

**ANNUAL FINANCIAL REPORT
OF THE
CITY OF PINE CITY, MINNESOTA**

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

Prepared By:

Administration Department

**Matthew Van Steenwyk,
City Administrator**

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CITY OF PINE CITY, MINNESOTA
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I. INTRODUCTORY SECTION

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CITY OF PINE CITY, MINNESOTA

ORGANIZATION

December 31, 2019

	<u>Term Expires</u>
Mayor: Carl Pederson	January 1, 2021
Council Members: Gina Pettie	January 1, 2023
Brian Scholin	January 1, 2021
Steve Ovick	January 1, 2021
Mary Kay Sloan	January 1, 2023
City Administrator: Matthew Van Steenwyk	Appointed

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II. FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying 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, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Pine City, Minnesota's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the 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 of Pine City, Minnesota, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Pine City, Minnesota's 2018 financial statements and we expressed an unmodified audit opinion 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 June 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Management has omitted the 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 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule and the schedules of OPEB and pension information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pine City, Minnesota's basic financial statements. The introductory section and the combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2020, on our consideration of the City of Pine City, Minnesota'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 of Pine City, Minnesota'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 the City of Pine City, Minnesota's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

October 27, 2020

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BASIC FINANCIAL STATEMENTS

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CITY OF PINE CITY, MINNESOTA

STATEMENT OF NET POSITION

Statement 1

December 31, 2019 (March 31, 2020 for the Housing and Redevelopment Authority)

With Comparative Totals for December 31, 2018

	Primary Government				Component Unit
	Governmental Activities	Business-Type Activities	Total		Housing and Redevelopment Authority
			2019	2018	
Assets:					
Cash and investments	\$5,019,868	\$4,757,991	\$9,777,859	\$8,846,932	\$188,870
Receivables:					
Accounts - net	34,914	193,582	228,496	181,487	140
Accrued interest	3,906	5,945	9,851	7,224	29
Due from other governments	4,298	-	4,298	1,392,930	1,379
Property taxes	62,440	-	62,440	85,522	-
Special assessments	526,650	212,121	738,771	729,273	-
Loans	121,645	-	121,645	50,000	-
Internal balances	140,236	(140,236)	-	-	-
Prepaid items	10,156	5,970	16,126	16,318	3,862
Inventories - at cost	-	305,461	305,461	342,020	-
Land held for resale	55,372	-	55,372	30,000	-
Net pension asset	208,880	-	208,880	245,324	-
Capital assets (net of accumulated depreciation):					
Nondepreciable	2,603,118	138,278	2,741,396	3,017,539	199,284
Depreciable	10,066,448	15,525,740	25,592,188	22,703,033	120,619
Total assets	<u>18,857,931</u>	<u>21,004,852</u>	<u>39,862,783</u>	<u>37,647,602</u>	<u>514,183</u>
Deferred outflows of resources:					
Related to pensions	91,554	-	91,554	158,997	-
Related to other post-employment benefits	23,513	-	23,513	22,753	-
Total deferred outflows of resources	<u>115,067</u>	<u>0</u>	<u>115,067</u>	<u>181,750</u>	<u>0</u>
Liabilities:					
Accounts payable	90,463	112,660	203,123	294,166	6,778
Due to other governments	2,729	19,846	22,575	24,265	5,872
Salaries payable	22,114	10,713	32,827	68,149	-
Contracts payable	316,366	-	316,366	993,493	-
Deposits payable	20,837	-	20,837	5,868	9,850
Accrued interest payable	25,180	70,270	95,450	131,042	-
Unearned revenue	25,000	-	25,000	-	-
Compensated absences payable:					
Due within one year	19,306	20,386	39,692	33,718	8,319
Due in more than one year	23,159	39,199	62,358	50,139	5,587
Long-term debt:					
Due within one year	410,000	138,838	548,838	1,137,838	-
Due in more than one year	5,145,242	7,979,382	13,124,624	11,217,752	-
Other post-employment benefits liability:					
Due within one year	19,085	-	19,085	-	-
Due in more than one year	104,598	-	104,598	141,303	-
Net pension liability:					
Due in more than one year	641,338	-	641,338	671,258	-
Total liabilities	<u>6,865,417</u>	<u>8,391,294</u>	<u>15,256,711</u>	<u>14,768,991</u>	<u>36,406</u>
Deferred inflows of resources related to pensions	176,117	-	176,117	261,590	-
Net position:					
Net investment in capital assets	7,517,701	8,797,392	16,315,093	13,150,952	319,903
Restricted for:					
Debt service	1,077,315	-	1,077,315	1,152,512	-
Revolving loans	490,249	-	490,249	479,921	-
Fire Relief Association net pension asset	237,625	-	237,625	221,571	-
Tax increment	83,015	-	83,015	78,252	-
Park improvements	14,622	-	14,622	13,731	-
Unrestricted	2,510,937	3,816,166	6,327,103	7,701,832	157,874
Total net position	<u>\$11,931,464</u>	<u>\$12,613,558</u>	<u>\$24,545,022</u>	<u>\$22,798,771</u>	<u>\$477,777</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PINE CITY, MINNESOTA

STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2019 (March 31, 2020 for the Housing and Redevelopment Authority)

With Comparative Totals For The Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues	
		Charges For Services	Operating Grants and Contributions
Governmental activities:			
General government	\$556,240	\$30,402	\$4,195
Public safety	868,458	490,792	122,907
Public works	989,032	15,767	-
Culture and recreation	197,391	10,149	-
Economic development	193,656	-	17,551
Interest on long-term debt	172,683	-	-
Total governmental activities	2,977,460	547,110	144,653
Business-type activities:			
Liquor	1,798,891	2,021,200	-
Water	793,930	1,238,516	-
Sewer	487,423	785,149	-
Total business-type activities	3,080,244	4,044,865	0
Total primary government	\$6,057,704	\$4,591,975	\$144,653
Component unit:			
Housing and Redevelopment Authority	\$226,165	\$142,383	\$42,250
General revenues:			
General property taxes			
Tax increment collections			
Grants and contributions not restricted to specific programs			
Unrestricted investment earnings			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Change in net position			
Net position - January 1, as previously reported			
Prior period adjustment			
Net position - January 1, as restated			
Net position - December 31			

The accompanying notes are an integral part of these financial statements.

Program Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government		Total		Component Unit Housing and Redevelopment Authority
	Governmental Activities	Business-Type Activities	2019	2018	
\$ -	(\$521,643)	\$ -	(\$521,643)	(\$520,713)	\$ -
200,000	(54,759)	-	(54,759)	(306,589)	-
192,586	(780,679)	-	(780,679)	(596,097)	-
-	(187,242)	-	(187,242)	(184,518)	-
-	(176,105)	-	(176,105)	(95,116)	-
-	(172,683)	-	(172,683)	(180,177)	-
<u>392,586</u>	<u>(1,893,111)</u>	<u>0</u>	<u>(1,893,111)</u>	<u>(1,883,210)</u>	<u>0</u>
-	-	222,309	222,309	171,416	-
81,766	-	526,352	526,352	807,866	-
180,161	-	477,887	477,887	1,153,491	-
<u>261,927</u>	<u>0</u>	<u>1,226,548</u>	<u>1,226,548</u>	<u>2,132,773</u>	<u>0</u>
<u>\$654,513</u>	<u>(1,893,111)</u>	<u>1,226,548</u>	<u>(666,563)</u>	<u>249,563</u>	<u>-</u>
<u>\$210,294</u>					<u>168,762</u>
	1,525,860	-	1,525,860	1,438,427	-
	60,223	-	60,223	59,819	-
	619,352	-	619,352	633,796	-
	75,234	66,067	141,301	52,359	71
	66,078	-	66,078	52,998	-
	1,411,594	(1,411,594)	-	-	-
	<u>3,758,341</u>	<u>(1,345,527)</u>	<u>2,412,814</u>	<u>2,237,399</u>	<u>71</u>
	1,865,230	(118,979)	1,746,251	2,486,962	168,833
	10,066,234	12,732,537	22,798,771	20,444,581	308,944
	-	-	-	(132,772)	-
	<u>10,066,234</u>	<u>12,732,537</u>	<u>22,798,771</u>	<u>20,311,809</u>	<u>308,944</u>
	<u>\$11,931,464</u>	<u>\$12,613,558</u>	<u>\$24,545,022</u>	<u>\$22,798,771</u>	<u>\$477,777</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PINE CITY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019
With Comparative Totals For December 31, 2018

	General Fund
Assets	
Cash and investments	\$2,036,607
Accrued interest receivable	2,790
Accounts receivable - net	34,914
Due from other governments	4,298
Property taxes receivable:	
Delinquent	38,439
Due from county	22,875
Due from other funds	11,468
Prepaid items	10,156
Special assessments receivable	63
Land held for resale	55,372
Loans receivable	-
	-
Total assets	\$2,216,982
Liabilities, Deferred Inflows of Resources, and Fund Balance	
Liabilities:	
Accounts payable	\$46,134
Due to other governments	2,729
Salaries payable	22,114
Contracts payable	-
Deposits payable	20,837
Due to other funds	-
Unearned revenue	-
Total liabilities	91,814
Deferred inflows of resources:	
Unavailable revenue	93,811
Fund balance (deficit):	
Nonspendable	10,156
Restricted	-
Committed	-
Assigned	-
Unassigned	2,021,201
Total fund balance (deficit)	2,031,357
Total liabilities, deferred inflows of resources, and fund balance	\$2,216,982

Fund balance reported above

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 in the funds.

Net pension asset and deferred outflows / inflows of resources related to the Pine City Fire Department Relief Association pension plan are not financial resources, and therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures, and therefore, are reported as unavailable revenue in the funds.

Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.

An internal service fund is used by management to charge the costs of pension and OPEB benefits to individual funds. The assets and liabilities are included in the governmental activities on the statement of net position.

Net position of governmental activities

The accompanying notes are an integral part of these financial statements.

401 Capital Improvement Fund	410 2019 Street Projects	Other Governmental Funds	Total Governmental Funds	
			2019	2018
\$561,674	\$712,019	\$1,709,568	\$5,019,868	\$4,803,817
1,116	-	-	3,906	3,480
-	-	-	34,914	20,763
-	-	-	4,298	95,098
-	-	-	38,439	34,695
-	-	1,126	24,001	50,827
219,208	-	137,999	368,675	403,589
-	-	-	10,156	10,211
49,720	-	476,867	526,650	519,332
-	-	-	55,372	30,000
-	-	121,645	121,645	50,000
<u>\$831,718</u>	<u>\$712,019</u>	<u>\$2,447,205</u>	<u>\$6,207,924</u>	<u>\$6,021,812</u>
\$ -	\$41,170	\$3,159	\$90,463	\$173,138
-	-	-	2,729	3,738
-	-	-	22,114	54,833
-	262,303	54,063	316,366	408,992
-	-	-	20,837	5,868
-	-	239,021	239,021	248,004
25,000	-	-	25,000	-
<u>25,000</u>	<u>303,473</u>	<u>296,243</u>	<u>716,530</u>	<u>894,573</u>
<u>49,720</u>	<u>-</u>	<u>475,734</u>	<u>619,265</u>	<u>582,184</u>
-	-	-	10,156	10,211
-	403,377	1,225,582	1,628,959	1,247,978
200,000	-	363,674	563,674	517,075
556,998	5,169	222,981	785,148	1,244,648
-	-	(137,009)	1,884,192	1,525,143
<u>756,998</u>	<u>408,546</u>	<u>1,675,228</u>	<u>4,872,129</u>	<u>4,545,055</u>
<u>\$831,718</u>	<u>\$712,019</u>	<u>\$2,447,205</u>	<u>\$6,207,924</u>	<u>\$6,021,812</u>
			\$4,872,129	\$4,545,055
			12,669,566	10,134,638
			237,625	221,571
			619,265	582,184
			(5,622,887)	(4,559,908)
			(844,234)	(857,306)
			<u>\$11,931,464</u>	<u>\$10,066,234</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PINE CITY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2019
With Comparative Totals For The Year Ended December 31, 2018

	<u>General Fund</u>
Revenues:	
General property taxes	\$819,635
Tax increment collections	-
Special assessments	-
Licenses, fees and permits	109,543
Intergovernmental	895,198
Charges for services	286,033
Fines and forfeits	10,386
Investment income	29,845
Miscellaneous	65,028
Total revenues	<u>2,215,668</u>
Expenditures:	
Current:	
General government	546,715
Public safety	747,374
Public works	523,388
Culture and recreation	177,488
Economic development	-
Capital outlay:	
General government	-
Public safety	7,865
Public works	-
Culture and recreation	5,495
Economic development	-
Debt service:	
Principal	-
Interest and fiscal charges	-
Total expenditures	<u>2,008,325</u>
Revenues over (under) expenditures	<u>207,343</u>
Other financing sources (uses):	
Insurance recovery	47,061
Transfers in	135,000
Transfers out	-
Issuance of debt	-
Bond premium	-
Total other financing sources (uses)	<u>182,061</u>
Net change in fund balance	389,404
Fund balance - January 1	<u>1,641,953</u>
Fund balance - December 31	<u><u>\$2,031,357</u></u>

The accompanying notes are an integral part of these financial statements.

401 Capital Improvement Fund	410 2019 Street Projects	Other Governmental Funds	Total Governmental Funds	
			2019	2018
\$200,000	\$ -	\$502,481	\$1,522,116	\$1,468,130
-	-	60,223	60,223	59,819
-	-	184,621	184,621	186,062
-	-	-	109,543	108,132
2,710	-	17,551	915,459	729,218
127,458	-	13,690	427,181	327,809
-	-	-	10,386	19,164
11,343	5,169	28,877	75,234	29,895
-	-	1,050	66,078	52,998
<u>341,511</u>	<u>5,169</u>	<u>808,493</u>	<u>3,370,841</u>	<u>2,981,227</u>
32,844	-	-	579,559	564,909
-	-	-	747,374	692,866
183,448	-	6,939	713,775	404,622
7,409	-	159	185,056	182,555
-	-	82,335	82,335	65,055
47,944	-	-	47,944	-
327,055	-	-	334,920	78,314
33,119	2,306,604	277,321	2,617,044	638,205
68,665	-	-	74,160	13,238
-	-	-	-	81,658
98,837	-	849,000	947,837	1,806,952
1,295	46,046	129,046	176,387	185,869
<u>800,616</u>	<u>2,352,650</u>	<u>1,344,800</u>	<u>6,506,391</u>	<u>4,714,243</u>
<u>(459,105)</u>	<u>(2,347,481)</u>	<u>(536,307)</u>	<u>(3,135,550)</u>	<u>(1,733,016)</u>
-	-	-	47,061	-
35,000	1,251,594	-	1,421,594	293,182
-	-	(10,000)	(10,000)	(81,724)
-	1,472,312	471,688	1,944,000	620,000
-	52,243	7,726	59,969	17,718
<u>35,000</u>	<u>2,776,149</u>	<u>469,414</u>	<u>3,462,624</u>	<u>849,176</u>
(424,105)	428,668	(66,893)	327,074	(883,840)
<u>1,181,103</u>	<u>(20,122)</u>	<u>1,742,121</u>	<u>4,545,055</u>	<u>5,428,895</u>
<u>\$756,998</u>	<u>\$408,546</u>	<u>\$1,675,228</u>	<u>\$4,872,129</u>	<u>\$4,545,055</u>

The accompanying notes are an integral part of these financial statements.

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CITY OF PINE CITY, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Statement 5

For The Year Ended December 31, 2019

With Comparative Totals For The Year Ended December 31, 2018

	<u>2019</u>	<u>2018</u>
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:		
Total net change in fund balance - governmental funds (Statement 4)	\$327,074	(\$883,840)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense:		
Capital outlay	3,074,068	811,415
Capital outlay not capitalized	(2,916)	-
Depreciation expense	(454,565)	(462,603)
Loss resulting from reclass of construction in progress to land held for resale	(81,659)	-
Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in delinquent taxes	3,744	(29,703)
Change in delinquent and deferred special assessments	7,965	(150,798)
Change in land held for resale	25,372	(404)
The issuance of long-term debt (e.g. bonds) provides current financial resources for governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The amounts of these differences are:		
Principal payments on long-term debt	947,837	1,806,952
Issuance of long-term debt, including bond premium	(2,003,969)	(637,718)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Expenses reported in the statement of activities include the effects of the changes in these expense accruals as follows:		
Change in accrued interest payable	2,548	5,403
Change in compensated absences payable	(10,551)	1,157
Amortization of bond premiums	1,156	289
Governmental funds report pension contributions as expenditures, however, pension expense is reported in the statement of activities. This is the amount by which the Pine City Fire Department Relief Association's pension expense differs from pension contributions:		
Pension contributions	85,303	
Pension (expense)	<u>(69,249)</u>	16,054
		56,993
An internal service fund is used by management to charge pension and OPEB costs to individual funds. This amount is the portion of net revenue (expense) attributable to governmental activities.	<u>13,072</u>	<u>26,040</u>
Change in net position of governmental activities (Statement 2)	<u>\$1,865,230</u>	<u>\$543,183</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PINE CITY, MINNESOTA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2019

With Comparative Totals For Enterprise Funds For December 31, 2018

Statement 6

	Business-Type Activities Enterprise Funds				Governmental	
	Liquor Fund	Water Utility Fund	Sewer Utility Fund	Totals		Internal Service Fund - 2019
				2019	2018	
Assets:						
Current assets:						
Cash and cash equivalents	\$410,824	\$2,027,632	\$2,319,535	\$4,757,991	\$4,043,115	\$ -
Accrued interest receivable	-	3,070	2,875	5,945	3,744	-
Accounts receivable - net	-	118,070	75,512	193,582	160,724	-
Due from other governments	-	-	-	-	1,297,832	-
Prepaid items	124	2,923	2,923	5,970	6,107	-
Inventories - at cost	305,461	-	-	305,461	342,020	-
Total current assets	716,409	2,151,695	2,400,845	5,268,949	5,853,542	0
Noncurrent assets:						
Special assessments receivable	-	105,184	106,937	212,121	209,941	-
Capital assets:						
Nondepreciable	33,000	20,000	85,278	138,278	2,165,087	-
Depreciable	467,791	11,396,855	9,234,017	21,098,663	18,641,807	-
Total capital assets	500,791	11,416,855	9,319,295	21,236,941	20,806,894	0
Less: accumulated depreciation	(279,898)	(2,678,916)	(2,614,109)	(5,572,923)	(5,220,960)	-
Net capital assets	220,893	8,737,939	6,705,186	15,664,018	15,585,934	0
Total assets	937,302	10,994,818	9,212,968	21,145,088	21,649,417	0
Deferred outflows of resources:						
Related to pensions	-	-	-	-	-	62,809
Related to other post-employment benefits	-	-	-	-	-	23,513
Total deferred outflows of resources	0	0	0	0	0	86,322
Liabilities:						
Current liabilities:						
Accounts payable	63,478	16,701	32,481	112,660	121,028	-
Due to other governments	17,984	1,862	-	19,846	20,527	-
Salaries payable	2,837	3,938	3,938	10,713	13,316	-
Contracts payable	-	-	-	-	584,501	-
Due to other funds	-	59,639	70,015	129,654	155,585	-
Accrued interest payable	-	38,389	31,881	70,270	103,314	-
Compensated absences payable - current portion	6,840	6,773	6,773	20,386	18,840	-
Long-term debt - current portion	-	56,500	82,338	138,838	587,838	-
Other post-employment benefits liability - current portion	-	-	-	-	-	19,085
Total current liabilities	91,139	183,802	227,426	502,367	1,604,949	19,085
Long-term liabilities:						
Compensated absences payable - noncurrent portion	13,153	13,023	13,023	39,199	33,103	-
Long-term debt - noncurrent portion	-	5,846,512	2,132,870	7,979,382	7,267,486	-
Other post-employment benefits liability	-	-	-	-	-	104,598
Net pension liability	-	-	-	-	-	641,338
Total noncurrent liabilities	13,153	5,859,535	2,145,893	8,018,581	7,300,589	745,936
Total liabilities	104,292	6,043,337	2,373,319	8,520,948	8,905,538	765,021
Deferred inflows of resources related to pensions	-	-	-	-	-	176,117
Net position:						
Net investments in capital assets	220,893	3,520,343	5,056,156	8,797,392	7,477,405	-
Unrestricted	612,117	1,431,138	1,783,493	3,826,748	5,266,474	(854,816)
Total net position	\$833,010	\$4,951,481	\$6,839,649	\$12,624,140	\$12,743,879	(\$854,816)
Net position reported above				\$12,624,140		
Adjustment to report the cumulative internal balance for the net effect of activity between the internal service fund and the enterprise funds over time.				(10,582)		
Net position of business-type activities (Statement 1)				\$12,613,558		

The accompanying notes are an integral part of these financial statements.

CITY OF PINE CITY, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For The Year Ended December 31, 2019
With Comparative Totals For Enterprise Funds For The Year Ended December 31, 2018

Statement 7

	Business-Type Activities Enterprise Funds					Governmental
	Liquor Fund	Water Utility	Sewer Utility	Totals		Internal Service
		Fund	Fund	2019	2018	Fund - 2019
Sales	\$2,003,714	\$ -	\$ -	\$2,003,714	\$1,925,977	\$ -
Cost of sales	(1,463,300)	-	-	(1,463,300)	(1,423,692)	-
Gross profit	540,414	0	0	540,414	502,285	0
Operating revenues:						
Customer billings	-	1,215,854	784,399	2,000,253	1,820,387	-
Charges for services	17,486	22,662	750	40,898	27,520	71,332
Intergovernmental revenue	-	-	-	-	23,030	1,485
Total operating revenues	17,486	1,238,516	785,149	2,041,151	1,870,937	72,817
Total gross profit and operating revenues	557,900	1,238,516	785,149	2,581,565	2,373,222	72,817
Operating expenses:						
Salaries and benefits	242,055	185,693	185,699	613,447	607,653	58,985
Contractual services	1,430	9,609	12,042	23,081	41,059	-
Advertising	7,936	125	-	8,061	9,194	-
Materials and supplies	5,953	28,717	4,947	39,617	35,438	-
Insurance	11,408	6,671	7,166	25,245	22,398	-
Utilities	18,284	45,303	52,731	116,318	117,779	-
Repairs and maintenance	3,440	68,054	9,175	80,669	51,398	-
Miscellaneous expenses	33,520	6,540	15,182	55,242	62,031	-
Depreciation	13,439	207,074	131,662	352,175	331,238	-
Total operating expenses	337,465	557,786	418,604	1,313,855	1,278,188	58,985
Operating income (loss)	220,435	680,730	366,545	1,267,710	1,095,034	13,832
Nonoperating revenues (expenses):						
Investment income	4,977	31,498	29,592	66,067	22,464	-
Interest and fiscal charges	-	(235,587)	(68,262)	(303,849)	(221,381)	-
Gain (loss) on disposal of capital assets	-	-	-	-	(45,876)	-
Total nonoperating revenues (expenses)	4,977	(204,089)	(38,670)	(237,782)	(244,793)	0
Income (loss) before capital contributions and transfers	225,412	476,641	327,875	1,029,928	850,241	13,832
Capital contributions and transfers:						
Capital contributions - special assessments	-	24,058	24,237	48,295	14,111	-
Capital contributions - intergovernmental revenue	-	57,708	155,924	213,632	1,277,753	-
Transfers out	(160,000)	(685,416)	(566,178)	(1,411,594)	(211,458)	-
Total capital contributions and transfers	(160,000)	(603,650)	(386,017)	(1,149,667)	1,080,406	0
Change in net position	65,412	(127,009)	(58,142)	(119,739)	1,930,647	13,832
Net position - January 1	767,598	5,078,490	6,897,791	12,743,879	10,813,232	(868,648)
Net position - December 31	\$833,010	\$4,951,481	\$6,839,649	\$12,624,140	\$12,743,879	(\$854,816)
Change in net position reported for business-type activities above				(\$119,739)		
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds.				760		
Change in net position of business-type activities (Statement 2)				(\$118,979)		

The accompanying notes are an integral part of these financial statements.

CITY OF PINE CITY, MINNESOTA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For The Year Ended December 31, 2019

With Comparative Totals For Enterprise Funds For The Year Ended December 31, 2018

Statement 8

	Business-Type Activities Enterprise Funds				Governmental	
	Liquor Fund	Water Utility Fund	Sewer Utility Fund	Totals		Internal Service Fund - 2019
				2019	2018	
Cash flows from operating activities:						
Receipts from customers and users	\$2,021,200	\$1,217,837	\$772,970	\$4,012,007	\$3,765,986	\$ -
Receipts from interfund charges for employee benefits	-	-	-	-	-	71,332
Payments to suppliers	(1,525,979)	(165,722)	(92,187)	(1,783,888)	(1,725,188)	-
Payments to employees and benefit providers	(244,842)	(181,778)	(181,786)	(608,406)	(606,599)	(71,332)
Net cash flows provided by (used in) operating activities	250,379	870,337	498,997	1,619,713	1,434,199	0
Cash flows from noncapital financing activities:						
Transfers to other funds	(160,000)	(685,416)	(566,178)	(1,411,594)	(211,458)	-
Payments of amounts due to other funds	-	(11,928)	(14,003)	(25,931)	(25,931)	-
Net cash flows provided by (used in) noncapital financing activities	(160,000)	(697,344)	(580,181)	(1,437,525)	(237,389)	0
Cash flows from capital and related financing activities:						
Special assessment collections	-	22,568	23,547	46,115	93,100	-
Acquisition of capital assets	(18,147)	(281,089)	(715,524)	(1,014,760)	(1,518,294)	-
Proceeds from issuance of long-term debt	-	4,686,667	770,379	5,457,046	1,156,500	-
Principal paid on long-term debt	-	(4,863,340)	(324,497)	(5,187,837)	(577,838)	-
Interest paid on long-term debt	-	(276,279)	(66,927)	(343,206)	(220,818)	-
Intergovernmental revenue	-	402,701	1,108,763	1,511,464	-	-
Net cash flows provided by (used in) capital and related financing activities	(18,147)	(308,772)	795,741	468,822	(1,067,350)	0
Cash flows from investing activities:						
Investment income	5,379	30,204	28,283	63,866	22,663	-
Net increase (decrease) in cash and cash equivalents	77,611	(105,575)	742,840	714,876	152,123	0
Cash and cash equivalents - January 1	333,213	2,133,207	1,576,695	4,043,115	3,890,992	-
Cash and cash equivalents - December 31	\$410,824	\$2,027,632	\$2,319,535	\$4,757,991	\$4,043,115	\$0
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$220,435	\$680,730	\$366,545	\$1,267,710	\$1,095,034	\$13,832
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:						
Depreciation	13,439	207,074	131,662	352,175	331,238	-
Changes in assets and liabilities:						
Decrease (increase) in receivables	-	(20,679)	(12,179)	(32,858)	(30,928)	-
Decrease (increase) in prepaid items	85	26	26	137	(6,107)	-
Decrease (increase) in inventory	36,559	-	-	36,559	38,874	-
Decrease (increase) in deferred outflows of resources	-	-	-	-	-	70,428
Increase (decrease) in accounts payable	(17,352)	(727)	9,030	(9,049)	5,036	-
Increase (decrease) in salaries payable	(3,761)	579	579	(2,603)	3,693	-
Increase (decrease) in compensated absences payable	974	3,334	3,334	7,642	(2,641)	-
Increase (decrease) in OPEB and net pension liability	-	-	-	-	-	(47,540)
Increase (decrease) in deferred inflows of resources	-	-	-	-	-	(36,720)
Total adjustments	29,944	189,607	132,452	352,003	339,165	(13,832)
Net cash provided by operating activities	\$250,379	\$870,337	\$498,997	\$1,619,713	\$1,434,199	\$0

The accompanying notes are an integral part of these financial statements.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pine City, Minnesota (the City) is a statutory city operating under Chapter 412 of Minnesota Statutes and under a number of other statutes that apply to cities. The government of the City is directed by a Council composed of an elected mayor and four other elected members. The Council exercises legislative authority and determines matters of policy. The Council appoints the City Administrator who is responsible for the administration of all affairs relating to the City.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. FINANCIAL REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

COMPONENT UNITS

The Economic Development Authority (EDA) is an entity legally separate from the City. However, for financial reporting purposes, the EDA is reported as if it were part of the City's operations (as a blended component unit) because the members of the City Council serve as EDA board members and its activity is confined to the City. The City established the EDA under State statutes to assist and support economic development projects undertaken within the City which are under the statutory authority of the EDA. The City reviews and approves tax levies and other financial matters related to the EDA. The City provides major financing of EDA activities and debt issued in connection with EDA projects. Separate financial statements are not prepared for the EDA.

The Pine City Housing and Redevelopment Authority (HRA) is an entity legally separate from the City. Established in 1966, the HRA helps to facilitate housing needs in the community. The HRA owns and manages Hillside Court, a 34 unit income-based apartment complex where tenants pay rent based on their household income. For financial reporting purposes, the HRA is a discretely presented component unit and its financial data is displayed in a separate column on the Statement of Net Position and the Statement of Activities. The HRA's governing body consists of a five-member Board of Commissioners appointed by the City Council. The City's mayor and one councilmember occupy two of the five seats. Due to this arrangement, as well as policies and initiatives established by the City Council, the primary government has the ability to impose its will on the HRA. The fiscal year-end of the HRA is March 31, and its financial data as of and for the year ended March 31, 2020 is included in these financial statements. Separate financial statements are not prepared for the HRA.

RELATED ORGANIZATION

The Pine City Fire Department Relief Association (the Association) is organized as a nonprofit organization, legally separate from the City, by its members to provide pension and other benefits to such members in accordance with Minnesota Statutes. The Association's Board of Trustees is appointed by the membership of the Association and not by the City Council. All funding is conducted in accordance with Minnesota Statutes, whereby state aid flows to the Association and the Association pays benefits directly to its members. Because the Association is fiscally independent of

the City, the financial statements of the Association have not been included within the City's reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *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 business-type activity is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *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 business-type activity; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers 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 year. Reimbursement grants are considered available if they are collected within one year 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.

CITY OF PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Property taxes, special assessments, intergovernmental revenues, charges for services 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 considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

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

The *2019 Street Projects Fund* accounts for the accumulation of resources used to finance the 2019 Street project including all or portions of Lake Street NE, 6th Avenue NE, Westchester Drive NE, 1st Street NE and 3rd Avenue NE.

The City reports the following major proprietary funds:

The *Liquor Fund* is an enterprise fund that is used to account for operations of the City's off-sale liquor operation.

The *Water Utility Fund* accounts for the water service charges which are used to finance the water operating expenses.

The *Sewer Utility Fund* accounts for sewer service charges which are used to finance the sewer operating expenses.

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 the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds 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 liquor, water and sewer 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.

D. BUDGETS

Budgets are legally adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the General Fund and the Cemetery, Economic Development Authority, and Housing Operations Special Revenue Funds. Budgeted expenditure appropriations lapse at year end.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) The City Administrator submits to the City Council a proposed operating budget for the upcoming year in August. The operating budget includes proposed revenues and expenditures and the operating levy associated with operations.
- 2) The City Council and staff meet to review the proposed budget and Council recommends any appropriate changes.
- 3) Public hearings are conducted in September and December to obtain taxpayer comments and recommendations to the operating budget.
- 4) The budget and tax levy are legally enacted through the passage of a resolution on a department basis for the General Fund and on a fund basis for the Cemetery, Economic Development Authority, and Housing Operations Special Revenue Funds and Enterprise Funds that can be expended by each department based upon detailed budget estimates.
- 5) The City Administrator and Treasurer are authorized to transfer appropriations within any department budget. Interdepartmental or interfund appropriations and deletions are authorized by the City Council with fund contingency reserves or additional revenues.
- 6) Legal debt obligation indentures determine the appropriation level of debt service tax levies for the Debt Service Funds. Supplementary budgets are adopted for the Proprietary Funds to determine and calculate user charges. These debt service and budget amounts represent general obligation bond indenture provisions and net income for operation and capital maintenance and are not reflected in the financial statements.
- 7) A capital improvement program is reviewed annually by the City Council for the Capital Project Funds. However, appropriations for major projects are not adopted until the actual bid award of the improvement. The appropriations are not reflected in the financial statements.
- 8) The legal level of budgetary control is at the department level for the General Fund and the fund level for the Cemetery, Economic Development Authority, and Housing Operations Special Revenue Funds. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services; materials and supplies; contractual services; and capital outlay) within each program. All amounts over budget have been approved by the City Council through the disbursement process.
- 9) The City Council may authorize transfer of budgeted amounts between City funds. The City Council made supplemental budgetary appropriations throughout the year. Individual amendments were not material in relation to the original appropriations which were adjusted.

CITY OF PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

The following is a listing of the General Fund departments and budgeted Special Revenue Funds whose expenditures exceed budget appropriations:

	Final Budget	Actual	Over Budget
General Fund:			
General government	\$527,483	\$546,715	\$19,232
Public safety	754,211	755,239	1,028
Special Revenue Funds:			
Economic Development Authority	33,490	41,255	7,765

E. CASH AND INVESTMENTS

Cash and investment balances from all funds are pooled and invested to the extent available in authorized investments. Investment income is allocated to individual funds on the basis of the fund's equity in the cash and investment pool.

Investments are stated at fair value except for investments in external investment pools that meet GASB 79 requirements, which are stated at amortized cost. Investment income is accrued at the balance sheet date.

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All of the cash and investments allocated to the Proprietary Funds have original maturities of 90 days or less. Therefore, the entire balance in the Proprietary Funds is considered cash equivalents.

F. RECEIVABLES AND PAYABLES

The estimated portion of uncollectible property taxes and special assessments is not material and has not been reported. Because utility bills are considered liens on property, no estimated uncollectible amounts are established. Uncollectible amounts are not material for other receivables and have not been reported.

G. PROPERTY TAX REVENUE RECOGNITION

The City Council annually adopts a tax levy and certifies it to the county in December of each year for collection in the following year. The county is responsible for billing and collecting all property taxes for itself, the City, the local school district and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the county and remitted to the City during July and December of the same year. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners. The county possesses this authority.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes received by the City in July, December and January of the following year are recognized as revenue for the current year. Taxes collected by the county by December 31 (remitted to the City the following January) are classified as due from county. Taxes not collected by the county by December 31 are classified as delinquent taxes receivable. Delinquent taxes receivable are fully offset by deferred inflows of resources because they are not available to finance current expenditures.

H. SPECIAL ASSESSMENT REVENUE RECOGNITION

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments is handled by the county in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeit properties are allocated first to the county's costs of administering all tax forfeit properties. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments that are collected by the County by December 31 (remitted to the City the following January) are also recognized as revenue for the current year. All remaining delinquent, deferred and special deferred assessments receivable in governmental funds are fully offset by deferred inflows of resources.

I. INVENTORIES

GOVERNMENTAL FUNDS

Inventories are valued at cost using the first-in, first-out (FIFO) method. The cost of such inventories is recorded as an expenditure when consumed rather than when purchased. The City’s governmental funds do not maintain material amounts of inventory.

PROPRIETARY FUNDS

Inventories of the Proprietary Funds are stated at weighted average cost, which approximates market, using the first-in, first-out (FIFO) method.

J. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

K. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and intangible assets such as easements and computer software, 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 \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized

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

<u>Assets</u>	
Buildings and improvements	10 – 50 years
Other improvements	5 – 100 years
Equipment, furniture and fixtures	3 – 50 years
Infrastructure	30 – 100 years

L. COMPENSATED ABSENCES

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

M. LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary funds 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 funds statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, governmental funds recognize bond premiums and discounts 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.

N. PENSION PLANS

COST SHARING MULTIPLE – EMPLOYER PLANS

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA except 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.

SINGLE EMPLOYER PLAN

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Pine City Fire Department Relief Association (Relief) and additions to / deductions from the Relief’s fiduciary net position have been determined on the same basis as they were reported by the Relief. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

DEFINED CONTRIBUTION PLAN – HRA

All eligible employees as determined by the local HRA HUD approved personnel policy are covered by a defined contribution plan. See Note 9 for details.

O. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. The City has two items that qualify for reporting in this category. They are the pension and other post-employment benefits related deferred outflows of resources reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources

(revenue) until that time. The government has pension related deferred inflows of resources reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position. The government also has a type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues relating to delinquent property taxes, delinquent and deferred special assessments, and land held for resale.

P. FUND BALANCE CLASSIFICATIONS

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - consists of amounts that are not in spendable form, such as prepaid items.

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

Committed - consists of internally imposed constraints. These constraints are established by resolution of the City Council.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management. Pursuant to City Council policy, the City Administrator and/or City Treasurer are authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned and 3) unassigned.

Q. NET POSITION

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

R. INTERFUND TRANSACTIONS

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

The City provides advances to funds that have insufficient cash balances by means of an advance from another fund shown as “due from other funds” in the advancing fund, and “due to other funds” in the fund with the deficit, until adequate resources are received. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

S. USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

T. COMPARATIVE TOTALS

The basic financial statements and schedules and combining fund financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City’s financial statements for the year ended December 31, 2018, from which the summarized information was derived.

U. RECLASSIFICATIONS

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

CITY OF PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

V. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “net pension asset and deferred inflows/outflows of resources related to the Pine City Fire Department Relief Association pension plan are not financial resources, and therefore, are not reported in the funds”. The details of this \$237,625 difference are as follows:

Net pension asset	\$208,880
Deferred outflows of resources	28,745
Deferred inflows of resources	<u>-</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$237,625</u></u>

Another element of that reconciliation states that “other long-term assets are not available to pay for current-period expenditures, and therefore, are reported as unavailable revenue in the funds.” The details of this \$619,265 difference are as follows:

Delinquent property taxes receivable	\$38,439
Delinquent special assessments receivable	1,469
Deferred special assessments receivable	523,985
Land held for resale	<u>55,372</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$619,265</u></u>

Another element of that reconciliation states that “long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.” The details of this (\$5,622,887) difference are as follows:

Bonds payable	(\$5,479,000)
Unamortized bond premium	(76,242)
Accrued interest payable	(25,180)
Compensated absences payable	<u>(42,465)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>(\$5,622,887)</u></u>

CITY OF PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the City and HRA maintain deposits at depository banks authorized by the City Council and the HRA’s Board of Commissioners, all of which are members of the Federal Reserve System.

Custodial Credit Risk – For deposits, custodial credit risk is the risk that in the event of a bank failure, the entity’s deposits may not be returned to it. Minnesota statutes require that all deposits be protected by insurance, corporate surety bonds or collateral. Minnesota Statute 118A.03 identifies allowable forms of collateral.

The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Securities pledged as collateral must be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

The City does not have a deposit policy that is more restrictive than Minnesota Statutes. As of December 31, 2019, all deposits of the City were covered by federal depository insurance or perfected collateral provided by the financial institution and held in the City’s name.

As of March 31, 2020, all deposits of the HRA were covered by federal depository insurance.

B. INVESTMENTS

The City and HRA may also invest idle funds as authorized by Minnesota Statute 118A.04.

As of December 31, 2019, the City had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)		
			Less Than 1	1-5	6
Brokered CD's	Not rated	\$1,925,718	\$237,224	\$1,688,494	\$ -
FHLMC note	Aaa	159,733	-	159,733	-
Money market funds	Not rated	33,493	33,493	-	-
Total		<u>\$2,118,944</u>	<u>\$270,717</u>	<u>\$1,848,227</u>	<u>\$0</u>
			Total investments	\$2,118,944	
			Total deposits	7,656,990	
			Petty cash	1,925	
			Total cash and investments	<u>\$9,777,859</u>	

CITY OF PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

As of December 31, 2019, the HRA held the following deposits and investments:

Total investments	\$ -
Total deposits	188,770
Petty cash	<u>100</u>
Total cash and investments	<u>\$188,870</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets. Level 2 investments are valued using inputs that are based on quoted prices for similar assets or inputs that are observable, either directly or indirectly. Level 3 investments are valued using inputs that are unobservable.

The City has the following recurring fair value measurements as of December 31, 2019:

Investment Type	12/31/2019	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments at fair value:				
Brokered CD's	1,925,718	-	1,925,718	-
FHLMC note	<u>159,733</u>	-	<u>159,733</u>	-
Total/Subtotal	2,085,451	<u>\$0</u>	<u>\$2,085,451</u>	<u>\$0</u>
Investments not categorized:				
Money market funds	<u>33,493</u>			
Total	<u>\$2,118,944</u>			

C. INVESTMENT RISKS

Custodial credit risk – For investments in securities, custodial credit risk is the risk that in the event of failure of the counterparty to a transaction, the City will not be able to recover the value of its investment 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. The City’s investment policy does not address custodial risk. However, investments in securities are held by the City’s broker-dealers of which \$500,000 is insured through SIPC. The broker-dealer has provided additional protection by providing additional insurance. This insurance is subject to aggregate limits applied to all of the broker-dealers’ accounts.

Interest rate risk – Interest rate risk is the risk that changes in interest rates of debt investments could adversely affect the fair value of an investment. The City’s investment policy requires the City to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity. The policy also states the City’s investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation to the holder of the investment. State law limits investments in commercial paper to those rated in the highest quality category by at least two nationally recognized rating agencies; in any security of the State of Minnesota or any of its municipalities which is rated “A” or better by a national bond rating service for general obligation and rated “AA” or better for a revenue obligation; a general obligation of the Minnesota Housing Finance Agency to those rated “A” or better by a national bond rating agency; mutual funds or money market funds whose investments are restricted to securities described in MS 118A.04. The City’s investment policy does not place further restrictions on investment options.

Concentration of credit risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government’s investment in a single issuer. The City places no limit on the amount the City may invest in any one issuer. As of December 31, 2019, the City did not have any investments in a single issuer exceeding 5% of its overall cash and investment portfolio.

CITY OF PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 3 RECEIVABLES

Significant receivable balances not expected to be collected within one year of December 31, 2019 are as follows:

	Major Funds				Nonmajor Funds	Total
	General	Capital Improvement	Water	Sewer		
Special assessments receivable	\$ -	\$47,283	\$94,481	\$95,628	\$432,262	\$669,654
Delinquent property taxes	25,676	-	-	-	-	25,676
Loans receivable	-	-	-	-	104,843	104,843
	<u>\$25,676</u>	<u>\$47,283</u>	<u>\$94,481</u>	<u>\$95,628</u>	<u>\$537,105</u>	<u>\$800,173</u>

Note 4 UNAVAILABLE REVENUES

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. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

	Property Taxes	Special Assessments	Land Held For Resale	Total
Major Fund:				
General Fund	\$38,439	\$ -	\$55,372	\$93,811
Capital Improvement	-	49,720	-	49,720
Nonmajor Funds	-	475,734	-	475,734
	<u>\$38,439</u>	<u>\$525,454</u>	<u>\$55,372</u>	<u>\$619,265</u>

CITY OF PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

Primary Government	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$251,688	\$176	\$ -	\$251,864
Construction in progress	600,764	2,421,244	670,754	2,351,254
Total capital assets, not being depreciated	<u>852,452</u>	<u>2,421,420</u>	<u>670,754</u>	<u>2,603,118</u>
Capital assets, being depreciated:				
Buildings and improvements	3,284,401	56,735	17,803	3,323,333
Other improvements	12,018,218	615,772	7,767	12,626,223
Equipment, furniture and fixtures	3,171,660	566,320	95,035	3,642,945
Total capital assets, being depreciated	<u>18,474,279</u>	<u>1,238,827</u>	<u>120,605</u>	<u>19,592,501</u>
Less accumulated depreciation for:				
Buildings and improvements	1,378,107	95,712	17,803	1,456,016
Other improvements	5,507,007	206,452	7,767	5,705,692
Equipment, furniture and fixtures	2,306,979	152,401	95,035	2,364,345
Total accumulated depreciation	<u>9,192,093</u>	<u>454,565</u>	<u>120,605</u>	<u>9,526,053</u>
Total capital assets being depreciated - net	<u>9,282,186</u>	<u>784,262</u>	<u>0</u>	<u>10,066,448</u>
Governmental activities capital assets - net	<u>\$10,134,638</u>	<u>\$3,205,682</u>	<u>\$670,754</u>	<u>\$12,669,566</u>

CITY OF PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$138,278	\$ -	\$ -	\$138,278
Construction in progress	2,026,809	412,113	2,438,922	-
Total capital assets, not being depreciated	<u>2,165,087</u>	<u>412,113</u>	<u>2,438,922</u>	<u>138,278</u>
Capital assets, being depreciated:				
Buildings and improvements	1,152,164	-	-	1,152,164
Water and sewer systems	16,659,474	2,438,922	-	19,098,396
Equipment, furniture and fixtures	830,169	18,146	212	848,103
Total capital assets, being depreciated	<u>18,641,807</u>	<u>2,457,068</u>	<u>212</u>	<u>21,098,663</u>
Less accumulated depreciation for:				
Buildings and improvements	565,314	27,623	-	592,937
Water and sewer systems	4,022,806	300,233	-	4,323,039
Equipment, furniture and fixtures	632,840	24,319	212	656,947
Total accumulated depreciation	<u>5,220,960</u>	<u>352,175</u>	<u>212</u>	<u>5,572,923</u>
Total capital assets being depreciated - net	<u>13,420,847</u>	<u>2,104,893</u>	<u>0</u>	<u>15,525,740</u>
Business-type activities capital assets - net	<u>\$15,585,934</u>	<u>\$2,517,006</u>	<u>\$2,438,922</u>	<u>\$15,664,018</u>
Component Unit - HRA				
Capital assets, not being depreciated:				
Land	\$14,281	\$ -	\$ -	\$14,281
Construction in progress	-	185,003	-	185,003
Total capital assets, not being depreciated	<u>14,281</u>	<u>185,003</u>	<u>0</u>	<u>199,284</u>
Capital assets, being depreciated:				
Buildings and improvements	1,301,781	18,370	-	1,320,151
Equipment, furniture and fixtures	66,243	7,300	4,298	69,245
Total capital assets, being depreciated	<u>1,368,024</u>	<u>25,670</u>	<u>4,298</u>	<u>1,389,396</u>
Less accumulated depreciation for:				
Buildings and improvements	1,185,775	28,989	-	1,214,764
Equipment, furniture and fixtures	54,721	2,860	3,568	54,013
Total accumulated depreciation	<u>1,240,496</u>	<u>31,849</u>	<u>3,568</u>	<u>1,268,777</u>
Total capital assets being depreciated - net	<u>127,528</u>	<u>(6,179)</u>	<u>730</u>	<u>120,619</u>
Component Unit - HRA capital assets - net	<u>\$141,809</u>	<u>\$178,824</u>	<u>\$730</u>	<u>\$319,903</u>

CITY OF PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

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

Governmental activities:	
General government	\$4,975
Public safety	133,686
Public works	274,061
Culture and recreation	12,181
Economic development	<u>29,662</u>
Total depreciation expense - governmental activities	<u>454,565</u>
Business-type activities:	
Liquor	13,439
Water	207,074
Sewer	<u>131,662</u>
Total depreciation expense - business-type activities	<u>352,175</u>
 Total depreciation expense	 <u><u>\$806,740</u></u>
Component Unit - HRA:	
Housing and Redevelopment Authority	<u><u>\$31,849</u></u>

CITY OF PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 6 LONG-TERM DEBT

The City issues general obligation bonds to finance its street improvement program, tax increment projects and other City purposes. General obligation bonds are direct obligations of the City and are supported by the full faith and credit of the City. The City has several types of general obligation bonds outstanding at December 31, 2019. Following is a brief description of the different bond types:

- Improvement bonds are issued to finance street improvement projects. These bonds are payable primarily from special assessments levied on benefited properties. The costs of these projects are shared by the City; general property taxes levied provide the revenues for these costs.
- Tax increment bonds were used to finance redevelopment projects and are payable primarily from incremental property taxes derived from the tax increment districts with any deficiency to be provided from general property taxes.
- Building bonds were issued to finance the City’s Fire Hall Project. Property taxes are used to fund the debt service payments.
- General obligation revenue bonds are issued to finance improvements to the City’s water and sewer system. User charges from the Water and Sewer Funds are used to fund the debt service payments. The liability for these bonds is recorded in the Proprietary Funds.

GOVERNMENTAL ACTIVITIES

As of December 31, 2019, the long-term debt of the financial reporting entity consisted of the following:

	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Payable 12/31/19
G.O. Bonds:					
G.O. Bonds, Series 2010A	2.00 - 3.45%	6/9/2010	2/1/2022	\$2,225,000	\$240,000
G.O. Building Bonds, Series 2016A	1.00 - 2.80%	4/1/2016	12/1/2031	1,315,000	1,225,000
G.O. Bonds, Series 2019B	2.125 - 3.00%	11/21/2019	2/1/2036	1,740,000	1,740,000
Total general obligation bonds				<u>5,280,000</u>	<u>3,205,000</u>
G.O. Improvement Bonds:					
G.O. Improvement Bonds, Series 2012B	1.20 - 2.25%	8/1/2012	2/1/2024	610,000	385,000
G.O. Taxable Improvement Bonds, Series 2013B	3.50%	7/25/2013	7/23/2033	585,000	450,000
G.O. Improvement Bonds, Series 2015A	1.35 - 3.10%	7/15/2015	12/1/2030	720,000	540,000
G.O. Improvement Bonds, Series 2018A	3.125 - 4.00%	9/17/2018	2/1/2034	620,000	620,000
Total general obligation improvement bonds				<u>2,535,000</u>	<u>1,995,000</u>
G.O. Tax Increment Revenue Bonds:					
G.O. Tax Increment Revenue Bonds, Series 2010B	1.00 - 4.25%	11/1/2010	12/1/2023	1,050,000	75,000
G.O. Equipment Certificates:					
G.O. Equipment Certificates, Series 2019A	3.875%	6/1/2019	2/1/2023	204,000	204,000
Total - bonded indebtedness				<u>9,069,000</u>	<u>5,479,000</u>
Unamortized bond premiums				77,687	76,242
Compensated absences payable				N/A	42,465
Total City indebtedness - governmental activities				<u>\$9,146,687</u>	<u>\$5,597,707</u>

CITY OF PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

BUSINESS-TYPE ACTIVITIES

	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Payable 12/31/19
G.O. Revenue Bonds:					
G.O. Taxable Water and Sewer Revenue Bonds, 2013A	2.75%	7/25/2013	1/1/2053	\$1,481,000	\$1,366,000
G.O. Water and Sewer Revenue Bonds, Series 2018A	3.125 - 4.00%	9/17/2018	2/1/2034	1,125,000	1,125,000
G.O. Water and Sewer Revenue Bonds, Series 2019B	2.125 - 3.00%	11/21/2019	2/1/2036	<u>5,170,000</u>	<u>5,170,000</u>
Total - bonded indebtedness				7,776,000	7,661,000
Unamortized bond premiums					
Capital lease payable	0.00%	12/28/2017	#####	377,639	343,382
Note payable	1.00%	2/17/2012	2/17/2022	155,350	38,838
Compensated absences payable				250,000	75,000
				<u>N/A</u>	<u>59,585</u>
Total City indebtedness - business-type activities				<u>8,558,989</u>	<u>8,177,805</u>
Total City indebtedness				<u>\$17,705,676</u>	<u>\$13,775,512</u>

Annual debt service requirements to maturity for long-term debt are as follows:

Year Ending December 31	Governmental Activities					
	G.O. Bonds		G.O. Improvement Bonds		G.O. Tax Increment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$230,000	\$64,655	\$165,000	\$58,848	\$15,000	\$3,188
2021	205,000	73,605	181,000	54,412	20,000	2,550
2022	310,000	67,249	187,000	49,562	20,000	1,700
2023	260,000	59,525	188,000	44,583	20,000	850
2024	190,000	53,800	204,000	39,098	-	-
2025	190,000	49,100	120,000	34,119	-	-
2026	195,000	44,325	121,000	30,094	-	-
2027	200,000	39,275	122,000	26,234	-	-
2028	205,000	34,040	129,000	22,310	-	-
2029	210,000	28,415	135,000	18,199	-	-
2030	220,000	23,049	136,000	13,919	-	-
2031	220,000	17,598	82,000	9,575	-	-
2032	110,000	12,025	85,000	6,804	-	-
2033	110,000	9,550	90,000	3,838	-	-
2034	115,000	6,947	50,000	812	-	-
2035	115,000	4,216	-	-	-	-
2036	120,000	1,425	-	-	-	-
Total	<u>\$3,205,000</u>	<u>\$588,799</u>	<u>\$1,995,000</u>	<u>\$412,407</u>	<u>\$75,000</u>	<u>\$8,288</u>

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Year Ending December 31	Governmental Activities		Business-type Activities			
	Equipment Certificates		G.O. Revenue Bonds		Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ -	\$5,270	\$75,000	\$179,864	\$25,000	\$750
2021	65,000	7,905	555,000	215,942	25,000	500
2022	68,000	5,386	671,000	196,903	25,000	250
2023	71,000	2,751	692,000	175,889	-	-
2024	-	-	608,000	155,821	-	-
2025	-	-	618,000	136,919	-	-
2026	-	-	654,000	117,081	-	-
2027	-	-	670,000	96,908	-	-
2028	-	-	741,000	75,833	-	-
2029	-	-	197,000	61,940	-	-
2030	-	-	208,000	56,268	-	-
2031	-	-	208,000	50,847	-	-
2032	-	-	209,000	45,313	-	-
2033	-	-	215,000	39,662	-	-
2034	-	-	226,000	33,527	-	-
2035	-	-	137,000	28,698	-	-
2036	-	-	138,000	25,305	-	-
2037	-	-	39,000	23,136	-	-
2038	-	-	40,000	22,000	-	-
2039	-	-	42,000	20,900	-	-
2040	-	-	43,000	19,745	-	-
2041	-	-	44,000	18,613	-	-
2042	-	-	45,000	17,352	-	-
2043	-	-	46,000	16,115	-	-
2044	-	-	48,000	14,850	-	-
2045	-	-	49,000	13,567	-	-
2046	-	-	50,000	12,182	-	-
2047	-	-	52,000	10,807	-	-
2048	-	-	53,000	9,377	-	-
2049	-	-	54,000	7,941	-	-
2050	-	-	56,000	6,435	-	-
2051	-	-	58,000	4,895	-	-
2052	-	-	59,000	3,300	-	-
2053	-	-	61,000	1,682	-	-
Total	<u>\$204,000</u>	<u>\$21,312</u>	<u>\$7,661,000</u>	<u>\$1,915,617</u>	<u>\$75,000</u>	<u>\$1,500</u>

It is not practicable to determine the specific year for payment of long-term accrued compensated absences.

CITY OF PINE CITY, MINNESOTA
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December 31, 2019

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
G.O. bonds	\$1,785,000	\$1,740,000	\$320,000	\$3,205,000	\$230,000
G.O. improvement bonds	2,509,000	-	514,000	1,995,000	165,000
G.O. tax increment revenue bonds	90,000	-	15,000	75,000	15,000
G.O. equipment certificates	-	204,000	-	204,000	-
Total bonds payable	4,384,000	1,944,000	849,000	5,479,000	410,000
Unamortized bond premiums	17,429	59,969	1,156	76,242	-
Loan payable	98,837	-	98,837	-	-
Compensated absences	31,914	42,787	32,236	42,465	19,306
Total governmental activities	<u>\$4,532,180</u>	<u>\$2,046,756</u>	<u>\$981,229</u>	<u>\$5,597,707</u>	<u>\$429,306</u>
Business-type activities:					
G.O. revenue bonds	\$7,615,000	\$5,170,000	\$5,124,000	\$7,661,000	\$75,000
Unamortized bond premiums	62,649	287,046	6,313	343,382	-
Capital lease payable	77,675	-	38,837	38,838	38,838
Note payable	100,000	-	25,000	75,000	25,000
Compensated absences	51,943	33,292	25,650	59,585	20,386
Total business-type activities	<u>\$7,907,267</u>	<u>\$5,490,338</u>	<u>\$5,219,800</u>	<u>\$8,177,805</u>	<u>\$159,224</u>
Component Unit - HRA:					
Compensated absences	<u>\$12,297</u>	<u>\$7,181</u>	<u>\$5,572</u>	<u>\$13,906</u>	<u>\$8,319</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

All long-term bonded indebtedness outstanding at December 31, 2019 is backed by the full faith and credit of the City, including improvement and revenue bond issues. Delinquent assessments receivable at December 31, 2019 totaled \$2,992.

CURRENT REFUNDING

On November 21, 2019, the City issued \$6,910,000 of General Obligation Bonds, Series 2019B with an average interest rate of 2.7%, in part, to refund the 2020 through 2028 maturities of the General Obligation Bonds, Series 2012A in the aggregate amount of \$4,900,000. The refunded bonds contained an average interest rate of 2.9%. Net proceeds of \$4,292,391 and cash on hand of \$654,685 were used to retire all outstanding principal of the refunded bonds on December 12, 2012.

The City refunded the bonds to reduce its total debt services payments over the four years by \$188,072 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$169,660.

CITY OF PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

PLEDGED REVENUE

Future revenue pledged for the payment of long-term debt is as follows:

Bond Issue	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
2010A Bonds	Street and Utility Infrastructure improvements	Special assessments Ad valorem taxes	47% 53%	2009 - 2021	\$249,525	\$241,575	\$175,292
2010B Tax Increment Bonds	Golden Horizons TIF District	Tax increment	100%	2011-2023	\$83,288	\$18,825	\$27,920
2012B Improvement Bonds	Infrastructure improvements	Special assessments Ad valorem taxes	39% 61%	2015 - 2023	\$406,340	\$83,474	\$93,426
2013A Taxable Revenue Bonds	Utility infrastructure improvements	Water & sewer revenue	100%	2015 - 2052	\$2,121,186	\$62,225	\$2,023,665
2013B Taxable Improvement Bonds	Infrastructure improvements	Special assessments Ad valorem taxes	67% 33%	2012 - 2033	\$577,190	\$41,590	\$43,585
2015A Improvement Bonds	Infrastructure improvements	Special assessments Ad valorem taxes	32% 68%	2015-2030	\$637,797	\$60,833	\$71,080
2016A Building Bonds	Fire Hall project	Ad valorem taxes	100%	2019 - 2031	\$1,422,940	\$117,430	\$123,500
2018A Improvement Bonds	Infrastructure improvements	Special assessments Ad valorem taxes	35% 65%	2019-2033	\$786,080	\$18,129	\$11,296
2018A Revenue Bonds	Utility infrastructure improvements	Water & sewer revenue	100%	2019-2033	\$1,424,532	\$32,891	\$2,023,665
2019A Equipment Certificates	Street sweeper purchase	Ad valorem taxes	100%	2020 - 2022	\$225,313	\$ -	\$ -
2019B Improvement Bonds	Infrastructure improvements	Special assessments Ad valorem taxes	32% 68%	2021 - 2035	\$2,121,334	\$ -	\$ -
2019B Revenue Bonds	Utility infrastructure improvements	Water & sewer revenue	100%	2021 - 2035	\$6,030,893	\$ -	\$ -

CAPITAL LEASE PAYABLE

On December 28, 2017, the City entered into a lease purchase agreement to finance the purchase of a Vactor sewer truck. The agreement calls for yearly payments of \$38,838. The final payment of \$38,838 is due December 28, 2020.

The present value of future minimum lease payments as of December 31, 2019 is \$38,838. The expense resulting from amortization of the asset is included with depreciation expense. The net book value of assets acquired under the capital lease at December 31, 2019 is as follows:

Cost	\$165,467
Accumulated depreciation	(33,093)
Net book value	<u>\$132,374</u>

Note 7 **DEFINED BENEFIT PENSION PLAN - CITY**

A. PLAN DESCRIPTION

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

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

B. BENEFITS PROVIDED

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

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. CONTRIBUTIONS

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019; the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the GERF for the year ended

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December 31, 2019, were \$61,272. The City's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

At December 31, 2019, the City reported a liability of \$641,338 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 2019. 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 \$19,832. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was .01160% which was a decrease of .0005% from its proportion measured as of June 30, 2018.

City's proportionate share of the net pension liability	\$641,338
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>19,832</u>
Total	<u><u>\$661,170</u></u>

For the year ended December 31, 2019, the City recognized pension expense of \$65,820 for its proportionate share of the GERP's pension expense. In addition, the City recognized an additional \$1,485 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERP.

At December 31, 2019, the City reported its proportionate share of the GERP's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$17,598	\$ -
Changes in actuarial assumptions	-	49,877
Net collective difference between projected and actual investment earnings	-	66,353
Changes in proportion	13,229	59,887
Contributions paid to PERA subsequent to the measurement date	<u>31,982</u>	<u>-</u>
Total	<u><u>\$62,809</u></u>	<u><u>\$176,117</u></u>

CITY OF PINE CITY, MINNESOTA
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\$31,982 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense
2020	(\$48,490)
2021	(77,243)
2022	(20,589)
2023	1,032
2024	-
Thereafter	-

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA’s experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%
Total	100%	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected-benefit payments to determine the total pension liability.

G. PENSION LIABILITY SENSITIVITY

The following presents the City's proportionate share of the net pension liability for GERF, 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>1% Decrease in Discount Rate (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
City's proportionate share of the GERF net pension liability	\$1,054,325	\$641,338	\$300,335

H. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

Note 8 **DEFINED BENEFIT PENSION PLAN – FIRE RELIEF**

A. PLAN DESCRIPTION

All members of the Pine City Fire Department are covered by a defined benefit pension plan administered by the Pine City Fire Department Relief Association (the Relief). The Plan is a single employer retirement plan and is established and administered in accordance with Minnesota Statutes, Chapters 69 and 424A.

B. BENEFITS PROVIDED

The Relief provides retirement benefits to members and benefits to survivors upon death of eligible members. Benefits are established in accordance with the State Statute and vest after twenty years of credited service. Benefit provisions can be amended by the Relief within the parameters provided by State Statutes.

Twenty Year Service Pension

Each member who is at least 50 years of age; has retired from the Pine City Fire Department; has served at least 20 years of active service with such department before retirement; and has been a member of the Relief in good standing at least 20 years prior to such retirement; shall be entitled to a service pension in the amount of \$2,600 annually for up to five years.

Death Benefits

Upon the death of any retired member of the Relief Association who has received benefits for fewer than five years, the member’s accrued benefit would be payable immediately to the surviving spouse or child for the remainder of the five-year period.

State Supplemental Benefits

Minnesota Statute 424A.10 provides for the payment of a supplemental benefit equal to ten percent of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of a State income tax exclusion for lump sum distributions and will no longer be available if State tax law is modified to exclude lump sum distributions from State income tax. The Relief qualifies for these benefits.

C. EMPLOYEES COVERED BY BENEFIT TERMS

As of the January 1, 2019 valuation date, the following employees were covered by the benefit terms:

Active members	25
Retired/disabled members receiving benefits	25
Retired members entitled to benefits, but have not received them	2
Total	52

D. CONTRIBUTIONS

Minnesota Statutes Chapter 424A.092 sets the minimum contribution requirement for the City and State aid on an annual basis. These statutes are established and amended by the state legislature. The Relief is comprised of volunteers; therefore, members have no contribution requirements. The City receives an annual state fire aid contribution which is required by state statutes to be passed through to the Relief. For the year ended December 31, 2019, total City contributions to the Relief were \$85,303, including \$60,303 of state fire aid and an additional voluntary City contribution of \$25,000. Total contributions exceeded the required contribution of \$14,579 as set by state statute.

E. NET PENSION LIABILITY

The City's net pension liability (asset) was measured using a one-year lookback as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2019.

F. ACTUARIAL ASSUMPTIONS

The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	01/01/19
Measurement date (assets and funded status)	12/31/18
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed Period
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	5.00%
20-year municipal bond yield	3.50%
Projected salary increases	2.50%
Includes inflation at	None
Cost-of-living adjustments	None
Age of service retirement	50
Post retirement benefit increase	None

Post retirement mortality is based on RP-2014 blue collar generational projected with Improvement Scale MP-2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real 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. All results are then rounded to the nearest quarter percentage point.

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The best-estimate 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 market data.

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

Asset Class	Portfolio Weight	Expected Class Return
Cash	26%	2.25%
Fixed income	31%	3.80%
Equities	42%	7.40%
Other	1%	6.00%
Total (weighted avg, rounded to 1/4%)	100%	5.00%

G. DISCOUNT RATE

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

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H. CHANGES IN THE NET PENSION LIABILITY (ASSET)

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at January 1, 2018	\$1,040,254	\$1,285,578	(\$245,324)
Changes for the year:			
Service cost	17,361	-	17,361
Interest	51,256	-	51,256
Differences between expected and actual experience	-	-	-
Change of assumptions	(3,777)	-	(3,777)
Plan changes	56,375	-	56,375
Contributions - employer	-	25,000	(25,000)
On behalf contributions - State of MN	-	59,053	(59,053)
Contributions - employee	-	-	-
Projected investment return	-	64,418	(64,418)
Gain or loss	(49,855)	(100,065)	50,210
Benefit payments, including refunds of employee contributions	(65,000)	(65,000)	-
Administrative expense	-	(13,490)	13,490
Net changes	6,360	(30,084)	36,444
Balance at December 31, 2018	\$1,046,614	\$1,255,494	(\$208,880)

During the measurement period, the benefit level increased from \$2,400 to \$2,600.

I. PENSION LIABILITY (ASSET) SENSITIVITY

The following presents the net pension liability (asset) of the Relief, calculated using the discount rate of 5%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (4%) or 1 percentage-point higher (6%) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Net pension liability (asset)	(\$84,827)	(\$208,880)	(\$311,795)

J. PENSION EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended December 31, 2019, the City recognized pension expense of \$8,946. The City also recognized \$60,303 as pension expense (and grant revenue) for the State of Minnesota’s on-behalf contribution to the plan. As of December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual investment earnings	\$3,745	\$ -
City contribution to the Fire Relief subsequent to the measurement date	<u>25,000</u>	<u>-</u>
Total	<u><u>\$28,745</u></u>	<u><u>\$ -</u></u>

\$25,000 reported as deferred outflows of resources related to pensions from City contributions subsequent to the measurement date will be recognized as reduction of the net pension liability during the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense</u>
2020	(\$2,288)
2021	(2,285)
2022	(1,724)
2023	10,042
2024	-
Thereafter	-

K. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Relief Association financial report. That report may be obtained by writing to Pine City Fire Department Relief Association, 3505 Silver Lake Road, Pine City, Minnesota, 55418.

L. PENSION EXPENSE

Total pension expense recognized by the City for the year ended December 31, 2019 is as follows:

GERF	\$67,305
Fire Relief	<u>69,249</u>
Total	<u><u>\$136,554</u></u>

Note 9 DEFINED CONTRIBUTION PENSION PLAN - HRA

All eligible employees of the HRA, as determined by the local HRA HUD approved personnel policy, are covered by a pension plan with the Housing-Renewal and Local Agency Retirement Plan. The plan is funded by employer and employee contributions of 16% and 0% of gross wages, respectively. Pension amounts for the year ended March 31, 2020 are as follows:

Total payroll	\$66,911
Covered payroll	66,911
Employer contributions	10,706

Note 10 OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. PLAN DESCRIPTION

In addition to providing the pension benefits described in Note 7, the City provides post-employment health care benefits, as defined in paragraph B, through its group health insurance plan (the plan). The plan is a single-employer defined benefit 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, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. BENEFITS PROVIDED

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

The City provides health coverage for firefighters disabled or killed in the line of duty in accordance with Minnesota Statute 299A.465. The amount of coverage provided is equal to the employer portion of health insurance premiums that would have otherwise been paid if the officer or firefighter was an active employee. During 2019, the City did not have any firefighters eligible for this benefit.

The City also pays 50% of the health care premiums for three retirees and one beneficiary, and 50% of the dental premiums for one retiree until age 65. During 2019, the City paid \$9,916 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 employees.

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

CITY OF PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

(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. PARTICIPANTS

As of the January 1, 2018 actuarial valuation, participants of the plan consisted of:

Active employees	12
Inactive employees or beneficiaries currently receiving benefits	4
Total	<u>16</u>

D. TOTAL OPEB LIABILITY AND CHANGES IN TOTAL OPEB LIABILITY

The City's total OPEB liability of \$123,683 was measured as of January 1, 2019 and was determined by an actuarial valuation as of January 1, 2018. Changes in the total OPEB liability during 2019 were:

Balance - beginning of year	\$141,303
Changes for the year:	
Service cost	3,453
Interest	4,405
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(2,725)
Benefit payments	<u>(22,753)</u>
Net changes	<u>(17,620)</u>
Balance - end of year	<u>\$123,683</u>

E. ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.00%
Discount rate	3.80%
Investment rate of return	3.80%
Healthcare cost trend rates	6.25% as of January 1, 2019 decreasing to 5.00% over 5 years
Dental trend rate	4.00%

Since the plan is funded on a pay-as-you-go basis, both the discount rate and the investment rate of return were based on the 20 year AA rated municipal bond yield. Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale. Based on past

CITY OF PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

experience of the plan, 50% of future retirees are assumed to continue medical coverage until age 65. Since the last measurement date, the discount rate was increased from 3.30% to 3.80%.

F. SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

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 (2.8%) or 1% higher (4.8%) than the current discount rate:

	1% Decrease (2.8%)	Discount Rate (3.8%)	1% Increase (4.8%)
Total OPEB liability	\$129,778	\$123,683	\$117,800

G. SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE 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 healthcare cost trend rates that are 1% lower (5.25% decreasing to 4.0%) or 1% higher (7.25% decreasing to 6.0%) than the current healthcare cost trend rates:

	1% Decrease (5.25% decreasing to 4.0%)	Healthcare Cost Trend Rates (6.25% decreasing to 5.0%)	1% Increase (7.25% decreasing to 6.0%)
Total OPEB liability	\$114,800	\$123,683	\$133,797

H. OPEB EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended December 31, 2019, the City recognized (\$8,464) of OPEB expense. At December 31, 2019, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions paid subsequent to the measurement date	\$23,513	\$0

\$23,513 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during the year ended December 31, 2020.

CITY OF PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 11 DUE TO / FROM OTHER FUNDS AND TRANSFERS

Amounts reported as due to/from other funds at December 31, 2019 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Funds:		
General Fund	\$11,468	\$ -
Capital Improvement Fund	219,208	-
Water Utility Fund	-	59,639
Sewer Utility Fund	-	70,015
Nonmajor funds:		
Economic Development Authority	8,345	-
Golden Horizons TIF Fund	-	8,345
Refunding Bonds of 2012A	-	4,635
Improvement Bonds of 2018A	-	6,833
2009 Street Improvement	129,654	129,654
2017 Street Improvement	-	84,074
2020 Street Projects	-	5,480
	<u>\$368,675</u>	<u>\$368,675</u>

Due to/from balances in the amount of \$239,021 represent borrowing/lending arrangements to cover deficit cash balances at the end of the fiscal year. In addition, the Water and Sewer Funds owe the 2009 Street Improvement Fund \$129,654 for construction cost overages. The amount is being repaid at a rate of \$25,931 per year through the year 2024.

Interfund transfers made during 2019 are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$135,000	\$ -
Capital Improvement Fund	35,000	-
2019 Street Projects	1,251,594	-
Liquor Fund	-	160,000
Water Utility Fund	-	685,416
Sewer Utility Fund	-	566,178
Nonmajor funds	<u>-</u>	<u>10,000</u>
	<u>\$1,421,594</u>	<u>\$1,421,594</u>

Transfers were made to fund capital purchases / projects and to allocate financial resources to funds that received benefit from services provided by another fund. All transfers are considered routine and consistent with previous practices.

CITY OF PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 12 FUND BALANCE

A. CLASSIFICATIONS

At December 31, 2019, governmental fund balance classifications are as follows:

	General Fund	Capital Improvement Fund	2019 Street Projects	Nonmajor Funds	Total
Nonspendable:					
Prepaid items	\$10,156	\$ -	\$ -	\$ -	\$10,156
Restricted for:					
Capital projects	-	-	403,377	-	403,377
Debt service	-	-	-	637,696	637,696
Revolving loans	-	-	-	490,249	490,249
Tax increment purposes	-	-	-	83,015	83,015
Park improvements	-	-	-	14,622	14,622
Total restricted	<u>0</u>	<u>0</u>	<u>403,377</u>	<u>1,225,582</u>	<u>1,628,959</u>
Committed for:					
Emergency purposes	-	200,000	-	-	200,000
Economic development	-	-	-	119,776	119,776
Cemetery operations	-	-	-	193,043	193,043
Housing purposes	-	-	-	50,855	50,855
Total committed	<u>0</u>	<u>200,000</u>	<u>0</u>	<u>363,674</u>	<u>563,674</u>
Assigned for:					
Capital projects	-	556,998	5,169	222,981	785,148
Unassigned	<u>2,021,201</u>	<u>-</u>	<u>-</u>	<u>(137,009)</u>	<u>1,884,192</u>
Total	<u>\$2,031,357</u>	<u>\$756,998</u>	<u>\$408,546</u>	<u>\$1,675,228</u>	<u>\$4,872,129</u>

B. MINIMUM UNASSIGNED FUND BALANCE POLICY

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year – June and December. As such, it is the City’s goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes.

The policy establishes a year-end targeted unassigned fund balance amount for cash-flow timing needs at 31% of the subsequent year’s budgeted expenditures. At December 31, 2019, the unassigned fund balance of the General Fund was 91% of the subsequent year’s budgeted expenditures, including transfers.

C. DEFICIT FUND BALANCES / NET POSITION

The City has deficit fund balances / net position at December 31, 2019 as follows:

	<u>Amount</u>
Nonmajor funds:	
Refunding Bonds of 2012A	\$4,635
Improvement Bonds of 2018A	6,833
2017 Street Improvement	81,825
2018 Street Projects	19,188
2020 Street Projects	24,528
Internal Service Fund	854,816

The deficits of the nonmajor funds will be eliminated with transfers, future taxes and assessments, or bonding. Because the GERS pension plan continues to report a net pension liability, the deficit balance of the Internal Service Fund is not expected to be eliminated. The City will continue to contribute amounts to each pension plan as required by state statutes.

Note 13 INSURANCE RECOVERIES

During 2019, the City received insurance proceeds in the amount of \$47,061 relating to damage to one of its fire trucks. The insurance proceeds were expended during the year to repair the fire truck.

During 2019, the HRA received insurance proceeds in the amount of \$185,003 relating to storm damage to its apartment complex. As of December 31, 2019, repairs to the apartment complex were in process and are expected to be completed during 2020. Additional insurance proceeds will be received to cover the cost of repairs.

Note 14 COMMITMENTS AND CONTINGENCIES

A. CONSTRUCTION COMMITMENTS

At December 31, 2019, the City had a construction project contract in progress. The commitment related to the remaining contract balance is summarized as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Remaining Commitment</u>
2019 Street Improvements	\$2,280,414	\$286,783

In addition, during 2020 the City entered into a construction contract for the 2020 Street Improvements project totaling \$1,827,490.

B. 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.

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. The City has no deductible and a managed care program to assist employees with their rehabilitation plan. Annual employee hours of service are audited and final premiums are then determined. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property, casualty and automobile insurance coverage are provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The City retains risk for the deductible portions. These deductibles are considered immaterial to the financial statements.

The City continues to carry commercial insurance for all other risks of loss, including liquor liability, employee health and disability insurance.

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

C. LITIGATION

The City has indicated that existing and pending lawsuits, claims and other actions in which the City is a defendant are either covered by insurance; of an immaterial amount; or, in the judgment of the City, remotely recoverable by plaintiffs.

D. FEDERAL AND STATE FUNDS

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at December 31, 2019.

CITY OF PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 15 TAX INCREMENT FINANCING 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.

The City has two tax increment pay-as-you-go agreements. The agreements are not a general obligation of the City and are payable solely from available tax increment. Accordingly, these agreements are not reflected in the financial statements of the City. The City has a third tax increment district (Golden Horizons) which has an obligation to make debt service payments on the G.O. Tax Increment Refunding Bonds of 2010B. Details of the tax increment districts are as follows:

	TIF 1-11 (29) Golden Horizon	TIF 1-12 (30) Pine City Bottle Cap Condos	TIF 2-1 (31) DMC
	M.S. 469	M.S. 469	M.S. 469
Authorizing law	M.S. 469	M.S. 469	M.S. 469
Year established	2002	2002	2005
Final year of district	2030	2030	2031
Net tax capacity:			
Original	\$373	\$3,081	\$883
Current (payable 2019)	26,121	18,259	16,719
Captured - retained	<u>\$25,748</u>	<u>\$15,178</u>	<u>\$15,836</u>

Note 16 DEFERRED AD VALOREM TAX LEVIES - BONDED DEBT

General obligation bond issues sold by the City are financed by ad valorem tax levies and improvement bond issues sold by the City are partially financed by ad valorem tax levies in addition to special assessments levied against the benefiting properties. When a bond issue to be financed partially or completely by ad valorem tax levies is sold, specific annual amounts of such tax levies are stated in the bond resolution and the County Auditor is notified and instructed to levy these taxes over the appropriate years. The future tax levies are subject to cancellation when and if the City has provided alternative sources of financing. The City Council is required to levy any additional taxes found necessary for full payment of principal and interest.

These future scheduled tax levies are not shown as assets in the accompanying financial statements at December 31, 2019.

Note 17 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) recently approved the following statements which were not implemented for these financial statements:

Statement No. 87 *Leases*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 91 *Conduit Debt Obligations*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92 *Omnibus 2020*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 93 *Replacement of Interbank Offered Rates*. The provisions of this Statement contain multiple effective dates, the first being for reporting periods beginning after June 15, 2020.

Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96 *Subscription-Based Technology Arrangements*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97 *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statement No. 87 may have a material impact.

Note 18 SUBSEQUENT EVENT

During August 2020, the City issued \$1,700,000 of General Obligation Improvement Bonds, Series 2020A, to finance the 2020 Street Improvements project. The bonds contain interest rates ranging from 1.1% to 2.0% and mature in 2037.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PINE CITY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2019
With Actual Amounts For The Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
Revenues:					
General property taxes	\$799,200	\$799,200	\$819,635	\$20,435	\$733,415
Licenses, fees and permits	75,531	75,531	109,543	34,012	108,132
Intergovernmental	714,225	714,225	895,198	180,973	724,218
Charges for services	268,565	269,171	286,033	16,862	263,078
Fines and forfeits	3,482	3,482	10,386	6,904	19,164
Investment income	4,925	4,925	29,845	24,920	969
Miscellaneous	50,505	50,505	65,028	14,523	50,599
Total revenues	1,916,433	1,917,039	2,215,668	298,629	1,899,575
Expenditures:					
General government:					
Current:					
City council	24,604	24,604	17,222	7,382	23,279
Administrative/finance	353,074	350,654	374,277	(23,623)	348,936
Elections	265	265	1,791	(1,526)	3,498
City assessor	17,000	17,000	16,681	319	16,390
Planning	109,090	105,460	111,179	(5,719)	105,383
Library	29,500	29,500	25,565	3,935	26,652
Total general government	533,533	527,483	546,715	(19,232)	524,138
Public safety:					
Current:					
Fire protection	434,457	434,457	436,076	(1,619)	387,415
Law enforcement services	194,983	194,983	178,734	16,249	-
Building inspections	111,178	111,178	121,548	(10,370)	108,739
Dog pound	2,381	2,381	16	2,365	-
Health officer	212	212	-	212	185,712
Legal	11,000	11,000	11,000	-	11,000
Capital outlay	-	-	7,865	(7,865)	53,314
Total public safety	754,211	754,211	755,239	(1,028)	746,180
Public works:					
Current:					
Streets	580,898	580,898	523,388	57,510	392,263
Culture and recreation:					
Current:					
Recreation/educational/social	28,930	28,930	26,484	2,446	28,428
Swimming	54,755	54,755	56,363	(1,608)	64,008
Softball fields	17,500	17,500	13,463	4,037	16,088
Parks and playground	66,342	66,342	67,379	(1,037)	63,379
Skating rink	11,250	11,250	13,799	(2,549)	10,652
Capital outlay	10,000	10,000	5,495	4,505	-
Total culture and recreation	188,777	188,777	182,983	5,794	182,555
Total expenditures	2,057,419	2,051,369	2,008,325	43,044	1,845,136

See accompanying notes to the required supplementary information.

CITY OF PINE CITY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2019
With Actual Amounts For The Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
Revenues over (under) expenditures	<u>(\$140,986)</u>	<u>(\$134,330)</u>	<u>\$207,343</u>	<u>\$341,673</u>	<u>54,439</u>
Other financing sources (uses):					
Insurance recovery	-	-	47,061	47,061	-
Transfers in	145,000	145,000	135,000	(10,000)	135,000
Transfers out	-	-	-	-	(20,000)
Total other financing sources (uses)	<u>145,000</u>	<u>145,000</u>	<u>182,061</u>	<u>37,061</u>	<u>115,000</u>
Net change in fund balance	<u>\$4,014</u>	<u>\$10,670</u>	<u>389,404</u>	<u>\$378,734</u>	<u>169,439</u>
Fund balance - January 1			<u>1,641,953</u>		<u>1,472,514</u>
Fund balance - December 31			<u>\$2,031,357</u>		<u>\$1,641,953</u>

See accompanying notes to the required supplementary information.

CITY OF PINE CITY, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
 For The Last Ten Years

Statement 10

	2019	2018
Total OPEB liability:		
Service cost	\$3,453	\$3,635
Interest	4,405	4,896
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes in assumptions	(2,725)	-
Benefit payments	(22,753)	(23,738)
Net change in total OPEB liability	(17,620)	(15,207)
Total OPEB liability - beginning	141,303	156,510
Total OPEB liability - ending	<u>\$123,683</u>	<u>\$141,303</u>
Covered-employee payroll	\$737,841	\$716,350
Total OPEB liability as a percentage of covered-employee payroll	16.8%	19.7%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2018 and is intended to show a ten year trend. Additional years will be added as they become available.

See accompanying notes to the required supplementary information.

CITY OF PINE CITY, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
 GENERAL EMPLOYEES RETIREMENT FUND
 For The Last Ten Years

Statement 11

Measurement Date June 30,	Fiscal Year Ending December 31,	Pine City's Proportionate Share (Percentage) of the Net Pension Liability	Pine City's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with Pine City (b)	Pine City's Proportionate Share of the Net Pension Liability Associated with Pine City (a+b)	Covered Payroll (c)	Pine City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	2015	0.0123%	\$637,450	\$ -	\$637,450	\$821,238	77.6%	78.2%
2016	2016	0.0128%	1,039,297	13,608	1,052,905	747,728	140.8%	68.9%
2017	2017	0.0129%	823,527	10,351	833,878	830,707	100.4%	75.9%
2018	2018	0.0121%	671,258	22,024	693,282	814,014	85.2%	79.5%
2019	2019	0.0116%	641,338	19,832	661,170	818,880	80.7%	80.2%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF PINE CITY, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Statement 12

SCHEDULE OF PENSION CONTRIBUTIONS - GENERAL EMPLOYEES RETIREMENT FUND

For The Last Ten Years

Fiscal Year Ending December 31,	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2015	\$53,492	\$53,492	\$ -	\$713,227	7.5%
2016	56,711	56,711	-	756,147	7.5%
2017	62,310	62,310	-	830,800	7.5%
2018	63,283	63,283	-	843,773	7.5%
2019	61,272	61,272	-	816,960	7.5%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

See accompanying notes to the required supplementary information.

CITY OF PINE CITY, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Statement 13

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
PINE CITY FIRE DEPARTMENT RELIEF ASSOCIATION
For The Last Ten Years

Fiscal year ending	December 31, 2019	December 31, 2018	December 31, 2017
Measurement date	December 31, 2018	December 31, 2017	December 31, 2016
Total pension liability:			
Service cost	\$17,361	\$15,635	\$15,254
Interest	51,256	49,915	49,994
Plan changes	56,375	23,831	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	(3,777)	-	-
Gain or loss	(49,855)	-	-
Benefit payments, including refunds of employee contributions	(65,000)	(63,600)	(70,800)
Net change in total pension liability	6,360	25,781	(5,552)
Total pension liability - beginning	1,040,254	1,014,473	1,020,025
Total pension liability - ending (a)	<u>\$1,046,614</u>	<u>\$1,040,254</u>	<u>\$1,014,473</u>
Plan fiduciary net position:			
Contributions - employer	\$25,000	\$24,000	\$23,000
Contributions - State of Minnesota	59,053	57,672	57,853
Contributions - employee	-	-	-
Net investment income	64,418	58,148	54,887
Gain or loss	(100,065)	58,830	2,817
Benefit payments, including refunds of employee contributions	(65,000)	(63,600)	(70,800)
Administrative expense	(13,490)	(6,776)	(6,353)
Net change in plan fiduciary net position	(30,084)	128,274	61,404
Plan fiduciary net position - beginning	1,285,578	1,157,304	1,095,900
Plan fiduciary net position - ending (b)	<u>\$1,255,494</u>	<u>\$1,285,578</u>	<u>\$1,157,304</u>
Net pension liability (asset) - ending (a) - (b)	<u>(\$208,880)</u>	<u>(\$245,324)</u>	<u>(\$142,831)</u>
Plan fiduciary net position as a percentage of the total pension liability	120.0%	123.6%	114.1%
Covered-employee payroll*	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered employee payroll*	NA	NA	NA
Annual pension benefit	\$2,600	\$2,600	\$2,400
Number of plan participants	52	52	52

GASB 68 was implemented in 2017. Information prior to 2017 is not available.

*The Relief Association is comprised of volunteers, therefore, there are no payroll expenditures. (i.e., there are no covered payroll amounts or percentage calculations).

CITY OF PINE CITY, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Statement 14

SCHEDULE OF PENSION CONTRIBUTIONS - PINE CITY FIRE DEPARTMENT RELIEF ASSOCIATION

For The Last Ten Years

Fiscal Year Ending December 31,	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll*	Contributions as a Percentage of Covered Payroll* (b/c)
2010	15,178	56,325	(41,147)	-	NA
2011	15,259	56,899	(41,640)	-	NA
2012	15,259	58,325	(43,066)	-	NA
2013	17,714	75,885	(58,171)	-	NA
2014	17,714	76,194	(58,480)	-	NA
2015	14,035	79,676	(65,641)	-	NA
2016	14,035	80,853	(66,818)	-	NA
2017	9,890	81,672	(71,782)	-	NA
2018	9,890	84,053	(74,163)	-	NA
2019	14,579	85,303	(70,724)	-	NA

*The Relief Association is comprised of volunteers, therefore, there are no payroll expenditures. (i.e., there are no covered payroll amounts or percentage calculations).

See accompanying notes to the required supplementary information.

CITY OF PINE CITY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2019

Note A LEGAL COMPLIANCE – BUDGETS

The General Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the department level for the General Fund.

Note B OPEB INFORMATION

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

2019 Changes

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. In addition, the discount rate was changed from 3.5% to 3.3%.

Note C PENSION INFORMATION

PERA – General Employees Retirement Fund

2019 Changes in Actuarial Assumptions:

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

2019 Changes in the 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 in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.

CITY OF PINE CITY, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
December 31, 2019

- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Single Employer – Fire Relief Association

2018 Changes:

- A benefit level increase from \$2,400 to \$2,600 was reflected in the active liability.

2017 Changes:

- GASB 67 and 68 were implemented.

**COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL
STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

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SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for, and payment of, interest, principal and related costs on long-term debt.

CAPITAL PROJECT FUNDS

Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

CITY OF PINE CITY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2019
With Comparative Totals For December 31, 2018

Statement 15

	Special	Debt	Capital	Total Nonmajor Governmental	
	Revenue	Service	Project	2019	2018
Assets					
Cash and investments	\$726,407	\$739,609	\$243,552	\$1,709,568	\$1,722,700
Accrued interest receivable	-	-	-	-	1,416
Property taxes receivable:					
Due from county	-	-	1,126	1,126	1,842
Due from other funds	8,345	-	129,654	137,999	163,930
Special assessments receivable	-	465,932	10,935	476,867	518,624
Loans receivable	121,645	-	-	121,645	50,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$856,397	\$1,205,541	\$385,267	\$2,447,205	\$2,458,512
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$2,474	\$ -	\$685	\$3,159	\$28,472
Contracts payable	-	-	54,063	54,063	-
Due to other funds	-	19,813	219,208	239,021	248,004
Total liabilities	2,474	19,813	273,956	296,243	276,476
Deferred inflows of resources:					
Unavailable revenue	-	464,799	10,935	475,734	516,781
Fund balance (deficit):					
Restricted	490,249	680,644	54,689	1,225,582	1,234,874
Committed	363,674	-	-	363,674	317,075
Assigned	-	51,753	171,228	222,981	219,905
Unassigned	-	(11,468)	(125,541)	(137,009)	(106,599)
Total fund balance (deficit)	853,923	720,929	100,376	1,675,228	1,665,255
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balance	\$856,397	\$1,205,541	\$385,267	\$2,447,205	\$2,458,512

CITY OF PINE CITY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2019
With Comparative Totals For The Year Ended December 31, 2018

Statement 16

	Special Revenue	Debt Service	Capital Project	Total Nonmajor Governmental	
				2019	2018
Revenues:					
General property taxes	\$75,891	\$426,590	\$ -	\$502,481	\$511,215
Tax increment collections	-	27,920	32,303	60,223	59,819
Special assessments	-	182,372	2,249	184,621	184,919
Intergovernmental	17,551	-	-	17,551	-
Charges for services	13,690	-	-	13,690	14,600
Investment income	14,490	9,576	4,811	28,877	8,820
Miscellaneous	-	-	1,050	1,050	2,399
Total revenues	121,622	646,458	40,413	808,493	\$781,772
Expenditures:					
Current:					
Public works	6,939	-	-	6,939	12,359
Culture and recreation	-	-	159	159	-
Economic development	47,756	-	34,579	82,335	65,055
Capital outlay:					
Public works	-	189,888	87,433	277,321	28,499
Culture and recreation	-	-	-	-	8,238
Economic development	-	-	-	-	81,658
Debt service:					
Principal	-	849,000	-	849,000	544,000
Interest and fiscal charges	-	129,046	-	129,046	127,829
Total expenditures	54,695	1,167,934	122,171	1,344,800	867,638
Revenues over (under) expenditures	66,927	(521,476)	(81,758)	(536,307)	(85,866)
Other financing sources (uses):					
Transfers in	-	-	-	-	64,108
Transfers out	(10,000)	-	-	(10,000)	(60,074)
Issuance of debt	-	471,688	-	471,688	-
Bond premium	-	7,726	-	7,726	-
Total other financing sources (uses)	(10,000)	479,414	0	469,414	4,034
Net change in fund balance	56,927	(42,062)	(81,758)	(66,893)	(81,832)
Fund balance - January 1	796,996	762,991	182,134	1,742,121	1,747,087
Fund balance - December 31	\$853,923	\$720,929	\$100,376	\$1,675,228	\$1,665,255

Reconciliation of beginning fund balance to prior year ending fund balance:

Prior year ending fund balance reported above	\$1,665,255
Fund balance of fund 312 reported as major in prior year, nonmajor in current year	13,104
Fund balance of fund 409 reported as major in prior year, nonmajor in current year	43,640
Fund balance of fund 410 reported as nonmajor in prior year, major in current year	20,122
Current year beginning fund balance	\$1,742,121

CITY OF PINE CITY, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2019
With Comparative Totals For December 31, 2018

	201 Economic Development Authority	203 Revolving Loan Fund
Assets		
Cash and investments	\$113,827	\$368,604
Accrued interest receivable	-	-
Property taxes receivable:		
Due from county	-	-
Due from other funds	8,345	-
Loans receivable	-	121,645
Total assets	\$122,172	\$490,249
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$2,396	\$ -
Fund balance:		
Restricted	-	490,249
Committed	119,776	-
Total fund balance	119,776	490,249
Total liabilities and fund balance	\$122,172	\$490,249

204 Cemetery Fund	213 Housing Operations Fund	214 HRA Loan Fund	Total Nonmajor Special Revenue Funds	
			2019	2018
\$193,121	\$29,546	\$21,309	\$726,407	\$742,727
-	-	-	-	636
-	-	-	-	1,235
-	-	-	8,345	8,345
-	-	-	121,645	50,000
<u>\$193,121</u>	<u>\$29,546</u>	<u>\$21,309</u>	<u>\$856,397</u>	<u>\$802,943</u>
\$78	\$ -	\$ -	\$2,474	\$5,947
-	-	-	490,249	479,921
193,043	29,546	21,309	363,674	317,075
193,043	29,546	21,309	853,923	796,996
<u>\$193,121</u>	<u>\$29,546</u>	<u>\$21,309</u>	<u>\$856,397</u>	<u>\$802,943</u>

CITY OF PINE CITY, MINNESOTA
 SUBCOMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2019
 With Comparative Totals For The Year Ended December 31, 2018

	201 Economic Development Authority	203 Revolving Loan Fund
Revenues:		
General property taxes	\$37,562	\$ -
Intergovernmental	17,551	-
Charges for services	-	-
Investment income	1,506	10,328
Other	-	-
Total revenues	<u>56,619</u>	<u>10,328</u>
Expenditures:		
Current:		
Public works	-	-
Economic development	41,255	-
Capital outlay:		
Economic development	-	-
Total expenditures	<u>41,255</u>	<u>0</u>
Revenues over (under) expenditures	<u>15,364</u>	<u>10,328</u>
Other financing sources (uses):		
Transfers in	-	-
Transfers out	(5,000)	-
Total other financing sources (uses)	<u>(5,000)</u>	<u>0</u>
Net change in fund balance	10,364	10,328
Fund balance - January 1	<u>109,412</u>	<u>479,921</u>
Fund balance - December 31	<u><u>\$119,776</u></u>	<u><u>\$490,249</u></u>

204 Cemetery Fund	213 Housing Operations Fund	214 HRA Loan Fund	Total Nonmajor Special Revenue Funds	
			2019	2018
			\$ -	\$38,329
-	-	-	17,551	-
13,690	-	-	13,690	14,600
2,656	-	-	14,490	4,114
-	-	-	-	2,399
<u>16,346</u>	<u>38,329</u>	<u>0</u>	<u>121,622</u>	<u>94,974</u>
6,939	-	-	6,939	11,713
-	6,501	-	47,756	33,906
-	-	-	-	81,658
<u>6,939</u>	<u>6,501</u>	<u>0</u>	<u>54,695</u>	<u>127,277</u>
<u>9,407</u>	<u>31,828</u>	<u>0</u>	<u>66,927</u>	<u>(32,303)</u>
-	-	-	-	31,000
-	(5,000)	-	(10,000)	(46,000)
<u>0</u>	<u>(5,000)</u>	<u>0</u>	<u>(10,000)</u>	<u>(15,000)</u>
9,407	26,828	-	56,927	(47,303)
<u>183,636</u>	<u>2,718</u>	<u>21,309</u>	<u>796,996</u>	<u>844,299</u>
<u>\$193,043</u>	<u>\$29,546</u>	<u>\$21,309</u>	<u>\$853,923</u>	<u>\$796,996</u>

CITY OF PINE CITY, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2019
With Comparative Totals For December 31, 2018

	303 Golden Horizons TIF	305 Improvement Bonds of 2012B	306 Refunding Bonds of 2008B	307 Refunding Bonds of 2010A	309 Refunding Bonds of 2012A
Assets					
Cash and investments	\$51,293	\$146,493	\$51,753	\$296,744	\$ -
Accrued interest receivable	-	-	-	-	-
Special assessments receivable	-	69,925	-	564	16,453
Total assets	\$51,293	\$216,418	\$51,753	\$297,308	\$16,453
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Due to other funds	\$8,345	\$ -	\$ -	\$ -	\$4,635
Deferred inflows of resources:					
Unavailable revenue	-	69,919	-	561	16,453
Fund balance:					
Restricted	42,948	146,499	-	296,747	-
Assigned	-	-	51,753	-	-
Unrestricted	-	-	-	-	(4,635)
Total fund balance	42,948	146,499	51,753	296,747	(4,635)
Total liabilities, deferred inflows of resources, and fund balance	\$51,293	\$216,418	\$51,753	\$297,308	\$16,453

310 Refunding Bonds of 2013B	311 Improvement Bonds of 2015A	312 Refunding Bonds of 2016A	314 Improvement Bonds of 2018A	315 Equipment Certificate of 2019A	316 Refunding Bonds of 2019B	Total Nonmajor Debt Service Funds	
						2019	2018
\$95,837	\$24,064	\$17,899	\$ -	\$8,088	\$47,438	\$739,609	\$755,791
-	-	-	-	-	-	-	598
144,403	129,463	-	105,124	-	-	465,932	506,009
<u>\$240,240</u>	<u>\$153,527</u>	<u>\$17,899</u>	<u>\$105,124</u>	<u>\$8,088</u>	<u>\$47,438</u>	<u>\$1,205,541</u>	<u>\$1,262,398</u>
\$ -	\$ -	\$ -	\$6,833	\$ -	\$ -	\$19,813	\$8,345
143,850	128,892	-	105,124	-	-	464,799	504,166
96,390	24,635	17,899	-	8,088	47,438	680,644	698,879
-	-	-	-	-	-	51,753	51,008
-	-	-	(6,833)	-	-	(11,468)	-
96,390	24,635	17,899	(6,833)	8,088	47,438	720,929	749,887
<u>\$240,240</u>	<u>\$153,527</u>	<u>\$17,899</u>	<u>\$105,124</u>	<u>\$8,088</u>	<u>\$47,438</u>	<u>\$1,205,541</u>	<u>\$1,262,398</u>

CITY OF PINE CITY, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
For The Year Ended December 31, 2019
With Comparative Totals For The Year Ended December 31, 2018

	303 Golden Horizons TIF	305 Improvement Bonds of 2012B	306 Refunding Bonds of 2008B	307 Refunding Bonds of 2010A	309 Refunding Bonds of 2012A
Revenues:					
General property taxes	\$ -	\$75,000	\$ -	\$90,708	\$82,000
Tax increment collections	27,920	-	-	-	-
Special assessments	-	18,426	-	84,584	8,783
Investment income	677	1,959	745	4,520	357
Total revenues	<u>28,597</u>	<u>95,385</u>	<u>745</u>	<u>179,812</u>	<u>91,140</u>
Expenditures:					
Capital outlay:					
Public works	-	-	-	-	-
Debt service:					
Principal	15,000	75,000	-	230,000	370,000
Interest and fiscal charges	6,558	9,359	-	11,966	14,242
Total expenditures	<u>21,558</u>	<u>84,359</u>	<u>0</u>	<u>241,966</u>	<u>384,242</u>
Revenues over (under) expenditures	<u>7,039</u>	<u>11,026</u>	<u>745</u>	<u>(62,154)</u>	<u>(293,102)</u>
Other financing sources (uses):					
Transfers out	-	-	-	-	-
Issuance of debt	-	-	-	-	220,000
Bond premium	-	-	-	-	7,726
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>227,726</u>
Net change in fund balance	7,039	11,026	745	(62,154)	(65,376)
Fund balance - January 1	<u>35,909</u>	<u>135,473</u>	<u>51,008</u>	<u>358,901</u>	<u>60,741</u>
Fund balance - December 31	<u>\$42,948</u>	<u>\$146,499</u>	<u>\$51,753</u>	<u>\$296,747</u>	<u>(\$4,635)</u>

310 Refunding Bonds of 2013B	311 Improvement Bonds of 2015A	312 Refunding Bonds of 2016A	314 Improvement Bonds of 2018A	315 Equipment Certificate of 2019A	316 Refunding Bonds of 2019B	Total Nonmajor Debt Service Funds	
						2019	2018
\$13,500	\$41,882	\$123,500	\$ -	\$ -	\$ -	\$426,590	\$437,354
-	-	-	-	-	-	27,920	27,068
30,085	29,198	-	11,296	-	-	182,372	182,837
1,318	-	-	-	-	-	9,576	3,166
<u>44,903</u>	<u>71,080</u>	<u>123,500</u>	<u>11,296</u>	<u>0</u>	<u>0</u>	<u>646,458</u>	<u>650,425</u>
-	-	-	-	189,888	-	189,888	-
24,000	45,000	90,000	-	-	-	849,000	544,000
17,590	16,223	28,705	18,129	6,024	250	129,046	127,829
<u>41,590</u>	<u>61,223</u>	<u>118,705</u>	<u>18,129</u>	<u>195,912</u>	<u>250</u>	<u>1,167,934</u>	<u>671,829</u>
3,313	9,857	4,795	(6,833)	(195,912)	(250)	(521,476)	(21,404)
-	-	-	-	-	-	-	(14,074)
-	-	-	-	204,000	47,688	471,688	-
-	-	-	-	-	-	7,726	-
-	-	-	-	<u>204,000</u>	<u>47,688</u>	<u>479,414</u>	<u>(14,074)</u>
3,313	9,857	4,795	(6,833)	8,088	47,438	(42,062)	(35,478)
93,077	14,778	13,104	-	-	-	762,991	785,365
<u>\$96,390</u>	<u>\$24,635</u>	<u>\$17,899</u>	<u>(\$6,833)</u>	<u>\$8,088</u>	<u>\$47,438</u>	<u>\$720,929</u>	<u>\$749,887</u>
Reconciliation of beginning fund balance to prior year ending fund balance:							
Prior year ending fund balance reported above							\$749,887
Fund balance of fund 312 reported as major in prior year, nonmajor in current year							13,104
Current year beginning fund balance							<u>\$762,991</u>

CITY OF PINE CITY, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2019
With Comparative Totals For December 31, 2018

	403 TIF District 2-1	404 Bottle Cap TIF District 1-12	405 2009 Street Improvement	406 2015 Street Improvement
Assets				
Cash and investments	\$17,181	\$21,760	\$ -	\$171,228
Accrued interest receivable	-	-	-	-
Property taxes receivable:				
Due from county	-	1,126	-	-
Due from other funds	-	-	129,654	-
Special assessments receivable	-	-	-	-
Total assets	\$17,181	\$22,886	\$129,654	\$171,228
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-
Due to other funds	-	-	129,654	-
Total liabilities	0	0	129,654	0
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balance (deficit):				
Restricted	17,181	22,886	-	-
Assigned	-	-	-	171,228
Unassigned	-	-	-	-
Total fund balance (deficit)	17,181	22,886	0	171,228
Total liabilities, deferred inflows of resources, and fund balance	\$17,181	\$22,886	\$129,654	\$171,228

407 2017 Street Improvement	409 2018 Street Projects	411 2020 Street Projects	425 Park Dedication	Total Nonmajor Capital Project Funds	
				2019	2018
\$2,249	\$16,512	\$ -	\$14,622	\$243,552	\$224,182
-	-	-	-	-	182
-	-	-	-	1,126	607
-	-	-	-	129,654	155,585
10,935	-	-	-	10,935	12,615
<u>\$13,184</u>	<u>\$16,512</u>	<u>\$0</u>	<u>\$14,622</u>	<u>\$385,267</u>	<u>\$393,171</u>
\$ -	\$685	\$ -	\$ -	\$685	\$22,525
-	35,015	19,048	-	54,063	-
84,074	-	5,480	-	219,208	239,659
<u>84,074</u>	<u>35,700</u>	<u>24,528</u>	<u>0</u>	<u>273,956</u>	<u>262,184</u>
<u>10,935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,935</u>	<u>12,615</u>
-	-	-	14,622	54,689	56,074
-	-	-	-	171,228	168,897
<u>(81,825)</u>	<u>(19,188)</u>	<u>(24,528)</u>	<u>-</u>	<u>(125,541)</u>	<u>(106,599)</u>
<u>(81,825)</u>	<u>(19,188)</u>	<u>(24,528)</u>	<u>14,622</u>	<u>100,376</u>	<u>118,372</u>
<u>\$13,184</u>	<u>\$16,512</u>	<u>\$0</u>	<u>\$14,622</u>	<u>\$385,267</u>	<u>\$393,171</u>

CITY OF PINE CITY, MINNESOTA
 SUBCOMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR CAPITAL PROJECT FUNDS
 For The Year Ended December 31, 2019
 With Comparative Totals For The Year Ended December 31, 2018

	403 TIF District 2-1	404 Bottle Cap TIF District 1-12	406 2015 Street Improvement
Revenues:			
Tax increment collections	\$16,517	\$15,786	\$ -
Special assessments	-	-	-
Investment income	-	-	2,331
Miscellaneous	-	-	-
Total revenues	<u>16,517</u>	<u>15,786</u>	<u>2,331</u>
Expenditures:			
Current:			
Public works	-	-	-
Culture and recreation	-	-	-
Economic development	16,923	17,656	-
Capital outlay:			
Public works	-	-	-
Culture and recreation	-	-	-
Total expenditures	<u>16,923</u>	<u>17,656</u>	<u>0</u>
Revenues over (under) expenditures	<u>(406)</u>	<u>(1,870)</u>	<u>2,331</u>
Other financing sources (uses):			
Transfers in	-	-	-
Net change in fund balance	(406)	(1,870)	2,331
Fund balance (deficit) - January 1	<u>17,587</u>	<u>24,756</u>	<u>168,897</u>
Fund balance (deficit) - December 31	<u><u>\$17,181</u></u>	<u><u>\$22,886</u></u>	<u><u>\$171,228</u></u>

407 2017 Street Improvement	409 2018 Street Projects	411 2020 Street Projects	425 Park Dedication	Total Nonmajor Capital Project Funds	
				2019	2018
\$ -	\$ -	\$ -	\$ -	\$32,303	\$32,751
2,249	-	-	-	2,249	2,082
-	2,480	-	-	4,811	1,540
-	-	-	1,050	1,050	-
<u>2,249</u>	<u>2,480</u>	<u>0</u>	<u>1,050</u>	<u>40,413</u>	<u>36,373</u>
-	-	-	-	-	646
-	-	-	159	159	-
-	-	-	-	34,579	31,149
(2,403)	65,308	24,528	-	87,433	28,499
-	-	-	-	-	8,238
<u>(2,403)</u>	<u>65,308</u>	<u>24,528</u>	<u>159</u>	<u>122,171</u>	<u>68,532</u>
<u>4,652</u>	<u>(62,828)</u>	<u>(24,528)</u>	<u>891</u>	<u>(81,758)</u>	<u>(32,159)</u>
-	-	-	-	-	33,108
4,652	(62,828)	(24,528)	891	(81,758)	949
<u>(86,477)</u>	<u>43,640</u>	<u>-</u>	<u>13,731</u>	<u>182,134</u>	<u>117,423</u>
<u><u>(\$81,825)</u></u>	<u><u>(\$19,188)</u></u>	<u><u>(\$24,528)</u></u>	<u><u>\$14,622</u></u>	<u><u>\$100,376</u></u>	<u><u>\$118,372</u></u>

Reconciliation of beginning fund balance to prior year ending fund balance:

Prior year ending fund balance reported above	\$118,372
Fund balance of fund 409 reported as major in prior year, nonmajor in current year	43,640
Fund balance of fund 410 reported as nonmajor in prior year, major in current year	20,122
Current year beginning fund balance	<u><u>\$182,134</u></u>

CITY OF PINE CITY, MINNESOTA

SPECIAL REVENUE FUND - 201 ECONOMIC DEVELOPMENT AUTHORITY

Statement 23

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

For The Year Ended December 31, 2019

With Comparative Actual Amounts For The Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
Revenues:					
General property taxes	\$37,562	\$37,562	\$37,562	\$ -	\$37,243
Intergovernmental	-	-	17,551	17,551	-
Investment income	828	828	1,506	678	551
Other	100	100	-	(100)	180
Total revenues	<u>38,490</u>	<u>38,490</u>	<u>56,619</u>	<u>18,129</u>	<u>37,974</u>
Expenditures:					
Current:					
Economic development	<u>33,490</u>	<u>33,490</u>	<u>41,255</u>	<u>(7,765)</u>	<u>22,054</u>
Revenues over (under) expenditures	5,000	5,000	15,364	10,364	15,920
Other financing sources (uses):					
Transfer out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>(14,691)</u>
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	10,364	<u>\$10,364</u>	1,229
Fund balance - January 1			<u>109,412</u>		<u>108,183</u>
Fund balance - December 31			<u>\$119,776</u>		<u>\$109,412</u>

CITY OF PINE CITY, MINNESOTA

SPECIAL REVENUE FUND - 204 CEMETERY FUND

Statement 24

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

For The Year Ended December 31, 2019

With Comparative Actual Amounts For The Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
Revenues:					
Charges for services	\$8,000	\$8,000	\$13,690	\$5,690	\$14,600
Investment income	2,000	2,000	2,656	656	938
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>16,346</u>	<u>6,346</u>	<u>15,538</u>
Expenditures:					
Current:					
Public works	<u>16,345</u>	<u>16,345</u>	<u>6,939</u>	<u>9,406</u>	<u>11,713</u>
Revenues over (under) expenditures	(6,345)	(6,345)	9,407	15,752	3,825
Other financing sources (uses):					
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>
Net change in fund balance	<u>(\$6,345)</u>	<u>(\$6,345)</u>	9,407	<u>\$15,752</u>	(1,175)
Fund balance - January 1			<u>183,636</u>		<u>184,811</u>
Fund balance - December 31			<u>\$193,043</u>		<u>\$183,636</u>

CITY OF PINE CITY, MINNESOTA

SPECIAL REVENUE FUND - 213 HOUSING OPERATIONS FUND

Statement 25

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

For The Year Ended December 31, 2019

With Comparative Actual Amounts For The Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
Revenues:					
General property taxes	\$38,329	\$38,329	\$38,329	-	\$36,618
Investment income	420	420	-	(420)	131
Total revenues	<u>38,749</u>	<u>38,749</u>	<u>38,329</u>	<u>(420)</u>	<u>36,749</u>
Expenditures:					
Current:					
Economic development	<u>10,900</u>	<u>10,900</u>	<u>6,501</u>	<u>4,399</u>	<u>7,722</u>
Revenues over (under) expenditures	27,849	27,849	31,828	3,979	29,027
Other financing sources (uses):					
Transfer out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>(26,309)</u>
Net change in fund balance	<u>\$22,849</u>	<u>\$22,849</u>	26,828	<u>\$3,979</u>	2,718
Fund balance - January 1			<u>2,718</u>		<u>-</u>
Fund balance - December 31			<u>\$29,546</u>		<u>\$2,718</u>