor to Major Fund	0	0	0	0
Fund Balance - January 1 (As Restated)	<u>18,915</u>	<u>15,940</u>	<u>(2,178)</u>	<u>10,381</u>
Fund Balance - December 31	<u>\$ 20,787</u>	<u>\$ 13,930</u>	<u>\$ 85,700</u>	<u>\$ 11,569</u>

Capital Improvement	Park Dedication	ARPA Relief	Formerly Major/Non- Major Fund	Total
\$ 206,555	\$ 0	\$ 0	\$ 0	\$ 206,555
0	0	0	0	132,740
7,040	0	0	0	7,040
29,608	0	0	0	29,608
6,000	0	0	0	6,000
4,713	0	0	0	5,372
<u>253,916</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>387,315</u>
0	0	1,457	0	1,457
0	0	24,411	0	24,411
0	0	0	0	44,471
133,350	0	0	0	133,350
201,426	0	0	0	201,426
10,070	0	95,049	0	105,119
<u>344,846</u>	<u>0</u>	<u>120,917</u>	<u>0</u>	<u>510,234</u>
(90,930)	0	(120,917)	0	(122,919)
90,928	0	0	0	90,928
90,000	0	0	0	90,000
0	0	(25,201)	0	(25,201)
<u>180,928</u>	<u>0</u>	<u>(25,201)</u>	<u>0</u>	<u>155,727</u>
<u>89,998</u>	<u>0</u>	<u>(146,118)</u>	<u>0</u>	<u>32,808</u>
267,085	14,623	220,618	(848,788)	(303,404)
0	0	0	267,085	267,085
0	0	0	581,703	581,703
<u>267,085</u>	<u>14,623</u>	<u>220,618</u>	<u>0</u>	<u>545,384</u>
<u>\$ 357,083</u>	<u>\$ 14,623</u>	<u>\$ 74,500</u>	<u>\$ 0</u>	<u>\$ 578,192</u>

CITY OF PINE CITY, MINNESOTA

COMBINING BALANCE SHEET

DEBT SERVICE FUNDS

December 31, 2024

	G.O. Taxable TIF Bonds 2010B	G.O. Improvement Bonds 2012B	G.O. Improvement Bonds 2013B	G.O. Improvement Bonds 2015A
<b>ASSETS</b>				
Cash and Investments	\$ 114,169	\$ 193,047	\$ 381,648	\$ 125,206
Special Assessments	<u>0</u>	<u>35,494</u>	<u>45,471</u>	<u>91,420</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 114,169</u></u>	<u><u>\$ 228,541</u></u>	<u><u>\$ 427,119</u></u>	<u><u>\$ 216,626</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 0	\$ 429	\$ 429	\$ 429
<b>Deferred Inflows of Resources:</b>				
Unavailable Revenue	0	35,493	45,472	91,420
<b>Fund Balance:</b>				
Restricted	<u>114,169</u>	<u>192,619</u>	<u>381,218</u>	<u>124,777</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u><u>\$ 114,169</u></u>	<u><u>\$ 228,541</u></u>	<u><u>\$ 427,119</u></u>	<u><u>\$ 216,626</u></u>

<u>G.O. Improvement Bonds 2016A</u>	<u>G.O. Improvement Bonds 2018A</u>	<u>G.O. Improvement Bonds 2019B</u>	<u>G.O. Improvement Bonds 2020A</u>	<u>G.O. Improvement Bonds 2024A</u>	<u>Total Debt Service Funds</u>
\$ 25,599	\$ 131,807	\$ 280,538	\$ 123,590	\$ 72,562	\$ 1,448,166
<u>0</u>	<u>74,239</u>	<u>212,247</u>	<u>155,508</u>	<u>0</u>	<u>614,379</u>
<u>\$ 25,599</u>	<u>\$ 206,046</u>	<u>\$ 492,785</u>	<u>\$ 279,098</u>	<u>\$ 72,562</u>	<u>\$ 2,062,545</u>
\$ 429	\$ 429	\$ 429	\$ 429	\$ 0	\$ 3,003
0	74,239	211,496	155,508	0	613,628
<u>25,170</u>	<u>131,378</u>	<u>280,860</u>	<u>123,161</u>	<u>72,562</u>	<u>1,445,914</u>
<u>\$ 25,599</u>	<u>\$ 206,046</u>	<u>\$ 492,785</u>	<u>\$ 279,098</u>	<u>\$ 72,562</u>	<u>\$ 2,062,545</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, 2024

	G.O. Taxable TIF Bonds 2010B	G.O. Improvement Bonds 2012B	G.O. Improvement Bonds 2013B	G.O. Improvement Bonds 2015A
<b>Revenues:</b>				
Property Taxes	\$ 0	\$ 85,956	\$ 41,038	\$ 60,635
Tax Increment	35,649	0	0	0
Special Assessments	0	2,626	19,513	10,477
Interest Earnings	1,333	1,995	5,229	1,908
Total Revenues	<u>36,982</u>	<u>90,577</u>	<u>65,780</u>	<u>73,020</u>
<b>Expenditures:</b>				
Debt Service:				
Principal	0	85,000	29,000	50,000
Interest and Fiscal Charges	1,458	5,546	12,845	11,970
Total Expenditures	<u>1,458</u>	<u>90,546</u>	<u>41,845</u>	<u>61,970</u>
Excess of Revenues Over (Under) Expenditures	35,524	31	23,935	11,050
<b>Other Financing Sources and Uses:</b>				
Bond Proceeds	0	0	0	0
Total Other Financing Sources and (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in Fund Balance	35,524	31	23,935	11,050
Fund Balance - January 1	<u>78,645</u>	<u>192,588</u>	<u>357,283</u>	<u>113,727</u>
Fund Balance - December 31	<u>\$ 114,169</u>	<u>\$ 192,619</u>	<u>\$ 381,218</u>	<u>\$ 124,777</u>

G.O. Improvement Bonds 2016A	G.O. Improvement Bonds 2018A	G.O. Improvement Bonds 2019B	G.O. Improvement Bonds 2020A	G.O. Improvement Bonds 2024A	Total Debt Service Funds
\$ 120,325	\$ 70,277	\$ 156,828	\$ 105,255	\$ 0	\$ 640,314
0	0	0	0	0	35,649
0	9,267	35,765	14,696	0	92,344
594	1,236	2,458	811	698	16,262
<u>120,919</u>	<u>80,780</u>	<u>195,051</u>	<u>120,762</u>	<u>698</u>	<u>784,569</u>
100,000	40,000	90,000	100,000	0	494,000
21,660	16,309	34,417	27,040	0	131,245
<u>121,660</u>	<u>56,309</u>	<u>124,417</u>	<u>127,040</u>	<u>0</u>	<u>625,245</u>
(741)	24,471	70,634	(6,278)	698	159,324
0	0	0	0	71,864	71,864
0	0	0	0	<u>71,864</u>	<u>71,864</u>
(741)	24,471	70,634	(6,278)	72,562	231,188
25,911	106,907	210,226	129,439	0	1,214,726
<u>\$ 25,170</u>	<u>\$ 131,378</u>	<u>\$ 280,860</u>	<u>\$ 123,161</u>	<u>\$ 72,562</u>	<u>\$ 1,445,914</u>

CITY OF PINE CITY, MINNESOTA

BALANCE SHEET

GENERAL FUND

December 31, 2024

(With Comparative Amounts for December 31, 2023)

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Cash and Investments	\$ 1,054,943	\$ 527,967
Interest Receivable	5,323	0
Accounts Receivable	14,349	23,658
Property Taxes	105,564	68,157
Special Assessments	33,782	0
Due from Other Funds	0	825,389
Due from Other Governments	0	161,550
Prepaid Expense	14,277	22,530
Land Held for Resale	<u>30,372</u>	<u>30,372</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,258,610</u>	<u>\$ 1,659,623</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Accrued Expenses	\$ 159,002	\$ 324,492
Unearned Revenue	<u>27,687</u>	<u>31,468</u>
Total Liabilities	<u>186,689</u>	<u>355,960</u>
<b>Deferred Inflows of Resources:</b>		
Unavailable Revenue - Delinquent Taxes	<u>114,955</u>	<u>88,507</u>
<b>Fund Balance:</b>		
Nonspendable	44,650	52,902
Unassigned	<u>912,316</u>	<u>1,162,254</u>
Total Fund Balance	<u>956,966</u>	<u>1,215,156</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 1,258,610</u>	<u>\$ 1,659,623</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, 2024  
 (With Comparative Amounts For the Year Ended December 31, 2023)

	2024 Budget	2024 Actual	Over (Under) Budget	2023 Actual
<b>Revenues:</b>				
Taxes:				
Property Taxes	\$ 1,096,776	\$ 1,097,992	\$ 1,216	\$ 976,463
Franchise Fees	24,000	20,573	(3,427)	22,115
Total Taxes	<u>1,120,776</u>	<u>1,118,565</u>	<u>(2,211)</u>	<u>998,578</u>
Special Assessments	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,012</u>
Intergovernmental:				
Grants And Aids From Local Govt Units	0	(13,237)	(13,237)	156,384
Local Government Aid	855,618	855,618	0	743,502
Homestead & Agricultural Credit Aid	0	590	590	1,031
Small Cities Assistance	0	43,728	43,728	0
Fire Department State Grants and Aids	143,355	95,045	(48,310)	78,995
Police Services State Grants and Aids	15,500	22,506	7,006	18,710
State Grants and Aids	0	22,632	22,632	5,000
Total Intergovernmental	<u>1,014,473</u>	<u>1,026,882</u>	<u>12,409</u>	<u>1,003,622</u>
Licenses and Permits:				
Alcoholic Bev License	12,750	19,445	6,695	17,050
Peddlers, Solicitors, Transient Mer Fees	500	510	10	370
Solid Waste Hauling Fran & Licenses Fees	2,050	3,000	950	0
Building Permits W/ State Surcharge	80,000	297,525	217,525	84,036
Surcharge - Permits	0	7,484	7,484	2,423
Animal Licenses (Dogs)	0	165	165	235
Liquor Sales Inspection Fees	0	450	450	0
Rental Registration Fees	7,500	16,940	9,440	13,250
Rental Inspection Fees	7,500	8,375	875	6,085
Dance License	0	60	60	60
Total Licenses and Permits	<u>110,300</u>	<u>353,954</u>	<u>243,654</u>	<u>123,509</u>
Charges for Services:				
Zoning And Subdivision Fees	4,500	6,096	1,596	4,168
Assessment Searches	2,500	2,205	(295)	1,435
Election Filing Fee	0	24	24	0
Charge For Cntrt Insp Srv Other Cities	0	0	0	860
Rents & Royalties(Rent & Lease Payments)	2,500	3,420	920	2,710
Rent - City Hall Occupants	20,400	24,560	4,160	36,673
Special Fire Protection Srv (Fire Calls)	30,000	61,418	31,418	32,750
Charges For Cntrt Fire Srv Other Cities	367,559	365,251	(2,308)	247,528

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, 2024  
 (With Comparative Amounts For the Year Ended December 31, 2023)

	2024 Budget	2024 Actual	Over (Under) Budget	2023 Actual
<b>Revenues (Continued):</b>				
Charges for Services:				
Revenues From Highways And Streets	\$ 2,800	\$ 2,255	\$ (545)	\$ 3,736
Swimming Lesson Fees	7,500	975	(6,525)	6,950
Park And Recreation Concessions	0	572	572	751
Park Fees (Ballfields)	500	125	(375)	125
Total Charges for Services	<u>438,259</u>	<u>466,901</u>	<u>28,642</u>	<u>337,686</u>
Fines and Forfeitures:				
Code Enforcement	0	2,144	2,144	279
Fines And Forfeitures (City Ordinance)	1,000	3,728	2,728	4,424
Parking Fines	2,400	350	(2,050)	1,315
Returned Check Fine	0	245	245	175
Dog Impoundment	0	55	55	55
Total Fines and Forfeitures	<u>3,400</u>	<u>6,522</u>	<u>3,122</u>	<u>6,248</u>
Other Revenues:				
Donations	15,000	7,485	(7,515)	61,801
Reimbursements	0	10,311	10,311	3,894
Miscellaneous	500	4,070	3,570	5,354
Total Other Revenues	<u>15,500</u>	<u>21,866</u>	<u>6,366</u>	<u>71,049</u>
Interest and Dividends:				
Interest Earnings	1,500	20,783	19,283	12,181
Total Interest and Dividends	<u>1,500</u>	<u>20,783</u>	<u>19,283</u>	<u>12,181</u>
Total Revenues	<u>2,704,208</u>	<u>3,015,473</u>	<u>311,265</u>	<u>2,553,885</u>
<b>Expenditures:</b>				
Current				
General Government:				
Mayor and Council:				
Personal Services	20,179	17,713	(2,466)	20,433
Supplies	500	0	(500)	123
Other Services and Charges	2,095	4,020	1,925	910
Total Mayor and Council	<u>22,774</u>	<u>21,733</u>	<u>(1,041)</u>	<u>21,466</u>
Administration:				
Personal Services	211,277	221,043	9,766	226,566
Supplies	13,000	12,750	(250)	11,806
Other Services and Charges	190,987	162,257	(28,730)	232,248
Total Administration	<u>415,264</u>	<u>396,050</u>	<u>(19,214)</u>	<u>470,620</u>
Government Buildings:				
Personal Services	47,156	56,019	8,863	1,356
Supplies	2,500	784	(1,716)	4,173
Other Services and Charges	51,070	55,457	4,387	119,311
Total Government Buildings	<u>100,726</u>	<u>112,260</u>	<u>11,534</u>	<u>124,840</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, 2024  
 (With Comparative Amounts For the Year Ended December 31, 2023)

	2024 Budget	2024 Actual	Over (Under) Budget	2023 Actual
<b>Expenditures (Continued):</b>				
Planning and Zoning:				
Personal Services	\$ 97,861	\$ 26,420	\$ (71,441)	\$ 99,372
Supplies	0	0	0	22
Other Services and Charges	13,910	21,655	7,745	65,719
Total Planning and Zoning	<u>111,771</u>	<u>48,075</u>	<u>(63,696)</u>	<u>165,113</u>
Other General Government:				
Other Services and Charges	28,503	29,262	759	23,439
Total Other General Government	<u>28,503</u>	<u>29,262</u>	<u>759</u>	<u>23,439</u>
Total General Government	<u>679,038</u>	<u>607,380</u>	<u>(71,658)</u>	<u>805,478</u>
Public Safety:				
Police Protection:				
Other Services and Charges	270,276	270,275	(1)	223,709
Total Police Protection	<u>270,276</u>	<u>270,275</u>	<u>(1)</u>	<u>223,709</u>
Fire Protection:				
Personal Services	383,368	384,173	805	348,186
Supplies	40,750	30,236	(10,514)	36,836
Other Services and Charges	159,307	185,525	26,218	179,198
Total Fire Protection	<u>583,425</u>	<u>599,934</u>	<u>16,509</u>	<u>564,220</u>
Building Inspection:				
Personal Services	125,108	119,876	(5,232)	105,377
Supplies	1,000	309	(691)	201
Other Services and Charges	86,500	251,455	164,955	123,268
Total Building Inspection	<u>212,608</u>	<u>371,640</u>	<u>159,032</u>	<u>228,846</u>
Total Public Safety	<u>1,066,309</u>	<u>1,241,849</u>	<u>175,540</u>	<u>1,016,775</u>
Public Works:				
Street and Highway:				
Personal Services	231,375	227,575	(3,800)	284,481
Supplies	35,750	29,892	(5,858)	31,354
Other Services and Charges	321,142	178,246	(142,896)	165,827
Total Public Works	<u>588,267</u>	<u>435,713</u>	<u>(152,554)</u>	<u>481,662</u>
Culture and Recreation:				
Recreation:				
Other Services and Charges	24,000	24,500	500	39,285
Total Recreation	<u>24,000</u>	<u>24,500</u>	<u>500</u>	<u>39,285</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, 2024  
 (With Comparative Amounts For the Year Ended December 31, 2023)

	2024 Budget	2024 Actual	Over (Under) Budget	2023 Actual
<b>Expenditures (Continued):</b>				
Swimming Beach:				
Personal Services	\$ 53,717	\$ 71,740	\$ 18,023	\$ 51,826
Supplies	2,000	2,872	872	3,400
Other Services and Charges	9,650	17,503	7,853	12,547
Total Swimming Beach	<u>65,367</u>	<u>92,115</u>	<u>26,748</u>	<u>67,773</u>
Skating Rink:				
Personal Services	4,440	1,382	(3,058)	2,081
Supplies	500	149	(351)	783
Other Services and Charges	21,200	18,812	(2,388)	87,982
Total Skating Rink	<u>26,140</u>	<u>20,343</u>	<u>(5,797)</u>	<u>90,846</u>
Softball Fields:				
Personal Services	3,706	4,449	743	3,342
Supplies	650	542	(108)	1,700
Other Services and Charges	7,650	3,669	(3,981)	5,195
Total Softball Fields	<u>12,006</u>	<u>8,660</u>	<u>(3,346)</u>	<u>10,237</u>
Parks:				
Personal Services	109,731	124,391	14,660	123,109
Supplies	5,900	6,976	1,076	16,755
Other Services and Charges	80,950	80,598	(352)	78,924
Total Parks	<u>196,581</u>	<u>211,965</u>	<u>15,384</u>	<u>218,788</u>
Library:				
Supplies	9,000	9,000	0	9,210
Other Services and Charges	27,500	28,596	1,096	36,267
Total Library	<u>36,500</u>	<u>37,596</u>	<u>1,096</u>	<u>45,477</u>
Total Culture and Recreation	<u>360,594</u>	<u>395,179</u>	<u>34,585</u>	<u>472,406</u>
Total Current Expenditures	<u>2,694,208</u>	<u>2,680,121</u>	<u>(14,087)</u>	<u>2,776,321</u>
Capital Outlay:				
General Government	0	0	0	120,798
Public Safety	10,000	52,952	42,952	11,514
Public Works	20,000	340	(19,660)	12,222
Culture and Recreation	10,000	8,332	(1,668)	18,122
Total Capital Outlay	<u>40,000</u>	<u>61,624</u>	<u>21,624</u>	<u>162,656</u>
Total Expenditures	<u>2,734,208</u>	<u>2,741,745</u>	<u>7,537</u>	<u>2,938,977</u>
Excess of Revenues Over (Under) Expenditures	(30,000)	273,728	303,728	(385,092)

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, 2024  
 (With Comparative Amounts For the Year Ended December 31, 2023)

	2024 Budget	2024 Actual	Over (Under) Budget	2023 Actual
<b>Other Financing Sources (Uses):</b>				
Transfers In	\$ 30,000	\$ 30,000	\$ 0	\$ 50,000
Transfers Out	0	(562,118)	(562,118)	(945)
Sale of Capital Assets	0	200	200	0
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>(531,918)</u>	<u>(561,918)</u>	<u>49,055</u>
 Change in Fund Balance	 <u>\$ 0</u>	 (258,190)	 <u>\$ (258,190)</u>	 (336,037)
 Fund Balance - January 1		 <u>1,215,156</u>		 <u>1,551,193</u>
 Fund Balance - December 31		 <u>\$ 956,966</u>		 <u>\$ 1,215,156</u>

## CITY OF PINE CITY, MINNESOTA

## SCHEDULE OF NET POSITION

## WATER FUND

December 31, 2024

	<u>2024</u>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Investments	\$ 2,723,374
Accounts Receivable	167,076
Lease Receivable	19,100
Special Assessments	9,476
Prepaid Expense	3,750
Total Current Assets	<u>2,922,776</u>
<b>Noncurrent Assets:</b>	
Lease Receivable	56,632
Advance to Other Funds	1,290,851
Special Assessments	113,096
Capital Assets Not Being Depreciated	20,000
Other Capital Assets, Net of Depreciation	8,887,698
Total Noncurrent Assets	<u>10,368,277</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 13,291,053</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	
<b>Current Liabilities:</b>	
Accrued Expenses	\$ 105,154
Due to Other Governments	175
Unearned Revenue	2,953
Current Portion of Long-term Debt	527,880
Total Current Liabilities	<u>636,162</u>
<b>Long-term Liabilities:</b>	
Compensated Absences	3,846
Revenue Note Payable, Net of Current Portion	3,587,602
Total Liabilities	<u>4,227,610</u>
<b>Deferred Inflows of Resources:</b>	
Lease Deferrals	<u>74,046</u>
<b>Net Position:</b>	
Net Investment in Capital Assets	4,792,216
Unrestricted	4,197,181
Total Net Position	<u>8,989,397</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u><u>\$ 13,291,053</u></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, 2024

	2024 Budget	2024 Actual	Over (Under) Budget
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Operating Revenues:</b>			
Charges for Services	\$ 1,422,351	\$ 1,353,366	\$ (68,985)
<b>Operating Expenses:</b>			
Personnel Services	256,510	262,134	5,624
Materials and Supplies	19,000	35,738	16,738
Professional Fees	28,782	10,892	(17,890)
Insurance	10,000	9,235	(765)
Utilities	45,700	37,599	(8,101)
Repairs and Maintenance	30,000	33,958	3,958
Contracted Services	2,000	2,952	952
Other Charges	12,490	14,900	2,410
Depreciation	218,075	258,104	40,029
Total Operating Expenses	<u>622,557</u>	<u>665,512</u>	<u>42,955</u>
Income from Operations	799,794	687,854	(111,940)
<b>Nonoperating Revenues (Expenses):</b>			
Interest and Fiscal Charges	(108,460)	(84,685)	23,775
Special Assessments	10,000	7,166	(2,834)
Access Fees and Other Revenues	43,000	41,364	(1,636)
Investment Earnings	0	49,671	49,671
Total Nonoperating Revenues (Expenses)	<u>(55,460)</u>	<u>13,516</u>	<u>68,976</u>
Change in Net Position	<u>\$ 744,334</u>	<u>701,370</u>	<u>\$ (42,964)</u>
Net Position - January 1 (As Previously Stated)		8,301,498	
Change in Accounting Principle		<u>(13,471)</u>	
Net Position - January 1 (As Restated)		<u>8,288,027</u>	
Net Position - December 31		<u>\$ 8,989,397</u>	

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF NET POSITION

SEWER FUND

December 31, 2024

	<u>2024</u>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Investments	\$ 1,545,182
Accounts Receivable	97,150
Special Assessments	6,997
Prepaid Expense	3,750
Total Current Assets	<u>1,653,079</u>
<b>Noncurrent Assets:</b>	
Advance to Other Funds	1,290,852
Special Assessments	95,791
Capital Assets Not Being Depreciated	85,278
Other Capital Assets, Net of Depreciation	7,746,222
Total Noncurrent Assets	<u>9,218,143</u>
TOTAL ASSETS	<u>\$ 10,871,222</u>
<b>LIABILITIES AND NET POSITION</b>	
<b>Current Liabilities:</b>	
Accrued Expenses	\$ 79,081
Unearned Revenue	2,496
Current Portion of Long-term Debt	90,120
Total Current Liabilities	<u>171,697</u>
<b>Long-term Liabilities:</b>	
Compensated Absences	3,846
Revenue Bonds Payable, Net of Current Portion	2,084,962
Total Liabilities	<u>2,260,505</u>
<b>Net Position:</b>	
Net Investment in Capital Assets	5,656,418
Unrestricted	2,954,299
Total Net Position	<u>8,610,717</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 10,871,222</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, 2024

	2024 Budget	2024 Actual	Over (Under) Budget
<b>Operating Revenues:</b>			
Charges for Services	\$ 881,565	\$ 844,644	\$ (36,921)
<b>Operating Expenses:</b>			
Personnel Services	256,510	258,358	1,848
Materials and Supplies	7,900	4,828	(3,072)
Professional Fees	33,782	11,793	(21,989)
Insurance	21,000	20,541	(459)
Utilities	68,000	65,226	(2,774)
Repairs and Maintenance	17,500	33,606	16,106
Contracted Services	16,800	18,367	1,567
Other Charges	17,250	15,447	(1,803)
Depreciation	162,357	213,814	51,457
Total Operating Expenses	<u>601,099</u>	<u>641,980</u>	<u>40,881</u>
Income from Operations	<u>280,466</u>	<u>202,664</u>	<u>(77,802)</u>
<b>Nonoperating Revenues (Expenses):</b>			
Interest and Fiscal Charges	(48,089)	(60,100)	(12,011)
Special Assessments	0	7,985	7,985
Access Fees and Other Revenues	0	1,500	1,500
Investment Earnings	0	39,380	39,380
Total Nonoperating Revenues (Expenses)	<u>(48,089)</u>	<u>(11,235)</u>	<u>36,854</u>
Change in Net Position	<u>\$ 232,377</u>	<u>191,429</u>	<u>\$ (40,948)</u>
Net Position - January 1 (As Previously Stated)		8,432,759	
Change in Accounting Principle		<u>(13,471)</u>	
Net Position - January 1 (As Restated)		<u>8,419,288</u>	
Net Position - December 31		<u>\$ 8,610,717</u>	

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF NET POSITION

LIQUOR FUND

December 31, 2024

	<u>2024</u>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Investments	\$ 409,127
Inventory	388,005
Prepaid Expense	1,956
Total Current Assets	<u>799,088</u>
<b>Noncurrent Assets:</b>	
Capital Assets Not Being Depreciated	33,000
Other Capital Assets, Net of Depreciation	117,010
Total Noncurrent Assets	<u>150,010</u>
<b>TOTAL ASSETS</b>	<u>\$ 949,098</u>
<b>LIABILITIES AND NET POSITION</b>	
<b>Current Liabilities:</b>	
Accrued Expenses	\$ 100,069
Due to Other Governments	22,526
Compensated Absences	98,877
Total Current Liabilities	<u>221,472</u>
<b>Net Position:</b>	
Net Investment in Capital Assets	150,010
Unrestricted	577,616
Total Net Position	<u>727,626</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 949,098</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, 2024

	2024 Budget	2024 Actual	Over (Under) Budget
<b>Operating Revenues:</b>			
Beer	\$ 1,130,000	\$ 1,106,181	\$ (23,819)
Liquor and Wine	1,187,500	1,281,648	94,148
Other Operating Revenues	106,700	131,201	24,501
Total Operating Revenues	<u>2,424,200</u>	<u>2,519,030</u>	<u>94,830</u>
<b>Cost of Revenues:</b>			
Beer	851,250	833,035	(18,215)
Liquor and Wine	825,000	852,604	27,604
Miscellaneous	79,000	102,956	23,956
Total Cost of Revenues	<u>1,755,250</u>	<u>1,788,595</u>	<u>33,345</u>
Gross Profit	<u>668,950</u>	<u>730,435</u>	<u>61,485</u>
<b>Operating Expenses:</b>			
Personnel Services	466,357	469,726	3,369
Materials and Supplies	16,000	15,702	(298)
Professional Fees	10,282	9,351	(931)
Insurance	12,000	11,747	(253)
Utilities	18,400	14,541	(3,859)
Repairs and Maintenance	10,500	6,339	(4,161)
Contracted Services	12,000	7,916	(4,084)
Other Charges	51,625	55,036	3,411
Depreciation	12,632	12,554	(78)
Total Operating Expenses	<u>609,796</u>	<u>602,912</u>	<u>(6,884)</u>
Income from Operations	<u>59,154</u>	<u>127,523</u>	<u>68,369</u>
<b>Nonoperating Revenues (Expenses):</b>			
Other Revenues	2,000	500	(1,500)
Investment Earnings	0	5,998	5,998
Total Nonoperating Revenues (Expenses)	<u>2,000</u>	<u>6,498</u>	<u>4,498</u>
Income Before Transfers	61,154	134,021	72,867
Transfers Out	<u>(60,000)</u>	<u>(60,000)</u>	<u>0</u>
Change in Net Position	<u>\$ 1,154</u>	<u>74,021</u>	<u>\$ 72,867</u>
Net Position - January 1 (As Previously Stated)		684,103	
Change in Accounting Principle		<u>(30,498)</u>	
Net Position - January 1 (As Restated)		<u>653,605</u>	
Net Position - December 31		<u>\$ 727,626</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, 2024, and the related notes to the financial statements, and have issued our report thereon dated July 8, 2025. 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 accompanying schedule of responses as item 2024-002. 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  
July 8, 2025



# Burkhardt & Burkhardt, Ltd.

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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, 2024, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated July 8, 2025. 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 a deficiency in internal control that we consider to be a material weakness and no deficiencies that we consider to be a significant deficiencies.

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 deficiency in internal control to be a material weakness as item 2024-001.

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 not identify any deficiencies in internal control that we consider to be a significant deficiency.

### **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 the objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance 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  
July 8, 2025

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON  
INTERNAL CONTROL AND LEGAL COMPLIANCE  
December 31, 2024

**CURRENT YEAR FINANCIAL STATEMENT FINDINGS**

Material Weaknesses

**Finding 2024-001. 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 Director

Planned Completion Date for CAP:

December 31, 2025

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, 2024

**CURRENT YEAR MINNESOTA LEGAL COMPLIANCE FINDINGS**

**Finding 2024-002. Improper Acceptance of Donations**

MSA 465.03, requires that every acceptance of a grant or devise of real or personal property on terms prescribed by the donor be made by resolution of the city council adopted by a two-thirds majority of its members and expressing such terms in full.

During 2024, the City received donations that were not accepted by a resolution adopted by a two-thirds majority of the city council with expressed terms in full.

**Corrective Action Plan (CAP)**

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City will develop a policy to ensure all donations received will be accepted by resolution following the terms of MSA 465.03.

Official Responsible for Ensuring CAP:

Nicole Tricker, Finance Director

Planned Completion Date for CAP:

December 31, 2025

Plan to Monitor Completion of CAP:

City Council

CITY OF PINE CITY, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2024

<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>
<b>Financial Statement Findings:</b>				
2023-001	Material audit adjustments	Not Corrected	2021	See Current Year Finding 2024-001
2023-002	Untimely Bank Account Reconciliations	Corrected	2021	N/A
<b>Minnesota Legal Compliance Findings:</b>				
2023-003	Public Purpose Expenditures	Corrected	2021	N/A
2023-004	Improper Acceptance of Donations	Not Corrected	2023	See Current Year Finding 2024-002