

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

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2023**

CITY OF PINE CITY, MINNESOTA

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CITY OF PINE CITY, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2023

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Carl Pederson	Mayor	December 31, 2024
Vacant	Council Member	December 31, 2024
Kyle Palmer	Council Member	December 31, 2024
Gina Pettie	Council Member	December 31, 2026
David Hill	Council Member	December 31, 2026

APPOINTED

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

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Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

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Experienced... Over 40 years combined experience

Affordable... Exceptional value for a reasonable price

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pine City, Minnesota (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of Pine City Housing and Redevelopment Authority, which is a discretely presented component unit of the City.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as the pension liability and OPEB liability schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental information, as listed in the table of contents under supplemental section, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Comparative Information

We have previously audited the City's 2022 financial statements expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information in our report dated August 28, 2023. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Burkhardt & Burkhardt, Ltd.

Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
September 5, 2024

BASIC FINANCIAL STATEMENTS

CITY OF PINE CITY, MINNESOTA

STATEMENT OF NET POSITION
December 31, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Authority
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash and Investments	\$ 3,006,943	\$ 4,468,071	\$ 7,475,014	\$ 187,091
Restricted Cash	0	0	0	12,716
Receivables:				
Accounts, Net of Allowance	23,658	246,574	270,232	1,744
Intergovernmental	161,550	0	161,550	0
Property Taxes	68,157	0	68,157	0
Leases	0	94,084	94,084	0
Notes	322,488	0	322,488	0
Inventory	0	357,197	357,197	0
Prepaid Expenses	22,988	9,826	32,814	6,247
Special Assessments	716,579	246,662	963,241	0
Property Held for Sale	30,372	0	30,372	0
Internal Balances	(2,120,557)	2,120,557	0	0
Capital Assets:				
Assets not Being Depreciated	799,640	138,278	937,918	14,281
Other Capital Assets, Net of Depreciation	17,132,460	16,164,241	33,296,701	380,951
Net Pension Asset	379,692	0	379,692	0
Total Assets	20,543,970	23,845,490	44,389,460	603,030
Deferred Outflows of Resources:				
Other Post Employment Benefits Deferments	23,500	0	23,500	0
Pension Plan Deferments	1,563,345	0	1,563,345	0
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 22,130,815	\$ 23,845,490	\$ 45,976,305	\$ 603,030
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities:				
Accrued Expenses	\$ 668,971	\$ 297,912	\$ 966,883	\$ 14,114
Due to Other Governments	0	21,839	21,839	6,181
Current Portion of Long-term Debt	494,000	608,000	1,102,000	0
Compensated Absences	70,735	36,826	107,561	1,856
Unearned Revenue	31,468	6,607	38,075	13,102
Long-term Debt, Net of Current Portion	4,690,267	5,241,597	9,931,864	0
Other Post Employment Benefits Liability	87,299	0	87,299	0
Net Pension Liability	1,118,378	0	1,118,378	0
Total Liabilities	7,161,118	6,212,781	13,373,899	35,253
Deferred Inflows of Resources:				
Lease Deferments	0	93,792	93,792	0
Other Post Employment Benefits Deferments	8,275	0	8,275	0
Pension Plan Deferments	828,517	0	828,517	0
Total Deferred Inflows of Resources	836,792	93,792	930,584	0
Net Position:				
Net Investment in Capital Assets	12,747,833	10,452,922	23,200,755	395,232
Restricted	2,139,742	0	2,139,742	0
Unrestricted	(754,670)	7,085,995	6,331,325	172,545
Total Net Position	14,132,905	17,538,917	31,671,822	567,777
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 22,130,815	\$ 23,845,490	\$ 45,976,305	\$ 603,030

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

CITY OF PINE CITY, MINNESOTA

STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 901,218	\$ 189,705	\$ 0	\$ 0
Public Safety	1,229,254	280,278	97,705	0
Public Works	1,092,195	171,744	0	36,935
Culture and Recreation	582,485	7,826	0	5,000
Economic Development	201,847	0	123,786	0
Interest on Long-term Debt	128,586	0	0	0
Total Governmental Activities	<u>4,135,585</u>	<u>649,553</u>	<u>221,491</u>	<u>41,935</u>
BUSINESS-TYPE ACTIVITIES:				
Water	626,255	1,362,808	0	6,023
Sewer	567,752	855,999	0	5,196
Liquor	2,243,490	2,430,754	0	0
Total Business-type Activities	<u>3,437,497</u>	<u>4,649,561</u>	<u>0</u>	<u>11,219</u>
Total Primary Government	<u>\$ 7,573,082</u>	<u>\$ 5,299,114</u>	<u>\$ 221,491</u>	<u>\$ 53,154</u>
COMPONENT UNIT:				
Housing and Redevelopment Authority	<u>\$ 232,288</u>	<u>\$ 167,231</u>	<u>\$ 78,942</u>	<u>\$ 0</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes
Property Taxes, Levied for Debt Service
Property Taxes, Levied for Other Purposes

Tax Increment

Intergovernmental

Unrestricted Investment Earnings

Other Revenues

Transfers

Total General Revenues

Change in Net Position

Net Position - January 1

Net Position - December 31

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

Net (Expenses) Revenues and Changes in Net Position			Component Unit
Primary Government			
Governmental Activities	Business-type Activities	Total Primary Government	Housing and Redevelopment Authority
\$ (711,513)	\$ 0	\$ (711,513)	\$ 0
(851,271)	0	(851,271)	0
(883,516)	0	(883,516)	0
(569,659)	0	(569,659)	0
(78,061)	0	(78,061)	0
<u>(128,586)</u>	<u>0</u>	<u>(128,586)</u>	<u>0</u>
<u>(3,222,606)</u>	<u>0</u>	<u>(3,222,606)</u>	<u>0</u>
0	742,576	742,576	0
0	293,443	293,443	0
<u>0</u>	<u>187,264</u>	<u>187,264</u>	<u>0</u>
<u>0</u>	<u>1,223,283</u>	<u>1,223,283</u>	<u>0</u>
<u>(3,222,606)</u>	<u>1,223,283</u>	<u>(1,999,323)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>13,885</u>
979,794	0	979,794	0
624,508	0	624,508	0
248,169	0	248,169	0
74,527	0	74,527	0
915,382	0	915,382	0
24,777	81,227	106,004	103
118,880	57,059	175,939	3,809
<u>209,304</u>	<u>(209,304)</u>	<u>0</u>	<u>0</u>
<u>3,195,341</u>	<u>(71,018)</u>	<u>3,124,323</u>	<u>3,912</u>
(27,265)	1,152,265	1,125,000	17,797
<u>14,160,170</u>	<u>16,386,652</u>	<u>30,546,822</u>	<u>549,980</u>
<u>\$ 14,132,905</u>	<u>\$ 17,538,917</u>	<u>\$ 31,671,822</u>	<u>\$ 567,777</u>

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

CITY OF PINE CITY, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023

	General	Debt Service Funds	Capital Improvement
ASSETS			
Cash and Investments	\$ 527,967	\$ 1,218,378	\$ 267,085
Receivables:			
Accounts	23,658	0	0
Intergovernmental	161,550	0	0
Property Taxes	68,157	0	0
Notes	0	0	0
Prepaid Expense	22,530	0	0
Due from Other Funds	825,389	0	0
Special Assessments	0	685,933	30,646
Land Held for Sale	30,372	0	0
TOTAL ASSETS	<u>\$ 1,659,623</u>	<u>\$ 1,904,311</u>	<u>\$ 297,731</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accrued Expenses	\$ 324,492	\$ 4,347	\$ 0
Unearned Revenue	31,468	0	0
Due to Other Funds	0	0	0
Total Liabilities	<u>355,960</u>	<u>4,347</u>	<u>0</u>
Deferred Inflows of Resources:			
Unavailable Revenue	<u>88,507</u>	<u>685,238</u>	<u>30,646</u>
Fund Balance:			
Nonspendable	52,902	0	0
Restricted	0	1,214,726	0
Committed	0	0	0
Assigned	0	0	267,085
Unassigned	1,162,254	0	0
Total Fund Balance	<u>1,215,156</u>	<u>1,214,726</u>	<u>267,085</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,659,623</u>	<u>\$ 1,904,311</u>	<u>\$ 297,731</u>

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

2022 Street Project	Nonmajor Governmental Funds	Total Governmental Funds
\$ 0	\$ 993,513	\$ 3,006,943
0	0	23,658
0	0	161,550
0	0	68,157
0	322,488	322,488
0	458	22,988
0	0	825,389
0	0	716,579
0	0	30,372
<u>\$ 0</u>	<u>\$ 1,316,459</u>	<u>\$ 5,178,124</u>

\$ 293,322	\$ 6,112	\$ 628,273
0	0	31,468
2,243,686	581,703	2,825,389
<u>2,537,008</u>	<u>587,815</u>	<u>3,485,130</u>

<u>0</u>	<u>0</u>	<u>804,391</u>
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0	458	53,360
0	280,477	1,495,203
0	1,031,590	1,031,590
0	0	267,085
<u>(2,537,008)</u>	<u>(583,881)</u>	<u>(1,958,635)</u>
<u>(2,537,008)</u>	<u>728,644</u>	<u>888,603</u>

<u>\$ 0</u>	<u>\$ 1,316,459</u>	<u>\$ 5,178,124</u>
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The Notes to the Financial Statements are an Integral Part of this Statement.

CITY OF PINE CITY, MINNESOTA

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2023

Total Fund Balances - Governmental Funds	\$ 888,603
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	29,846,851
Less: Accumulated depreciation	(11,914,751)
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Bonds and notes payable	(5,078,000)
Discount/Premiums	(106,267)
Compensated absences payable	(70,735)
Long-term receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds.	
Delinquent property taxes	88,507
Special assessments	715,884
Net pension assets are not recognized under the current financial resource measurement focus and, therefore, have no effect on fund balance	
Net pension asset - volunteer firemen's relief pension fund	379,692
Deferred inflows and outflows of resources related to the pension assets are not recognized under the current financial resources measurement focus and, therefore, have no effect on fund balance	
Deferred outflows of resources related to Fire Relief pensions	323,979
Deferred inflows of resources related to Fire Relief pensions	(205,199)
Governmental funds do not report a liability for accrued interest payable until due and payable.	
	(40,700)
An internal service fund is used by management to charge the cost of pension and OPEB benefits to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position	
	<u>(694,961)</u>
Total Net Position - Governmental Activities	<u>\$ 14,132,905</u>

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

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CITY OF PINE CITY, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2023

	General	Debt Service Funds	Capital Improvement
Revenues:			
Taxes	\$ 997,492	\$ 624,508	\$ 159,125
Tax Increment	0	33,178	0
Special Assessments	1,012	118,994	3,358
Intergovernmental	1,003,622	0	0
Licenses and Permits	123,509	0	0
Charges for Services	337,686	0	140,739
Fines and Fees	5,969	0	0
Other Revenues	72,414	0	6,000
Investment Earnings	12,181	0	3,003
Total Revenues	<u>2,553,885</u>	<u>776,680</u>	<u>312,225</u>
Expenditures:			
Current:			
General Government	805,478	0	0
Public Safety	1,016,775	0	0
Public Works	481,662	0	0
Parks and Recreation	472,406	0	0
Economic Development	0	0	0
Capital Outlay:			
General Government	120,798	0	0
Public Safety	11,514	0	364,724
Public Works	12,222	0	12,895
Parks and Recreation	18,122	0	10,036
Debt Service:			
Principal	0	634,000	0
Interest and Fiscal Fees	0	143,485	0
Total Expenditures	<u>2,938,977</u>	<u>777,485</u>	<u>387,655</u>
Excess of Revenues Over (Under) Expenditures	<u>(385,092)</u>	<u>(805)</u>	<u>(75,430)</u>
Other Financing Sources (Uses):			
Transfers In	50,000	418,654	229,895
Transfers Out	(945)	(211,442)	(124,344)
Total Other Financing Sources (Uses)	<u>49,055</u>	<u>207,212</u>	<u>105,551</u>
Change in Fund Balance	(336,037)	206,407	30,121
Fund Balance - January	<u>1,551,193</u>	<u>1,008,319</u>	<u>236,964</u>
Fund Balance - December 31	<u>\$ 1,215,156</u>	<u>\$ 1,214,726</u>	<u>\$ 267,085</u>

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

2022 Street Project	Nonmajor Governmental Funds	Total Governmental Funds
\$ 0	\$ 91,000	\$ 1,872,125
0	41,349	74,527
0	0	123,364
14,465	123,786	1,141,873
0	0	123,509
0	21,300	499,725
0	0	5,969
0	9,783	88,197
0	9,593	24,777
<u>14,465</u>	<u>296,811</u>	<u>3,954,066</u>
0	11,018	816,496
0	11,089	1,027,864
0	14,480	496,142
0	53,619	526,025
0	197,307	197,307
0	0	120,798
0	0	376,238
1,120,397	39,320	1,184,834
0	0	28,158
0	0	634,000
0	0	143,485
<u>1,120,397</u>	<u>326,833</u>	<u>5,551,347</u>
<u>(1,105,932)</u>	<u>(30,022)</u>	<u>(1,597,281)</u>
0	90,261	788,810
0	(242,775)	(579,506)
<u>0</u>	<u>(152,514)</u>	<u>209,304</u>
(1,105,932)	(182,536)	(1,387,977)
<u>(1,431,076)</u>	<u>911,180</u>	<u>2,276,580</u>
<u>\$ (2,537,008)</u>	<u>\$ 728,644</u>	<u>\$ 888,603</u>

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

CITY OF PINE CITY, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

Net Change in Fund Balances - Governmental Funds \$ (1,387,977)

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

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

Capital outlay	1,356,826
Depreciation expense	(725,324)
Acquisition value of contributed capital assets	27,346

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

Principal repayments	634,000
Amortization of premiums/discounts	8,658

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

6,241

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

Pension expense	(50,278)
-----------------	----------

Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes	(19,655)
Special assessments	(86,429)
Accounts receivable	20,350

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

Compensated absences	(17,510)
----------------------	----------

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

206,486

Change in Net Position - Governmental Activities \$ (27,265)

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

CITY OF PINE CITY, MINNESOTA

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

For the Year Ended December 31, 2023

	Original And Final Budget	Actual Amounts	Over (Under) Budget
Revenues:			
Taxes	\$ 982,088	\$ 997,492	\$ 15,404
Intergovernmental	823,362	1,003,622	180,260
Licenses and Permits	130,800	123,509	(7,291)
Charges for Services	318,078	337,686	19,608
Fines and Fees	9,900	5,969	(3,931)
Special Assessments	0	1,012	1,012
Other Revenues	500	72,414	71,914
Interest and Dividends	1,500	12,181	10,681
Total Revenues	<u>2,266,228</u>	<u>2,553,885</u>	<u>287,657</u>
Expenditures:			
Current:			
General Government	611,789	805,478	193,689
Public Safety	955,585	1,016,775	61,190
Public Works	488,132	481,662	(6,470)
Culture and Recreation	367,073	472,406	105,333
Capital Outlay:			
General Government	0	120,798	120,798
Public Safety	12,500	11,514	(986)
Public Works	18,000	12,222	(5,778)
Culture and Recreation	12,000	18,122	6,122
Total Expenditures	<u>2,465,079</u>	<u>2,938,977</u>	<u>473,898</u>
Excess of Revenues Over (Under) Expenditures	(198,851)	(385,092)	(186,241)
Other Financing Sources (Uses):			
Transfers In	0	50,000	50,000
Transfers Out	0	(945)	(945)
Total Other Financing Sources (Uses)	<u>0</u>	<u>49,055</u>	<u>49,055</u>
Change in Fund Balance	<u>\$ (198,851)</u>	(336,037)	<u>\$ (137,186)</u>
Fund Balance - January 1		<u>1,551,193</u>	
Fund Balance - December 31		<u>\$ 1,215,156</u>	

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

CITY OF PINE CITY, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS

December 31, 2023

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Liquor Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets:			
Cash and Investments	\$ 2,489,917	\$ 1,610,655	\$ 367,499
Accounts Receivable	153,410	93,164	0
Lease Receivable	94,084	0	0
Inventory	0	0	357,197
Special Assessments	7,632	6,141	0
Prepaid Expense	3,698	3,697	2,431
Total Current Assets	<u>2,748,741</u>	<u>1,713,657</u>	<u>727,127</u>
Noncurrent Assets:			
Advance to Other Funds	1,000,000	1,000,000	0
Special Assessments	126,316	106,573	0
Capital Assets Not Being Depreciated	20,000	85,278	33,000
Other Capital Asses, Net of Depreciation	8,705,852	7,328,824	129,565
Total Assets	<u>12,600,909</u>	<u>10,234,332</u>	<u>889,692</u>
Deferred Outflows of Resources:			
Pension Plan Deferments and OPEB Deferments	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,600,909</u>	<u>\$ 10,234,332</u>	<u>\$ 889,692</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current Liabilities:			
Accrued Expenses	\$ 86,028	\$ 64,960	\$ 183,750
Due to Other Governments	0	0	21,839
Unearned Revenue	4,111	2,496	0
Current Portion of Long-term Debt	522,880	85,120	0
Total Current Liabilities	<u>613,019</u>	<u>152,576</u>	<u>205,589</u>
Long-term Liabilities:			
Revenue Bonds Payable	3,592,600	1,648,997	0
Other Post-employment Benefits	0	0	0
Net Pension Liability	0	0	0
Total Liabilities	<u>4,205,619</u>	<u>1,801,573</u>	<u>205,589</u>
Deferred Inflows of Resources:			
Lease Deferments	93,792	0	0
Pension Plan Deferments and OPEB Deferments	0	0	0
Total Deferred Inflows of Resources	<u>93,792</u>	<u>0</u>	<u>0</u>
Net Position:			
Net Investment in Capital Assets	4,610,371	5,679,986	162,565
Unrestricted	3,691,127	2,752,773	521,538
Total Net Position	<u>8,301,498</u>	<u>8,432,759</u>	<u>684,103</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 12,600,909</u>	<u>\$ 10,234,332</u>	<u>\$ 889,692</u>

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

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

Business-type	Governmental Activities
Totals	Internal Service Fund
\$ 4,468,071	\$ 0
246,574	0
94,084	0
357,197	0
13,773	0
9,826	0
<u>5,189,525</u>	<u>0</u>
2,000,000	0
232,889	0
138,278	0
16,164,241	0
<u>23,724,933</u>	<u>0</u>
<u>0</u>	<u>1,262,867</u>
<u>\$ 23,724,933</u>	<u>\$ 1,262,867</u>
\$ 334,738	\$ 0
21,839	0
6,607	0
608,000	0
<u>971,184</u>	<u>0</u>
5,241,597	0
0	87,299
0	1,118,378
<u>6,212,781</u>	<u>1,205,677</u>
93,792	0
0	631,593
<u>93,792</u>	<u>631,593</u>
10,452,922	0
6,965,438	(574,403)
<u>17,418,360</u>	<u>(574,403)</u>
<u>\$ 23,724,933</u>	<u>\$ 1,262,867</u>
\$ 17,418,360	
120,557	
<u>\$ 17,538,917</u>	

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

CITY OF PINE CITY, MINNESOTA

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

For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Liquor Fund
Operating Revenues:			
Charges for Services and Sales	\$ 1,362,808	\$ 855,999	\$ 2,430,754
Cost of Revenues	<u>0</u>	<u>0</u>	<u>1,747,234</u>
Gross Profit	1,362,808	855,999	683,520
Operating Expenses:			
Personnel Services	201,537	201,668	429,531
Materials and Supplies	17,795	2,723	14,933
Professional Fees	39,599	29,803	16,158
Insurance	9,031	20,103	11,500
Utilities	39,260	62,563	14,209
Repairs and Maintenance	18,335	32,803	20,365
Contracted Services	1,037	17,542	8,033
Other Charges	17,464	13,416	51,796
Depreciation	<u>253,518</u>	<u>195,136</u>	<u>16,186</u>
Total Operating Expenses	<u>597,576</u>	<u>575,757</u>	<u>582,711</u>
Income From Operations	765,232	280,242	100,809
Nonoperating Revenues (Expenses)			
Interest and Fiscal Charges	(83,349)	(46,871)	0
Special Assessments	6,023	5,196	0
Access Fees and Other Income	50,363	4,500	2,196
Loss on Disposal of Assets	(108)	0	0
Investment Earnings	<u>37,294</u>	<u>37,292</u>	<u>6,641</u>
Total Nonoperating Revenues (Expenses)	<u>10,223</u>	<u>117</u>	<u>8,837</u>
Income Before Transfers	775,455	280,359	109,646
Transfers In	38,365	32,226	0
Transfers Out	<u>0</u>	<u>0</u>	<u>(279,895)</u>
Change in Net Position	813,820	312,585	(170,249)
Net Position - January 1	<u>7,487,678</u>	<u>8,120,174</u>	<u>854,352</u>
Net Position - December 31	<u>\$ 8,301,498</u>	<u>\$ 8,432,759</u>	<u>\$ 684,103</u>

Change in Net Position reported above

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

Change in Net Position of Business-type Activities

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

Business-type	Governmental Activities
Totals	Internal Service Fund
\$ 4,649,561	\$ 0
<u>1,747,234</u>	<u>0</u>
2,902,327	0
832,736	(402,596)
35,451	0
85,560	0
40,634	0
116,032	0
71,503	0
26,612	0
82,676	0
<u>464,840</u>	<u>0</u>
<u>1,756,044</u>	<u>(402,596)</u>
1,146,283	402,596
(130,220)	0
11,219	0
57,059	0
(108)	0
<u>81,227</u>	<u>0</u>
<u>19,177</u>	<u>0</u>
1,165,460	402,596
70,591	0
<u>(279,895)</u>	<u>0</u>
956,156	402,596
<u>16,462,204</u>	<u>(976,999)</u>
<u>\$ 17,418,360</u>	<u>\$ (574,403)</u>
\$ 956,156	
<u>196,109</u>	
<u>\$ 1,152,265</u>	

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

CITY OF PINE CITY, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For The Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Liquor Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 1,375,846	\$ 868,923	\$ 2,430,750
Payments to Suppliers	(149,618)	(175,980)	(1,913,053)
Payments to Employees	(201,300)	(201,449)	(415,626)
Other Receipts (Payments)	50,363	4,500	2,196
Net Cash from Operating Activities	<u>1,075,291</u>	<u>495,994</u>	<u>104,267</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Payments Received (Paid) on Interfund Loans	(1,000,000)	(1,000,000)	0
Transfers In	38,365	32,226	0
Transfers Out	0	0	(279,895)
Net Cash from Noncapital Financing Activities	<u>(961,635)</u>	<u>(967,774)</u>	<u>(279,895)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest Paid on Debt	(124,760)	(51,502)	0
Principal Paid on Debt	(548,020)	(143,980)	0
Special Assessment Collections	25,473	20,958	0
Acquisition and Construction of Capital Assets	(106,018)	(760,829)	0
Net Cash from Capital and Related Financing Activities	<u>(753,325)</u>	<u>(935,353)</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends Received (Paid)	<u>37,294</u>	<u>37,292</u>	<u>6,641</u>
Net Change in Cash and Investments	(602,375)	(1,369,841)	(168,987)
Cash and Investments - January 1	<u>3,092,292</u>	<u>2,980,496</u>	<u>536,486</u>
Cash and Investments - December 31	<u>\$ 2,489,917</u>	<u>\$ 1,610,655</u>	<u>\$ 367,499</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:			
Income from Operations	\$ 765,232	\$ 280,242	\$ 100,809
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:			
Other Receipts (Payments)	50,363	4,500	2,196
Depreciation Expense	253,518	195,136	16,186
(Increase) Decrease in Accounts Receivable	15,659	14,949	0
(Increase) Decrease in Prepaid Expense	354	354	78
(Increase) Decrease in Inventory	0	0	(24,392)
Increase (Decrease) in Due to Other Governments	0	0	(18,325)
Increase (Decrease) in Unearned Revenue	(2,621)	(2,025)	0
Increase (Decrease) in Pension Resources and OPEB	0	0	0
Increase (Decrease) in Accrued Expenses	(7,214)	2,838	27,715
Net Cash from Operating Activities	<u>\$ 1,075,291</u>	<u>\$ 495,994</u>	<u>\$ 104,267</u>

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

Business-type	Governmental Activities
Totals	Internal Service Fund
\$ 4,675,519	\$ 0
(2,238,651)	0
(818,375)	0
57,059	0
<u>1,675,552</u>	<u>0</u>
(2,000,000)	0
70,591	0
(279,895)	0
<u>(2,209,304)</u>	<u>0</u>
(176,262)	0
(692,000)	0
46,431	0
(866,847)	0
<u>(1,688,678)</u>	<u>0</u>
<u>81,227</u>	<u>0</u>
(2,141,203)	0
<u>6,609,274</u>	<u>0</u>
<u>\$ 4,468,071</u>	<u>\$ 0</u>
\$ 1,146,283	\$ 402,596
57,059	0
464,840	0
30,608	0
786	0
(24,392)	0
(18,325)	0
(4,646)	0
0	(402,596)
23,339	0
<u>\$ 1,675,552</u>	<u>\$ 0</u>

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

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

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

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

Included in the City’s reporting entity is the following discretely presented component unit. The fiscal year-end of the discretely presented component unit is March 31, and its financial data as of and for the year ended March 31, 2024, is included in these financial statements.

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than as program revenues.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Aggregate information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues, except property taxes and reimbursement grants, to be available if they are collected within 90 days of the end of the current fiscal period. Property taxes are considered available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

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

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Deposits and investments

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

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

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

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

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

See Note 3 for the City's recurring fair value measurements as of December 31, 2023. The City has adopted a formal investment policy.

Property taxes

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

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

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

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2023. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Notes receivable

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

Special assessments

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

Land held for resale

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

Inventory and Prepaid items

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Interfund receivables and payables

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

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

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

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

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

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

Compensated absences

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

Deferred outflows/inflows of resources

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Unearned Revenue

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

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA), Pine City Volunteer Fire Relief Association (VFRA) and additions to/deductions from PERA's fiduciary net position and VFRA's fiduciary net position have been determined on the same basis as they are reported by PERA and VFRA, except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are delayed and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

Leases

Lease receivables

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

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

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Lease liabilities

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

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

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

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

Significant lease terms are disclosed in note 3.

Net position

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

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

Fund balance

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

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

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

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

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

Note 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

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

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

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2023, the General fund had expenditures over appropriations of \$473,898. Excess expenditures over appropriations were funded with additional revenues and available fund balance.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (Continued)

C. Deficit Fund Equity

The following had fund equity deficits at year end:

Fund	Amount
Governmental	
Major	
2022 Street Project	\$ 2,537,008
Nonmajor - Capital Projects	
2020 Street Project	581,703
TIF District 1-13	2,178

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

Note 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

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

On December 31, 2023, the carrying amount of deposits was \$5,177,732 and the bank balance was \$5,238,029. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance was covered by collateral held by the City's agent in the City's name.

On March 31, 2024, the bank balance of the HRA's deposits with financial institutions was \$199,807, and the carrying value was \$199,807. All deposits of the HRA were covered by federal depository insurance.

Investments

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

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

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

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

Negotiable certificates of deposit:

First Natl BK Amer East Lans	11%
American Express Natl Bank	7%
Texas Exchange Bank	10%
Sallie Mae Bank	6%
Ally Bank	11%
BMO Harris Bank	10%
Capital One Natl Assn	11%
Discover Bank	11%
Live Oak Bkg Co	10%
Legacy Bk Colwich KS	11%

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

As of December 31, 2023, the City had the following investments that are insured or registered, or securities held by the City’s agent in the City’s name:

Deposit/Investments	Credit Risk		Fair Value Measurements Using	Interest Risk - Maturity Duration in Years		Total
	Rating	Agency		Less Than 1	1 to 5	
Investment pools						
Broker money market funds	N/R	N/R	Cost	N/A	N/A	\$ 34,511
Nonpooled investments						
Negotiable certificates of deposit	N/R	N/R	Level 2	-	2,200,567	2,200,567
Non-negotiable certificates of deposit	N/R	N/R	Level 2	62,204	-	<u>62,204</u>
Total investments						<u>\$ 2,297,282</u>

NAV - Investments measured at the net asset value

N/A - Not applicable

N/R - Not rated

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

	Primary Government	Component Unit
Cash and Cash equivalents	\$ 5,177,732	\$ 156,078
Investments	<u>2,297,282</u>	<u>43,729</u>
Total Cash and investment	<u>\$ 7,475,014</u>	<u>\$ 199,807</u>
Unrestricted cash and investments	\$ 7,475,014	\$ 187,091
Restricted cash and investments	<u>-</u>	<u>12,716</u>
Total cash and investments	<u>\$ 7,475,014</u>	<u>\$ 199,807</u>

B. Receivables

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

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

Nature of Receivable	Receivable Balance	Allowance for Uncollectibles	Total
State fire aid	\$ 23,658	\$ -	\$ 23,658
Fire calls/MV charges	78,994	-	78,994
Grant	43,934	-	43,934
Reimbursements	11,642	-	11,642
Year-end tax settlement	26,980	-	26,980
Utility sales	261,574	(15,000)	246,574
Total	\$ 446,782	\$ (15,000)	\$ 431,782

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

	Unavailable	Unearned
Special assessments not yet due	\$ 709,860	\$ -
Delinquent special assessments	6,024	-
Delinquent property taxes	68,157	-
Fire calls	20,350	-
Escrow deposits	-	31,468
Total deferred inflows of resources/unearned revenue	\$ 804,391	\$ 31,468

The only receivables not expected to be collected within one year are \$50,000 of delinquent taxes and \$652,000 of special assessments.

C. Lease Receivables

The City, acting as lessor, leases certain real property under a long-term, noncancelable lease agreement. The lease contains discount rates of 4.00% and expires in September 2028 and provides for five renewal options of five years. During the year ended December 31, 2023, the City recognized \$16,067 and \$338 in lease revenue and interest revenue, respectively, pursuant to these contracts.

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

Year Ending December 31	Business-type Activities	
	Principal	Interest
2024	\$ 18,352	\$ 3,429
2025	19,100	2,682
2026	19,878	1,904
2027	20,688	1,094
2028	16,066	269
Total	\$ 94,084	\$ 9,378

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

D. Capital assets

Primary Government

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 694,754	\$ -	\$ -	\$ 694,754
Construction in progress	722,812	-	(617,926)	104,886
Total capital assets not being depreciated	<u>1,417,566</u>	<u>-</u>	<u>(617,926)</u>	<u>799,640</u>
Capital assets being depreciated				
Buildings and Improvements	5,094,172	339,750	-	5,433,922
Infrastructure	17,963,087	924,554	-	18,887,641
Machinery and equipment	3,996,146	738,153	(8,651)	4,725,648
Total capital assets being depreciated	<u>27,053,405</u>	<u>2,002,457</u>	<u>(8,651)</u>	<u>29,047,211</u>
Less accumulated depreciation for				
Buildings and Improvements	(1,810,927)	(168,986)	-	(1,979,913)
Infrastructure	(6,525,062)	(406,980)	-	(6,932,042)
Machinery and equipment	(2,861,729)	(149,358)	8,291	(3,002,796)
Total accumulated depreciation	<u>(11,197,718)</u>	<u>(725,324)</u>	<u>8,291</u>	<u>(11,914,751)</u>
Total capital assets being depreciated, net	<u>15,855,687</u>	<u>1,277,133</u>	<u>(360)</u>	<u>17,132,460</u>
Governmental activities capital assets, net	<u>\$ 17,273,253</u>	<u>\$ 1,277,133</u>	<u>\$ (618,286)</u>	<u>\$ 17,932,100</u>

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 138,278	\$ -	\$ -	\$ 138,278
Total capital assets not being depreciated	<u>138,278</u>	<u>-</u>	<u>-</u>	<u>138,278</u>
Capital assets being depreciated				
Buildings and improvements	1,152,164	-	-	1,152,164
Distribution system	20,285,569	780,393	-	21,065,962
Machinery and equipment	1,193,630	86,708	(8,651)	1,271,687
Total capital assets being depreciated	<u>22,631,363</u>	<u>867,101</u>	<u>(8,651)</u>	<u>23,489,813</u>
Less accumulated depreciation for				
Buildings and improvements	(674,801)	(27,049)	-	(701,850)
Distribution system	(5,265,511)	(395,814)	-	(5,661,325)
Machinery and equipment	(928,711)	(41,977)	8,291	(962,397)
Total accumulated depreciation	<u>(6,869,023)</u>	<u>(464,840)</u>	<u>8,291</u>	<u>(7,325,572)</u>
Total capital assets being depreciated, net	<u>15,762,340</u>	<u>402,261</u>	<u>(360)</u>	<u>16,164,241</u>
Business-type activities capital assets, net	<u>\$ 15,900,618</u>	<u>\$ 402,261</u>	<u>\$ (360)</u>	<u>\$ 16,302,519</u>

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

Governmental activities	
General government	\$ 99,507
Housing and EDA	4,540
Public safety	135,752
Public works	441,890
Parks and recreation	<u>43,635</u>
Total depreciation expense - governmental activities	<u>\$ 725,324</u>
Business-type activities	
Water	\$ 253,518
Sewer	195,136
Liquor	<u>16,186</u>
Total depreciation expense - business-type activities	<u>\$ 464,840</u>

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Discretely presented component unit

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

	Beginning Balance	Increases	Decreases	Ending Balance
Component unit				
Capital assets not being depreciated				
Land	\$ 14,281	\$ -	\$ -	\$ 14,281
Total capital assets not being depreciated	<u>14,281</u>	<u>-</u>	<u>-</u>	<u>14,281</u>
Capital assets being depreciated				
Buildings and Improvements	1,602,656	37,193	-	1,639,849
Machinery and equipment	<u>71,803</u>	<u>1,499</u>	<u>(745)</u>	<u>72,557</u>
Total capital assets being depreciated	<u>1,674,459</u>	<u>38,692</u>	<u>(745)</u>	<u>1,712,406</u>
Less accumulated depreciation	<u>(1,295,386)</u>	<u>(36,814)</u>	<u>745</u>	<u>(1,331,455)</u>
Total capital assets being depreciated, net	<u>379,073</u>	<u>1,878</u>	<u>-</u>	<u>380,951</u>
Component unit - HRA capital assets, net	<u>\$ 393,354</u>	<u>\$ 1,878</u>	<u>\$ -</u>	<u>\$ 395,232</u>

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

Component unit	
Housing and Redevelopment Authority	<u>\$ 36,814</u>

E. Long-term debt

General Obligation Revenue Bonds

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Taxable Water and Sewer Revenue					
Bonds of 2013A	\$ 1,481,000	2.75%	7/25/13	1/1/53	\$ 1,263,000
G.O. Water and Sewer Revenue					
Bonds of 2018A	1,125,000	3.125-4.00	9/17/18	2/1/34	885,000
G.O. Water and Sewer Revenue					
Bonds of 2019B	5,170,000	3.125-4.00	11/21/19	2/1/36	<u>3,520,000</u>
Total general obligation revenue notes					<u>\$ 5,668,000</u>

General Obligation Improvement Bonds/Notes

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement					
Bonds of 2012B	\$ 610,000	1.20-2.25%	8/1/12	2/1/24	\$ 85,000
G.O. Improvement					
Bonds of 2013B	585,000	3.50	7/25/13	7/23/33	343,000
G.O. Improvement					
Bonds of 2015A	720,000	1.35-3.10	7/15/15	12/1/30	360,000
G.O. Improvement					
Bonds of 2018A	620,000	3.125-4.00	9/17/18	2/1/34	490,000
G.O. Improvement					
Bonds of 2019B	1,740,000	2.125-3.00	11/21/19	2/1/36	1,350,000
G.O. Improvement					
Bonds of 2020A	1,700,000	1.10-2.00	8/27/20	2/1/37	<u>1,600,000</u>
Total general obligation bonds/notes					<u>\$ 4,228,000</u>

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

General Obligation Bonds/Certificates

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding					
Bonds of 2016A	\$ 1,315,000	1.00-2.80%	4/1/16	12/1/31	\$ 850,000
Total general obligation bonds/certificates					<u>\$ 850,000</u>

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

Year Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 494,000	\$ 118,623	\$ 612,623	\$ 608,000	\$ 155,821	\$ 763,821
2025	415,000	106,894	521,894	618,000	136,919	754,919
2026	421,000	95,994	516,994	654,000	117,081	771,081
2027	432,000	84,934	516,934	670,000	96,908	766,908
2028	444,000	73,575	517,575	741,000	75,833	816,833
2029-2033	1,982,000	199,525	2,181,525	1,037,000	254,026	1,291,026
2034-2038	890,000	29,060	919,060	580,000	132,664	712,664
2039-2043	-	-	-	220,000	92,725	312,725
2044-2048	-	-	-	252,000	60,783	312,783
2049-2053	-	-	-	288,000	24,253	312,253
Total	<u>\$ 5,078,000</u>	<u>\$ 708,605</u>	<u>\$ 5,786,605</u>	<u>\$ 5,668,000</u>	<u>\$ 1,147,013</u>	<u>\$ 6,815,013</u>

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Changes in long-term liabilities

During the year ended December 31, 2023, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
GO bonds	\$ 945,000	\$ -	\$ (95,000)	\$ 850,000	\$ 100,000
GO improvement bonds	4,676,000	-	(448,000)	4,228,000	394,000
GO tax increment revenue bonds	20,000	-	(20,000)	-	-
GO equipment certificates	71,000	-	(71,000)	-	-
Total GO Debt	5,712,000	-	(634,000)	5,078,000	494,000
Unamortized bond premiums	114,925	-	(8,658)	106,267	-
Compensated absences	53,225	41,140	(23,630)	70,735	-
Governmental activity long-term liabilities	<u>\$ 5,880,150</u>	<u>\$ 41,140</u>	<u>\$ (666,288)</u>	<u>\$ 5,255,002</u>	<u>\$ 494,000</u>
Business-type activities:					
GO revenue bonds	\$ 6,360,000	\$ -	\$ (692,000)	\$ 5,668,000	\$ 608,000
Unamortized bond premiums	218,387	-	(36,790)	181,597	-
Compensated absences	61,593	33,150	(57,917)	36,826	-
Business-type activity long-term liabilities	<u>\$ 6,639,980</u>	<u>\$ 33,150</u>	<u>\$ (786,707)</u>	<u>\$ 5,886,423</u>	<u>\$ 608,000</u>

F. Interfund receivables, payables, and transfers

Interfund transfers

Interfund transfers for the year ended December 31, 2023, consisted of the following:

Transferred From	Transferred In						Total
	General	Debt service	Capital improvement	Nonmajor governmental	Water	Sewer	
General	\$ -	\$ -	\$ -	\$ 945	\$ -	\$ -	\$ 945
Liquor	50,000	-	229,895	-	-	-	279,895
Capital improvement	-	124,344	-	-	-	-	124,344
Nonmajor governmental	-	82,868	-	89,316	38,365	32,226	242,775
Total	<u>\$ 50,000</u>	<u>\$ 207,212</u>	<u>\$ 229,895</u>	<u>\$ 90,261</u>	<u>\$ 38,365</u>	<u>\$ 32,226</u>	<u>\$ 647,959</u>

Transfers from the Liquor Fund to the General Fund, and from the Capital Improvement and Nonmajor Governmental Funds to the Debt Service and Water and Sewer Funds, were approved by a council resolution to address working capital needs. Additionally, the transfer from the Liquor Fund to the Capital Improvement Fund was budgeted in the prior year.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Internal Balances

Receivable Fund	Payable Fund	Amount
General	2022 Street Project	\$ 243,686
General	Nonmajor governmental	581,703
Water	2022 Street Project	1,000,000
Sewer	2022 Street Project	1,000,000
Total		<u>\$ 2,825,389</u>

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

G. Net Position/Fund Balance

Governmental Fund Balances

Governmental fund balances reported on the fund financial statements on December 31, 2023, included the following:

	General	Debt Service	Capital Improvement	2022 Street Project	Other Nonmajor Governmental	Total Fund Balance
Nonspendable:						
Prepaid expense	\$ 52,902	\$ -	\$ -	\$ -	\$ 458	\$ 53,360
Restricted:						
Capital projects	-	-	-	-	45,236	45,236
Debt service	-	1,214,726	-	-	-	1,214,726
Unspent ARPA	-	-	-	-	220,618	220,618
Park improvements	-	-	-	-	14,623	14,623
Total restricted	<u>-</u>	<u>1,214,726</u>	<u>-</u>	<u>-</u>	<u>280,477</u>	<u>1,495,203</u>
Committed:						
Economic development	-	-	-	-	642,737	642,737
Cemetery operations	-	-	-	-	233,014	233,014
Housing operations	-	-	-	-	155,839	155,839
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,031,590</u>	<u>1,031,590</u>
Assigned:						
Capital projects	-	-	267,085	-	-	267,085
Unassigned:						
General fund	1,162,254	-	-	-	-	1,162,254
Capital Project	-	-	-	(2,537,008)	(583,881)	(3,120,889)
Total unassigned	<u>1,162,254</u>	<u>-</u>	<u>-</u>	<u>(2,537,008)</u>	<u>(583,881)</u>	<u>(1,958,635)</u>
Total fund balance	<u>\$ 1,215,156</u>	<u>\$ 1,214,726</u>	<u>\$ 267,085</u>	<u>\$ (2,537,008)</u>	<u>\$ 728,644</u>	<u>\$ 888,603</u>

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Governmental Activities Net Position

Governmental activities net position reported on the government-wide statement of net position on December 31, 2023, includes the following:

Net Investment in Capital Assets:

Land	\$ 694,754
Construction in progress	104,886
Buildings and improvements	5,433,922
Infrastructure	18,887,641
Machinery and equipment	4,725,648
Less: accumulated depreciation	(11,914,751)
Less: long-term debt outstanding	(5,078,000)
Less: bond premiums	(106,267)
Total Net Investment in Capital Assets	<u>12,747,833</u>

Restricted for:

Debt Service	1,859,264
Tax increment financing	45,236
Capital projects	14,623
Grant Funding - ARPA	220,618
Total restricted	<u>2,139,742</u>

Unrestricted

(754,670)

Total Governmental Activities Net Position \$ 14,132,905

Business-type Activities Net Position

Business-type activities net position reported on the government-wide statement of net position on December 31, 2023, includes the following:

Net Investment in Capital Assets:

Land	\$ 138,278
Buildings and improvements	1,152,164
Distribution systems	21,065,962
Machinery and equipment	1,271,687
Less: accumulated depreciation	(7,325,572)
Less: long-term debt outstanding	(5,668,000)
Less: bond premiums	(181,597)
Total Net Investment in Capital Assets	<u>10,452,922</u>

Unrestricted

7,085,995

Total Business-type Activities Net Position \$ 17,538,917

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023Note 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION****A. Plan Description**

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

General Employees Retirement Plan (GERP)

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

B. Benefits Provided

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

GERP Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all members. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

C. Contributions

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

GERP Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023; the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023, were \$161,010. The City's contributions were equal to the required contributions as set by state statute.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

D. Pension Costs

GERP Pension Costs

On December 31, 2023, the City reported a liability of \$1,118,378 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 2023. 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 \$30,903.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. On June 30, 2023, the City's proportion was 0.0200% which was an increase of 0.0104% from its proportion measured as of June 30, 2022. For the year ended December 31, 2023, the City recognized pension expense of \$(396,890) for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$139 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

On December 31, 2023, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 36,469	\$ 957
Differences between projected and actual investment earnings	464,898	210,126
Changes in actuarial assumptions	211,769	306,170
Changes in proportion	480,876	106,065
City's contributions subsequent to the measurement date	45,354	-
Total	<u>\$ 1,239,366</u>	<u>\$ 623,318</u>

\$45,354 reported as deferred outflows of resources related to pensions resulting from City contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2024	\$ 215,479
2025	109,607
2026	269,923
2027	(24,315)
2028	-
Thereafter	-

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

E. Actuarial Assumptions

GERP

The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:

Measurement Date	June 30, 2023
Valuation Date	July 1, 2023
Actuarial Cost Method	Entry Age Normal

Actuarial Assumption:

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

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

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan and the Correctional Plans are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA’s experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions:

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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

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

F. Discount Rate

GERP

The discount rate used to measure the total pension liability in 2023 was 7.00. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

GERP

The following presents the City’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

<u>Plan</u>	<u>City’s proportionate share of NPL</u>			
	<u>Rate</u>	<u>1 % Decrease</u>	<u>Current</u>	<u>1 % Increase</u>
Proportionate share of the GERP net pension liability:	7.00%	\$ 1,978,500	\$ 1,118,378	\$ 410,894

H. Pension Plan Fiduciary Net Position

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

VOLUNTEER FIRE RELIEF ASSOCIATION

A. Plan Description

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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

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

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

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

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

Summary of Participant Data

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

B. Benefits Provided

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

C. Contributions

The pension plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed \$78,995 in fire state aid to the plan for the year ended December 31, 2023. Required employer contributions are calculated annually based on statutory provisions. There were no statutorily required contributions to the pension plan for the year ended December 31, 2023. In addition, the City made voluntary contributions of \$25,000 to the plan.

D. Pension Costs

On December 31, 2021, the Association reported an asset of \$379,692. The net pension asset was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2023.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at Previous Fiscal Year 12/31/2021	\$ 1,164,012	\$ 1,753,672	\$ (589,660)
Changes for the year:			
Service cost	22,126	-	22,126
Interest	57,287	-	57,287
Differences between expected and actual experience	-	-	-
Changes of assumptions	(95,643)	-	(95,643)
Changes of benefit terms	161,577	-	161,577
Contributions - State and local	-	96,252	(96,252)
Contributions - Donation and other income	-	-	-
Contributions - Member	-	-	-
Net investment incomes	-	87,660	(87,660)
Other additions (e.g. receivables)	(31,579)	(263,715)	232,136
Benefit payments, including member contribution refunds	(80,800)	(80,800)	-
Administrative expense	-	(16,397)	16,397
Other deductions (e.g. payables)	-	-	-
Net changes	<u>32,968</u>	<u>(177,000)</u>	<u>209,968</u>
Balance at Current Fiscal Year 12/31/2022	<u>\$ 1,196,980</u>	<u>\$ 1,576,672</u>	<u>\$ (379,692)</u>

There were no plan provision changes during the measurement period.

For the year ended December 31, 2023, the City recognized pension expense of \$50,278.

On December 31, 2022, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 9,012	\$ 25,263
Differences between projected and actual investment earnings	210,972	100,104
Changes in actuarial assumptions	-	79,832
City's contributions subsequent to the measurement date	103,995	-
Total	<u>\$ 323,979</u>	<u>\$ 205,199</u>

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

\$103,995 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2024	\$ (23,235)
2025	1,689
2026	9,032
2027	27,299
2028	-
Thereafter	-

E. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:

Measurement Date	December 31, 2022
Valuation Date	January 1, 2023
Actuarial Cost Method	Entry Age Normal

Actuarial Assumption:

Investment Rate of Return	5.75%
Inflation	2.50% per year
Lump Sum Benefit Increase	N/A*

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

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

Active: RP-2014 employee generational mortality table projected with mortality improvement scale MP-2021, from a base year of 2006.

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

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The following changes in actuarial assumptions occurred in 2022:

- The long-term rate of return changed from 5.00% to 5.75%. The discount rate changed from 5.00% to 5.75%. The mortality projection scale was updated to MP-2021.

The long-term expected rate of return on pension plan investments is 5.75%. The actuary used a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.50%) All results are then rounded to the nearest quarter percentage point.

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

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

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

F. Discount Rate

The discount rate used to measure the total pension liability was 5.75%. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB 67, which states that “if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in make the evaluation.” The actuary believes that the plan’s current overfunded status, combined with statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, they have used the plan’s long-term expected investment return as the liability discount rate.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

G. Pension Liability Sensitivity

The following presents the Association’s net pension liability for plans it participates in, calculated using the discount rate disclosed in the preceding paragraphs, as well as what the Association’s net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Association’s Net Pension Asset		
1 Percent Decrease	Current	1 Percent Increase
4.75%	5.75%	6.75%
\$ 246,627	\$ 379,692	\$ 490,825

H. Pension Plan Fiduciary Net Position

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

Note 5 OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

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

B. Benefits Provided

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

The City provides health coverage for firefighters disabled or killed in the line of duty in accordance with Minnesota Statute 299A.465. The amount of coverage provided is equal to the employer portion of health insurance premiums that would have otherwise been paid if the officer or firefighter was an active employee. During 2023, the City did not have any firefighters eligible for this benefit.

The City also pays 50% of the health care premiums for one retiree and one beneficiary, and 50% of the dental premiums for one retiree until age 65. During 2023, the City paid \$8,553 for these benefits. Two current employees are eligible to receive City reimbursement for 50% of their health care premiums upon retirement. The benefit is not available to any other current or future employee.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

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

C. Membership

On December 31, 2023, there were 16 active, and 1 retiree receiving payments and 1 spouse receiving payments.

D. Actuarial Methods and Assumptions

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

Inflation	2.00 percent
Salary increases	3.50 percent, average, including inflation
Investment rate of return	N/A
Healthcare cost trend rates	6.25 percent as of January 1, 2022, grading to 5.00 percent over 6 years and then to 4.00 percent over the next 48 years

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

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

- The discount rate was changed from 2.00% to 4.00%.
- The inflation rate was changed from 2.50% to 2.00%.

E. Discount rate

The discount rate used to measure the total OPEB liability was 4.00 percent. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year AA-rated Municipal Bond Yield.

F. Changes in the Total OPEB Liability

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

	Total OPEB Liability
Balance at Previous	
Fiscal Year 12/31/2022	<u>\$ 102,480</u>
Changes for the year:	
Service cost	5,454
Interest	2,017
Change in assumptions	(8,393)
Benefit payments	<u>(14,259)</u>
Net changes	<u>(15,181)</u>
Balance at Current	
Fiscal Year 12/31/2023	<u>\$ 87,299</u>

There were no changes to the benefit plan provisions during the year ended December 31, 2023.

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

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

Description	Changes in the Discount Rate		
	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB discount rate	3.00%	4.00%	5.00%
City's total OPEB liability	\$ 92,335	\$ 87,299	\$ 82,264

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

Description	Changes in the Healthcare Cost Trend Rate		
	1% Decrease in Medical Trend Rate	Current Medical Trend Rate	1% Increase in Medical Trend Rate
Healthcare cost trend rate	5.50% to 5.00% over 5 years	6.50% to 5.00% over 5 years	7.50% to 5.00% over 5 years
City's total OPEB liability	\$ 79,159	\$ 87,299	\$ 96,308

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

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

For the year ended December 31, 2023, the City recognized OPEB expense of \$(5,706). The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 7,155	\$ 380
Differences between projected and actual investment earnings	-	-
Changes in actuarial assumptions	2,086	7,895
City's contributions subsequent to the measurement date	14,259	-
Total	\$ 23,500	\$ 8,275

\$14,259 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	Pension Expense Amount
2024	\$ 1,627
2025	1,437
2026	(2,098)
2027	-
2028	-
Thereafter	-

Note 6 OTHER INFORMATION

A. Risk management

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 6 OTHER INFORMATION – (Continued)

B. Legal debt margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore excludes debt financed partially or entirely by special assessments, enterprise fund revenues, or tax increments. The City has \$490,000 of debt outstanding subjected to this limit on December 31, 2023.

C. Tax increment districts

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

D. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota through Local Government Aid (LGA). The amount received in 2023 was \$743,502 for LGA. This accounted for 29 percent of General fund revenues.

E. Construction Commitments

As of December 31, 2023, the City has signed contracts in place for four construction projects. The following summarizes these commitments:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
2023 mill and overlay	\$ 494,054	\$ 26,003
2022 street and utility	1,457,335	45,072
Total Commitments		<u>\$ 71,075</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF CITY'S PROPORTIONARE SHARE OF NET PENSION LIABILITY
 GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN
 Year Ended December 31, 2023

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2023	6/30/2023	0.0200%	\$ 1,118,378	\$ 30,903	\$ 1,149,281	\$ 1,331,370	86.3%	83.1%
12/31/2022	6/30/2022	0.0096%	\$ 760,323	\$ 22,332	\$ 782,655	\$ 982,902	79.6%	76.7%
12/31/2021	6/30/2021	0.0134%	\$ 572,240	\$ 17,590	\$ 589,830	\$ 963,253	61.2%	87.0%
12/31/2020	6/30/2020	0.0127%	\$ 761,423	\$ 23,495	\$ 784,918	\$ 908,280	86.4%	79.1%
12/31/2019	6/30/2019	0.0116%	\$ 641,338	\$ 19,832	\$ 661,170	\$ 818,880	80.7%	80.2%
12/31/2018	6/30/2018	0.0121%	\$ 671,258	\$ 22,024	\$ 693,282	\$ 814,014	85.2%	79.5%
12/31/2017	6/30/2017	0.0129%	\$ 823,527	\$ 10,351	\$ 833,878	\$ 830,707	100.4%	75.9%
12/31/2016	6/30/2016	0.0129%	\$ 1,039,297	\$ 13,608	\$ 1,052,905	\$ 747,728	140.8%	68.9%
12/31/2015	6/30/2015	0.0123%	\$ 637,450	\$ -	\$ 637,450	\$ 821,238	77.6%	78.2%

SCHEDULE OF CITY'S CONTRIBUTIONS
 GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN
 Year Ended December 31, 2023

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2023	6/30/2023	\$ 119,542	\$ 119,542	\$ -	\$ 1,593,893	7.50%
12/31/2022	6/30/2022	\$ 53,790	\$ 53,790	\$ -	\$ 717,200	7.50%
12/31/2021	6/30/2021	\$ 72,569	\$ 72,569	\$ -	\$ 967,587	7.50%
12/31/2020	6/30/2020	\$ 68,044	\$ 68,044	\$ -	\$ 907,253	7.50%
12/31/2019	6/30/2019	\$ 61,416	\$ 61,416	\$ -	\$ 818,880	7.50%
12/31/2018	6/30/2018	\$ 61,025	\$ 61,025	\$ -	\$ 813,667	7.50%
12/31/2017	6/30/2017	\$ 62,304	\$ 62,304	\$ -	\$ 830,720	7.50%
12/31/2016	6/30/2016	\$ 59,687	\$ 59,687	\$ -	\$ 795,827	7.50%
12/31/2015	6/30/2015	\$ 53,492	\$ 53,492	\$ -	\$ 713,227	7.50%

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF CHANGES IN THE CITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
Year Ended December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 5,454	\$ 6,819	\$ 5,138	\$ 4,355	\$ 3,453	\$ 3,635
Interest	2,017	1,947	2,999	4,423	4,405	4,896
Difference between expected and actual experience	-	14,309	-	(1,902)	-	-
Changes of assumptions	(8,393)	(3,200)	3,791	2,850	(2,725)	-
Changes in benefit terms	-	-	-	-	-	-
Benefit payments	<u>(14,259)</u>	<u>(15,777)</u>	<u>(23,442)</u>	<u>(23,513)</u>	<u>(22,753)</u>	<u>(23,738)</u>
Net change in total OPEB liability	(15,181)	4,098	(11,514)	(13,787)	(17,620)	(15,207)
Total OPEB Liability - beginning of year	<u>102,480</u>	<u>98,382</u>	<u>109,896</u>	<u>123,683</u>	<u>141,303</u>	<u>156,510</u>
Total OPEB Liability - end of year	<u>\$ 87,299</u>	<u>\$ 102,480</u>	<u>\$ 98,382</u>	<u>\$ 109,896</u>	<u>\$ 123,683</u>	<u>\$ 141,303</u>
Covered employee payroll	\$ 951,557	\$ 923,842	\$ 814,752	\$ 789,106	\$ 737,841	\$ 716,350
Total OPEB Liability as a percent of covered employee payroll	9.17%	11.09%	12.08%	13.93%	16.76%	19.73%

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

No assets are accumulated in a trust.

CITY OF PINE CITY, MINNESOTA

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

Total Pension Liability	2022	2021	2020	2019	2018	2017	2016
Service cost	\$ 22,126	\$ 21,586	\$ 19,802	\$ 19,319	\$ 17,361	\$ 15,635	\$ 15,254
Interest	57,287	57,129	52,040	51,720	51,256	49,915	49,994
Difference between expected and actual experience	-	-	22,531	-	(49,855)	-	-
Changes of assumptions	(95,643)	-	(8,293)	-	(3,777)	-	-
Changes in benefit terms	161,577	-	83,214	-	56,375	23,831	-
Gain or loss	(31,579)	-	-	-	-	-	-
Benefit payments, including member contribution refunds	(80,800)	(71,400)	(67,200)	(63,050)	(65,000)	(63,600)	(70,800)
Net change in total pension liability	32,968	7,315	102,094	7,989	6,360	25,781	(5,552)
Total Pension Liability - beginning	1,164,012	1,156,697	1,054,603	1,046,614	1,040,254	1,014,473	1,020,025
Total Pension Liability - ending	\$ 1,196,980	\$ 1,164,012	\$ 1,156,697	\$ 1,054,603	\$ 1,046,614	\$ 1,040,254	\$ 1,014,473
Plan Fiduciary Net Position							
Contributions - state and local	\$ 96,252	\$ 92,927	\$ 89,251	\$ 85,303	\$ 84,053	\$ 81,672	\$ 80,853
Contributions - donation and other income	-	-	-	-	-	-	-
Contributions - member	-	-	-	-	-	-	-
Net investment income	87,660	79,146	123,728	187,615	(35,647)	116,978	57,704
Other additions (e.g. receivable)	(263,715)	91,331	-	-	-	-	-
Benefit payments, including member contribution refunds	(80,800)	(71,400)	(67,200)	(63,050)	(65,000)	(63,600)	(70,800)
Administrative expenses	(16,397)	(20,992)	(15,127)	(13,354)	(13,490)	(6,776)	(6,353)
Other deductions (e.g. payables)	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(177,000)	171,012	130,652	196,514	(30,084)	128,274	61,404
Plan Fiduciary Net Position - beginning	1,753,672	1,582,660	1,452,008	1,255,494	1,285,578	1,157,304	1,095,900
Plan Fiduciary Net Position - ending	\$ 1,576,672	\$ 1,753,672	\$ 1,582,660	\$ 1,452,008	\$ 1,255,494	\$ 1,285,578	\$ 1,157,304
Net Pension (Asset) Liability - ending	\$ (379,692)	\$ (589,660)	\$ (425,963)	\$ (397,405)	\$ (208,880)	\$ (245,324)	\$ (142,831)
FNP as a percentage of the TPL	131.72%	150.66%	136.83%	137.68%	119.96%	123.58%	114.08%

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

CITY OF PINE CITY, MINNESOTA

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

Fiscal year ending	Actuarially determined contribution	Contributions in relation to the ADC	Contribution deficiency (excess)	Payroll	Contributions as a percentage of payroll	NPL as a percent of payroll
December 31, 2022	\$ 15,492	\$ 103,995	\$ (88,503)	-	-	-
December 31, 2021	\$ 21,586	\$ 92,927	\$ (71,341)	-	-	-
December 31, 2020	\$ 14,579	\$ 89,251	\$ (74,672)	-	-	-
December 31, 2019	\$ 14,579	\$ 85,303	\$ (70,724)	-	-	-
December 31, 2018	\$ 9,890	\$ 84,053	\$ (74,163)	-	-	-
December 31, 2017	\$ 9,890	\$ 81,672	\$ (71,782)	-	-	-
December 31, 2016	\$ 14,035	\$ 80,853	\$ (66,818)	-	-	-
December 31, 2015	\$ 14,035	\$ 79,676	\$ (65,641)	-	-	-
December 31, 2014	\$ 17,714	\$ 76,194	\$ (58,480)	-	-	-
December 31, 2013	\$ 17,714	\$ 75,885	\$ (58,171)	-	-	-
December 31, 2014	\$ 15,259	\$ 58,325	\$ (43,066)	-	-	-

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2023

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

A. Public Employees Retirement Association – General Employees Retirement Fund

2023 changes:

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

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

2022 changes:

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

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

2021 changes:

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

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

2020 changes:

Changes in Actuarial Assumptions. The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

December 31, 2023

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

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

2019 changes:

Changes in Actuarial Assumptions. The mortality projection scale was changed from MP-2017 to MP-2018.

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

2018 changes:

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

2017 changes:

Change of Assumptions. The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. 2) The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 changes:

Changes in Actuarial Assumptions: 1) the assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years. 2) The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%. 3) Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 changes:

Changes in Plan Provisions: On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions: The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

B. Volunteer Fire Relief Association

2022 changes:

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

2021 changes:

None.

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2023

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

B. Volunteer Fire Relief Association – (Continued)

2020 changes:

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

2019 changes:

None.

2018 changes:

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

2017 changes:

None.

C. OPEB Information

2023 changes:

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

2022 changes:

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

2021 changes:

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

2020 changes:

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

2019 changes:

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

2018 changes:

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

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

SUPPLEMENTARY INFORMATION SECTION

CITY OF PINE CITY, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2023

	Special Revenue	Capital Projects	Total Nonmajor Governmental
ASSETS			
Cash and Investments	\$ 709,518	\$ 283,995	\$ 993,513
Prepaid Expense	458	0	458
Notes Receivable	<u>322,488</u>	<u>0</u>	<u>322,488</u>
TOTAL ASSETS	<u><u>\$ 1,032,464</u></u>	<u><u>\$ 283,995</u></u>	<u><u>\$ 1,316,459</u></u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 416	\$ 5,696	\$ 6,112
Due to Other Funds	<u>0</u>	<u>581,703</u>	<u>581,703</u>
Total Liabilities	<u>416</u>	<u>587,399</u>	<u>587,815</u>
Fund Balance:			
Nonspendable	458	0	458
Restricted	0	280,477	280,477
Committed	1,031,590	0	1,031,590
Unassigned	<u>0</u>	<u>(583,881)</u>	<u>(583,881)</u>
Total Fund Balance	<u>1,032,048</u>	<u>(303,404)</u>	<u>728,644</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,032,464</u></u>	<u><u>\$ 283,995</u></u>	<u><u>\$ 1,316,459</u></u>

CITY OF PINE CITY, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2023

	Special Revenue	Capital Projects	Total Nonmajor Governmental
Revenues:			
Property Taxes	\$ 91,000	\$ 0	\$ 91,000
Tax Increment	0	41,349	41,349
Intergovernmental	123,786	0	123,786
Charges for Services	21,300	0	21,300
Other Revenues	9,783	0	9,783
Interest Earnings	9,593	0	9,593
Total Revenues	<u>255,462</u>	<u>41,349</u>	<u>296,811</u>
Expenditures:			
Current:			
General Government	0	11,018	11,018
Public Safety	0	11,089	11,089
Public Works	7,198	7,282	14,480
Parks and Recreation	0	53,619	53,619
Economic Development	165,618	31,689	197,307
Capital Outlay:			
Public Works	0	39,320	39,320
Total Expenditures	<u>172,816</u>	<u>154,017</u>	<u>326,833</u>
Excess of Revenues Over (Under) Expenditures	82,646	(112,668)	(30,022)
Other Financing Sources (Uses):			
Transfers In	89,316	945	90,261
Transfers Out	(89,316)	(153,459)	(242,775)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(152,514)</u>	<u>(152,514)</u>
Change in Fund Balance	82,646	(265,182)	(182,536)
Fund Balance - January 1	<u>949,402</u>	<u>(38,222)</u>	<u>911,180</u>
Fund Balance - December 31	<u>\$ 1,032,048</u>	<u>\$ (303,404)</u>	<u>\$ 728,644</u>

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CITY OF PINE CITY, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 December 31, 2023

	Economic Development Authority	Revolving Loan	Cemetery
ASSETS			
Cash and Investments	\$ 144,571	\$ 140,871	\$ 233,292
Prepaid Expense	229	0	0
Notes Receivable	<u>19,581</u>	<u>202,907</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 164,381</u>	<u>\$ 343,778</u>	<u>\$ 233,292</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 46	\$ 0	\$ 278
Fund Balance:			
Nonspendable	229	0	0
Committed	<u>164,106</u>	<u>343,778</u>	<u>233,014</u>
Total Fund Balance	<u>164,335</u>	<u>343,778</u>	<u>233,014</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 164,381</u>	<u>\$ 343,778</u>	<u>\$ 233,292</u>

Housing Operations	HRA Loan	Total
\$ 155,931	\$ 34,853	\$ 709,518
229	0	458
0	100,000	322,488
\$ 156,160	\$ 134,853	\$ 1,032,464

\$ 92	\$ 0	\$ 416
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229	0	458
155,839	134,853	1,031,590
156,068	134,853	1,032,048
\$ 156,160	\$ 134,853	\$ 1,032,464

CITY OF PINE CITY, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE

For the Year Ended December 31, 2023

	Economic Development Authority	Revolving Loan	Cemetery
Revenues:			
Property Taxes	\$ 45,000	\$ 0	\$ 0
Intergovernmental	123,786	0	0
Charges for Services	0	0	21,300
Other Revenues	9,783	0	0
Interest Earnings	2,120	5,457	2,016
Total Revenues	<u>180,689</u>	<u>5,457</u>	<u>23,316</u>
Expenditures:			
Current:			
Public Works	0	0	7,198
Economic Development	157,487	0	0
Total Expenditures	<u>157,487</u>	<u>0</u>	<u>7,198</u>
Excess of Revenues Over (Under) Expenditures	23,202	5,457	16,118
Other Financing Sources (Uses):			
Transfers In	0	40,950	0
Transfers Out	(40,950)	0	0
Total Other Financing Sources (Uses)	<u>(40,950)</u>	<u>40,950</u>	<u>0</u>
Change in Fund Balance	(17,748)	46,407	16,118
Fund Balance - January 1	<u>182,083</u>	<u>297,371</u>	<u>216,896</u>
Fund Balance - December 31	<u>\$ 164,335</u>	<u>\$ 343,778</u>	<u>\$ 233,014</u>

Housing Operations	HRA Loan	Total
\$ 46,000	\$ 0	\$ 91,000
0	0	123,786
0	0	21,300
0	0	9,783
0	0	9,593
<u>46,000</u>	<u>0</u>	<u>255,462</u>
0	0	7,198
<u>8,131</u>	<u>0</u>	<u>165,618</u>
<u>8,131</u>	<u>0</u>	<u>172,816</u>
37,869	0	82,646
0	48,366	89,316
<u>(48,366)</u>	<u>0</u>	<u>(89,316)</u>
<u>(48,366)</u>	<u>48,366</u>	<u>0</u>
(10,497)	48,366	82,646
<u>166,565</u>	<u>86,487</u>	<u>949,402</u>
<u>\$ 156,068</u>	<u>\$ 134,853</u>	<u>\$ 1,032,048</u>

CITY OF PINE CITY, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 December 31, 2023

	TIF District 2-1	TIF District 1-12	2019 Street Project	2020 Street Project
ASSETS				
Cash and Investments	<u>\$ 18,915</u>	<u>\$ 15,940</u>	<u>\$ 0</u>	<u>\$ 0</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Due to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>581,703</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>581,703</u>
Fund Balance:				
Restricted	18,915	15,940	0	0
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>(581,703)</u>
Total Fund Balance	<u>18,915</u>	<u>15,940</u>	<u>0</u>	<u>(581,703)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 18,915</u></u>	<u><u>\$ 15,940</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

TIF District 1-13	TIF District 1-14	Park Dedication	ARPA Relief	Total
<u>\$ (2,178)</u>	<u>\$ 10,381</u>	<u>\$ 14,623</u>	<u>\$ 226,314</u>	<u>\$ 283,995</u>
\$ 0	\$ 0	\$ 0	\$ 5,696	\$ 5,696
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>581,703</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>5,696</u>	<u>587,399</u>
0	10,381	14,623	220,618	280,477
<u>(2,178)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(583,881)</u>
<u>(2,178)</u>	<u>10,381</u>	<u>14,623</u>	<u>220,618</u>	<u>(303,404)</u>
<u>\$ (2,178)</u>	<u>\$ 10,381</u>	<u>\$ 14,623</u>	<u>\$ 226,314</u>	<u>\$ 283,995</u>

CITY OF PINE CITY, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 For the Year Ended December 31, 2023

	TIF District 2-1	TIF District 1-12	2019 Street Project	2020 Street Project
Revenues:				
Tax Increment	\$ 18,261	\$ 0	\$ 0	\$ 0
Expenditures:				
Current:				
General Government	0	0	0	0
Public Safety	0	0	0	0
Public Works	0	0	0	0
Parks and Recreation	0	0	0	0
Economic Development	17,797	26	0	0
Capital Outlay:				
Public Works	0	0	0	0
Total Expenditures	<u>17,797</u>	<u>26</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	464	(26)	0	0
Other Financing Sources (Uses):				
Transfers In	0	945	0	0
Transfers Out	0	0	(153,459)	0
Total other Financing Sources (Uses)	<u>0</u>	<u>945</u>	<u>(153,459)</u>	<u>0</u>
Change in Fund Balance	464	919	(153,459)	0
Fund Balance - January 1	<u>18,451</u>	<u>15,021</u>	<u>153,459</u>	<u>(581,703)</u>
Fund Balance - December 31	<u>\$ 18,915</u>	<u>\$ 15,940</u>	<u>\$ 0</u>	<u>\$ (581,703)</u>

TIF District 1-13	TIF District 1-14	Park Dedication	ARPA Relief	Total
\$ 2,443	\$ 20,645	\$ 0	\$ 0	\$ 41,349
0	0	0	11,018	11,018
0	0	0	11,089	11,089
0	0	0	7,282	7,282
0	0	0	53,619	53,619
200	13,666	0	0	31,689
<u>0</u>	<u>0</u>	<u>0</u>	<u>39,320</u>	<u>39,320</u>
<u>200</u>	<u>13,666</u>	<u>0</u>	<u>122,328</u>	<u>154,017</u>
2,243	6,979	0	(122,328)	(112,668)
0	0	0	0	945
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(153,459)</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(152,514)</u>
2,243	6,979	0	(122,328)	(265,182)
<u>(4,421)</u>	<u>3,402</u>	<u>14,623</u>	<u>342,946</u>	<u>(38,222)</u>
<u>\$ (2,178)</u>	<u>\$ 10,381</u>	<u>\$ 14,623</u>	<u>\$ 220,618</u>	<u>\$ (303,404)</u>

CITY OF PINE CITY, MINNESOTA

COMBINING BALANCE SHEET

DEBT SERVICE FUNDS

December 31, 2023

	G.O. Taxable TIF Bonds 2010B	G.O. Improvement Bonds 2012B	G.O. Refunding Bonds 2010A	G.O. Improvement Bonds 2013B
ASSETS				
Cash and Investments	\$ 78,645	\$ 193,113	\$ 0	\$ 357,896
Special Assessments	<u>0</u>	<u>37,251</u>	<u>0</u>	<u>62,177</u>
TOTAL ASSETS	<u><u>\$ 78,645</u></u>	<u><u>\$ 230,364</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 420,073</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 0	\$ 621	\$ 0	\$ 621
Deferred Inflows of Resources:				
Unavailable Revenue	0	37,155	0	62,169
Fund Balance:				
Restricted	<u>78,645</u>	<u>192,588</u>	<u>0</u>	<u>357,283</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 78,645</u></u>	<u><u>\$ 230,364</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 420,073</u></u>

<u>G.O. Improvement Bonds 2015A</u>	<u>G.O. Improvement Bonds 2016A</u>	<u>G.O. Improvement Bonds 2018A</u>	<u>G.O. Equipment Certificates 2019A</u>	<u>G.O. Improvement Bonds 2019B</u>	<u>G.O. Improvement Bonds 2020A</u>	<u>Total Debt Service Funds</u>
\$ 114,347	\$ 26,532	\$ 107,527	\$ 0	\$ 210,258	\$ 130,060	\$ 1,218,378
<u>98,074</u>	<u>0</u>	<u>80,102</u>	<u>0</u>	<u>241,446</u>	<u>166,883</u>	<u>685,933</u>
<u>\$ 212,421</u>	<u>\$ 26,532</u>	<u>\$ 187,629</u>	<u>\$ 0</u>	<u>\$ 451,704</u>	<u>\$ 296,943</u>	<u>\$ 1,904,311</u>
\$ 621	\$ 621	\$ 621	\$ 0	\$ 621	\$ 621	\$ 4,347
98,073	0	80,101	0	240,857	166,883	685,238
<u>113,727</u>	<u>25,911</u>	<u>106,907</u>	<u>0</u>	<u>210,226</u>	<u>129,439</u>	<u>1,214,726</u>
<u>\$ 212,421</u>	<u>\$ 26,532</u>	<u>\$ 187,629</u>	<u>\$ 0</u>	<u>\$ 451,704</u>	<u>\$ 296,943</u>	<u>\$ 1,904,311</u>

CITY OF PINE CITY, MINNESOTA

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

For the Year Ended December 31, 2023

	G.O. Taxable TIF Bonds 2010B	G.O. Improvement Bonds 2012B	G.O. Refunding Bonds 2010A	G.O. Improvement Bonds 2013B
Revenues:				
Property Taxes	\$ 0	\$ 77,756	\$ 0	\$ 40,985
Tax Increment	33,178	0	0	0
Special Assessments	0	11,428	0	19,039
Total Revenues	<u>33,178</u>	<u>89,184</u>	<u>0</u>	<u>60,024</u>
Expenditures:				
Debt Service:				
Principal	20,000	75,000	0	28,000
Interest and Fiscal Charges	875	3,872	0	13,606
Total Expenditures	<u>20,875</u>	<u>78,872</u>	<u>0</u>	<u>41,606</u>
Excess of Revenues Over (Under) Expenditures	12,303	10,312	0	18,418
Other Financing Sources and Uses:				
Transfers In	0	0	0	211,442
Transfers Out	0	0	(211,442)	0
Total Other Financing Sources and (Uses)	<u>0</u>	<u>0</u>	<u>(211,442)</u>	<u>211,442</u>
Change in Fund Balance	12,303	10,312	(211,442)	229,860
Fund Balance - January 1	<u>66,342</u>	<u>182,276</u>	<u>211,442</u>	<u>127,423</u>
Fund Balance - December 31	<u>\$ 78,645</u>	<u>\$ 192,588</u>	<u>\$ 0</u>	<u>\$ 357,283</u>

G.O. Improvement Bonds 2015A	G.O. Improvement Bonds 2016A	G.O. Improvement Bonds 2018A	G.O. Equipment Certificates 2019A	G.O. Improvement Bonds 2019B	G.O. Improvement Bonds 2020A	Total Debt Service Funds
\$ 56,873	\$ 117,225	\$ 67,547	\$ 0	\$ 162,017	\$ 102,105	\$ 624,508
0	0	0	0	0	0	33,178
12,215	0	9,267	0	52,349	14,696	118,994
<u>69,088</u>	<u>117,225</u>	<u>76,814</u>	<u>0</u>	<u>214,366</u>	<u>116,801</u>	<u>776,680</u>
45,000	95,000	35,000	71,000	165,000	100,000	634,000
12,989	23,341	20,590	1,368	38,023	28,821	143,485
<u>57,989</u>	<u>118,341</u>	<u>55,590</u>	<u>72,368</u>	<u>203,023</u>	<u>128,821</u>	<u>777,485</u>
11,099	(1,116)	21,224	(72,368)	11,343	(12,020)	(805)
0	0	0	124,344	82,868	0	418,654
0	0	0	0	0	0	(211,442)
<u>0</u>	<u>0</u>	<u>0</u>	<u>124,344</u>	<u>82,868</u>	<u>0</u>	<u>207,212</u>
11,099	(1,116)	21,224	51,976	94,211	(12,020)	206,407
<u>102,628</u>	<u>27,027</u>	<u>85,683</u>	<u>(51,976)</u>	<u>116,015</u>	<u>141,459</u>	<u>1,008,319</u>
<u>\$ 113,727</u>	<u>\$ 25,911</u>	<u>\$ 106,907</u>	<u>\$ 0</u>	<u>\$ 210,226</u>	<u>\$ 129,439</u>	<u>\$ 1,214,726</u>

CITY OF PINE CITY, MINNESOTA

BALANCE SHEET

GENERAL FUND

December 31, 2023

(With Comparative Amounts for December 31, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and Investments	\$ 527,967	\$ 47,774
Accounts Receivable	23,658	12,907
Property Taxes	68,157	85,855
Due from Other Funds	825,389	1,797,205
Due from Other Governments	161,550	264,379
Prepaid Expense	22,530	22,868
Land Held for Resale	<u>30,372</u>	<u>30,372</u>
TOTAL ASSETS	<u>\$ 1,659,623</u>	<u>\$ 2,261,360</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accrued Expenses	\$ 324,492	\$ 590,238
Unearned Revenue	<u>31,468</u>	<u>34,074</u>
Total Liabilities	<u>355,960</u>	<u>624,312</u>
Deferred Inflows of Resources:		
Unavailable Revenue - Delinquent Taxes	<u>88,507</u>	<u>85,855</u>
Fund Balance:		
Nonspendable	52,902	53,240
Unassigned	<u>1,162,254</u>	<u>1,497,953</u>
Total Fund Balance	<u>1,215,156</u>	<u>1,551,193</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,659,623</u>	<u>\$ 2,261,360</u>

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 For The Year Ended December 31, 2023
 (With Comparative Amounts For the Year Ended December 31, 2022)

	2023 Budget	2023 Actual	Over (Under) Budget	2022 Actual
Revenues:				
Taxes:				
Property Taxes	\$ 957,388	\$ 975,377	\$ 17,989	\$ 789,619
Franchise Fees	24,700	22,115	(2,585)	23,429
Total Taxes	<u>982,088</u>	<u>997,492</u>	<u>15,404</u>	<u>813,048</u>
Special Assessments	<u>0</u>	<u>1,012</u>	<u>1,012</u>	<u>207</u>
Intergovernmental:				
Grants And Aids From Local Govt Units	0	156,384	156,384	698
Local Government Aid	743,502	743,502	0	729,355
Homestead & Agricultural Credit Aid	0	1,031	1,031	514
Fire Department State Grants and Aids	64,360	78,995	14,635	71,252
Police Services State Grants and Aids	15,500	18,710	3,210	16,962
State Grants and Aids	<u>0</u>	<u>5,000</u>	<u>5,000</u>	<u>250,000</u>
Total Intergovernmental	<u>823,362</u>	<u>1,003,622</u>	<u>180,260</u>	<u>1,068,781</u>
Licenses and Permits:				
Alcoholic Bev License	12,750	17,050	4,300	12,250
Peddlers, Solicitors, Transient Mer Fees	1,000	370	(630)	545
Solid Waste Hauling Fran & Licenses Fees	2,050	0	(2,050)	0
Building Permits W/ State Surcharge	100,000	84,036	(15,964)	79,240
Plumbing Permit	0	0	0	3,038
HVAC Permit	0	0	0	5,394
Surcharge - Permits	0	2,423	2,423	2,205
Animal Licenses (Dogs)	0	235	235	155
Rental Registration Fees	7,500	13,250	5,750	8,810
Rental Inspection Fees	7,500	6,085	(1,415)	6,055
Dance License	<u>0</u>	<u>60</u>	<u>60</u>	<u>120</u>
Total Licenses and Permits	<u>130,800</u>	<u>123,509</u>	<u>(7,291)</u>	<u>117,812</u>
Charges for Services:				
Zoning And Subdivision Fees	4,500	4,168	(332)	6,944
Sale Of Maps And Publications	0	0	0	2
Assessment Searches	3,500	1,435	(2,065)	3,045
Administrative Charges To Other Funds	0	0	0	222
Election Filing Fee	0	0	0	8
Charge For Cntrt Insp Srv Other Cities	0	860	860	17,437
Rents & Royalties(Rent & Lease Payments)	2,500	2,710	210	2,225
Misc-State Lease Payment	0	0	0	275
Rent - City Hall Occupants	15,000	36,673	21,673	15,957
Special Fire Protection Srv (Fire Calls)	35,000	32,750	(2,250)	32,114
Charges For Cntrt Fire Srv Other Cities	<u>247,528</u>	<u>247,528</u>	<u>0</u>	<u>205,431</u>

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 For The Year Ended December 31, 2023
 (With Comparative Amounts For the Year Ended December 31, 2022)

	2023 Budget	2023 Actual	Over (Under) Budget	2022 Actual
Revenues (Continued):				
Charges for Services:				
Revenues From Highways And Streets	\$ 2,800	\$ 3,736	\$ 936	\$ 2,595
Swimming Lesson Fees	6,000	6,950	950	6,175
Park And Recreation Concessions	0	751	751	0
Park Fees (Ballfields)	1,250	125	(1,125)	1,150
Total Charges for Services	<u>318,078</u>	<u>337,686</u>	<u>19,608</u>	<u>293,580</u>
Fines and Forfeitures:				
Fines And Forfeitures (City Ordinance)	7,500	4,424	(3,076)	4,729
Parking Fines	2,400	1,315	(1,085)	3,125
Returned Check Fine	0	175	175	175
Dog Impoundment	0	55	55	62
Total Fines and Forfeitures	<u>9,900</u>	<u>5,969</u>	<u>(3,931)</u>	<u>8,091</u>
Other Revenues:				
Donations	0	61,801	61,801	62,846
Reimbursements	0	3,894	3,894	32,296
Miscellaneous	500	6,719	6,219	60,443
Total Other Revenues	<u>500</u>	<u>72,414</u>	<u>71,914</u>	<u>155,585</u>
Interest and Dividends:				
Interest Earnings	1,500	12,181	10,681	(7,857)
Total Interest and Dividends	<u>1,500</u>	<u>12,181</u>	<u>10,681</u>	<u>(7,857)</u>
Total Revenues	<u>2,266,228</u>	<u>2,553,885</u>	<u>287,657</u>	<u>2,449,247</u>
Expenditures:				
Current				
General Government:				
Mayor and Council:				
Personal Services	17,495	20,433	2,938	17,174
Supplies	500	123	(377)	0
Other Services and Charges	2,575	910	(1,665)	2,319
Total Mayor and Council	<u>20,570</u>	<u>21,466</u>	<u>896</u>	<u>19,493</u>
Administration:				
Personal Services	234,388	226,566	(7,822)	235,099
Supplies	11,750	11,806	56	16,487
Other Services and Charges	153,154	232,248	79,094	372,914
Total Administration	<u>399,292</u>	<u>470,620</u>	<u>71,328</u>	<u>624,500</u>
Government Buildings:				
Personal Services	0	1,356	1,356	2,948
Supplies	2,500	4,173	1,673	2,958
Other Services and Charges	49,250	119,311	70,061	52,233
Total Government Buildings	<u>51,750</u>	<u>124,840</u>	<u>73,090</u>	<u>58,139</u>

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 For The Year Ended December 31, 2023
 (With Comparative Amounts For the Year Ended December 31, 2022)

	2023 Budget	2023 Actual	Over (Under) Budget	2022 Actual
Expenditures (Continued):				
Planning and Zoning:				
Personal Services	\$ 95,402	\$ 99,372	\$ 3,970	\$ 74,080
Supplies	500	22	(478)	856
Other Services and Charges	18,750	65,719	46,969	39,113
Total Planning and Zoning	<u>114,652</u>	<u>165,113</u>	<u>50,461</u>	<u>114,049</u>
Other General Government:				
Other Services and Charges	25,525	23,439	(2,086)	33,452
Total Other General Government	<u>25,525</u>	<u>23,439</u>	<u>(2,086)</u>	<u>33,452</u>
Total General Government	<u>611,789</u>	<u>805,478</u>	<u>193,689</u>	<u>849,633</u>
Public Safety:				
Police Protection:				
Other Services and Charges	222,709	223,709	1,000	217,175
Total Police Protection	<u>222,709</u>	<u>223,709</u>	<u>1,000</u>	<u>217,175</u>
Fire Protection:				
Personal Services	336,298	348,186	11,888	365,864
Supplies	42,750	36,836	(5,914)	53,653
Other Services and Charges	173,675	179,198	5,523	140,310
Total Fire Protection	<u>552,723</u>	<u>564,220</u>	<u>11,497</u>	<u>559,827</u>
Building Inspection:				
Personal Services	93,553	105,377	11,824	48,276
Supplies	750	201	(549)	441
Other Services and Charges	85,850	123,268	37,418	97,000
Total Building Inspection	<u>180,153</u>	<u>228,846</u>	<u>48,693</u>	<u>145,717</u>
Total Public Safety	<u>955,585</u>	<u>1,016,775</u>	<u>61,190</u>	<u>922,719</u>
Public Works:				
Street and Highway:				
Personal Services	290,386	284,481	(5,905)	251,535
Supplies	33,000	31,354	(1,646)	35,556
Other Services and Charges	164,746	165,827	1,081	181,972
Total Public Works	<u>488,132</u>	<u>481,662</u>	<u>(6,470)</u>	<u>469,063</u>
Culture and Recreation:				
Recreation:				
Other Services and Charges	39,250	39,285	35	20,335
Total Recreation	<u>39,250</u>	<u>39,285</u>	<u>35</u>	<u>20,335</u>

CITY OF PINE CITY, MINNESOTA

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

For The Year Ended December 31, 2023

(With Comparative Amounts For the Year Ended December 31, 2022)

	2023 Budget	2023 Actual	Over (Under) Budget	2022 Actual
Expenditures (Continued):				
Swimming Beach:				
Personal Services	\$ 45,594	\$ 51,826	\$ 6,232	\$ 36,616
Supplies	1,500	3,400	1,900	1,015
Other Services and Charges	11,994	12,547	553	6,792
Total Swimming Beach	<u>59,088</u>	<u>67,773</u>	<u>8,685</u>	<u>44,423</u>
Skating Rink:				
Personal Services	5,697	2,081	(3,616)	3,723
Supplies	1,750	783	(967)	813
Other Services and Charges	20,950	87,982	67,032	27,433
Total Skating Rink	<u>28,397</u>	<u>90,846</u>	<u>62,449</u>	<u>31,969</u>
Softball Fields:				
Personal Services	7,900	3,342	(4,558)	6,627
Supplies	1,650	1,700	50	1,264
Other Services and Charges	10,650	5,195	(5,455)	24,347
Total Softball Fields	<u>20,200</u>	<u>10,237</u>	<u>(9,963)</u>	<u>32,238</u>
Parks:				
Personal Services	111,317	123,109	11,792	87,661
Supplies	5,900	16,755	10,855	6,167
Other Services and Charges	81,628	78,924	(2,704)	44,376
Total Parks	<u>198,845</u>	<u>218,788</u>	<u>19,943</u>	<u>138,204</u>
Library:				
Supplies	9,000	9,210	210	6,262
Other Services and Charges	12,293	36,267	23,974	35,425
Total Library	<u>21,293</u>	<u>45,477</u>	<u>24,184</u>	<u>41,687</u>
Total Culture and Recreation	<u>367,073</u>	<u>472,406</u>	<u>105,333</u>	<u>308,856</u>
Total Current Expenditures	<u>2,422,579</u>	<u>2,776,321</u>	<u>353,742</u>	<u>2,550,271</u>
Capital Outlay:				
General Government	0	120,798	120,798	156,822
Public Safety	12,500	11,514	(986)	12,074
Public Works	18,000	12,222	(5,778)	0
Culture and Recreation	12,000	18,122	6,122	360,444
Total Capital Outlay	<u>42,500</u>	<u>162,656</u>	<u>120,156</u>	<u>529,340</u>
Total Expenditures	<u>2,465,079</u>	<u>2,938,977</u>	<u>473,898</u>	<u>3,079,611</u>
Excess of Revenues Over (Under) Expenditures	(198,851)	(385,092)	(186,241)	(630,364)

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
 For The Year Ended December 31, 2023
 (With Comparative Amounts For the Year Ended December 31, 2022)

	2023 Budget	2023 Actual	Over (Under) Budget	2022 Actual
Other Financing Sources (Uses):				
Transfers In	\$ 0	\$ 50,000	\$ 50,000	\$ 135,000
Transfers Out	<u>0</u>	<u>(945)</u>	<u>(945)</u>	<u>(171,901)</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>49,055</u>	<u>49,055</u>	<u>(36,901)</u>
 Change in Fund Balance	 <u>\$ (198,851)</u>	 (336,037)	 <u>\$ (137,186)</u>	 (667,265)
 Fund Balance - January 1		 <u>1,551,193</u>		 <u>2,218,458</u>
 Fund Balance - December 31		 <u>\$ 1,215,156</u>		 <u>\$ 1,551,193</u>

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF NET POSITION
WATER FUND

December 31, 2023

(With Comparative Amounts For December 31, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash and Investments	\$ 2,489,917	\$ 3,092,292
Accounts Receivable	153,410	169,097
Lease Receivable	94,084	16,067
Special Assessments	7,632	0
Prepaid Expense	3,698	4,052
Total Current Assets	<u>2,748,741</u>	<u>3,281,508</u>
Noncurrent Assets:		
Advance to Other Funds	1,000,000	0
Special Assessments	126,316	153,398
Capital Assets Not Being Depreciated	20,000	20,000
Other Capital Assets, Net of Depreciation	8,705,852	8,853,460
Total Noncurrent Assets	<u>9,852,168</u>	<u>9,026,858</u>
TOTAL ASSETS	<u>\$ 12,600,909</u>	<u>\$ 12,308,366</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities:		
Accrued Expenses	\$ 86,028	\$ 100,323
Unearned Revenue	4,111	6,731
Current Portion of Long-term Debt	522,880	548,020
Total Current Liabilities	<u>613,019</u>	<u>655,074</u>
Long-term Liabilities:		
Revenue Note Payable, Net of Current Portion	3,592,600	4,149,809
Total Liabilities	<u>4,205,619</u>	<u>4,804,883</u>
Deferred Inflows of Resources:		
Lease Deferrals	93,792	15,805
Net Position:		
Net Investment in Capital Assets	4,610,371	4,175,631
Unrestricted	3,691,127	3,312,047
Total Net Position	<u>8,301,498</u>	<u>7,487,678</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 12,600,909</u>	<u>\$ 12,308,366</u>

CITY OF PINE CITY, MINNESOTA

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

For the Year Ended December 31, 2023
(With Comparative Amounts For the Year Ended December 31, 2022)

	2023 Budget	2023 Actual	Over (Under) Budget	2022 Actual
Operating Revenues:				
Charges for Services	\$ 1,237,107	\$ 1,362,808	\$ 125,701	\$ 1,287,437
Operating Expenses:				
Personnel Services	276,570	201,537	(75,033)	221,788
Materials and Supplies	19,000	17,795	(1,205)	22,790
Professional Fees	23,300	39,599	16,299	21,730
Insurance	9,031	9,031	0	30,539
Utilities	44,700	39,260	(5,440)	45,098
Repairs and Maintenance	30,000	18,335	(11,665)	41,408
Contracted Services	2,000	1,037	(963)	2,035
Other Charges	10,240	17,464	7,224	11,543
Depreciation	220,056	253,518	33,462	246,395
Total Operating Expenses	<u>634,897</u>	<u>597,576</u>	<u>(37,321)</u>	<u>643,326</u>
Income from Operations	602,210	765,232	163,022	644,111
Nonoperating Revenues (Expenses):				
Interest and Fiscal Charges	(140,874)	(83,349)	57,525	(82,329)
Special Assessments	10,867	6,023	(4,844)	5,065
Access Fees and Other Revenues	44,000	50,363	6,363	73,022
Loss on Disposal of Assets	0	(108)	(108)	0
Investment Earnings	0	37,294	37,294	(14,679)
Total Nonoperating Revenues (Expenses)	<u>(86,007)</u>	<u>10,223</u>	<u>96,230</u>	<u>(18,921)</u>
Income Before Transfers	516,203	775,455	259,252	625,190
Transfers In	<u>0</u>	<u>38,365</u>	<u>38,365</u>	<u>0</u>
Change in Net Position	<u>\$ 516,203</u>	813,820	<u>\$ 297,617</u>	625,190
Net Position - January 1		<u>7,487,678</u>		<u>6,862,488</u>
Net Position - December 31		<u>\$ 8,301,498</u>		<u>\$ 7,487,678</u>

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF NET POSITION
SEWER FUND

December 31, 2023

(With Comparative Amounts For December 31, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash and Investments	\$ 1,610,655	\$ 2,980,496
Accounts Receivable	93,164	108,111
Special Assessments	6,141	0
Prepaid Expense	3,697	4,052
Total Current Assets	<u>1,713,657</u>	<u>3,092,659</u>
Noncurrent Assets:		
Advance to Other Funds	1,000,000	0
Special Assessments	106,573	128,477
Capital Assets Not Being Depreciated	85,278	85,278
Other Capital Assets, Net of Depreciation	7,328,824	6,763,130
Total Noncurrent Assets	<u>8,520,675</u>	<u>6,976,885</u>
TOTAL ASSETS	<u>\$ 10,234,332</u>	<u>\$ 10,069,544</u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accrued Expenses	\$ 64,960	\$ 64,290
Unearned Revenue	2,496	4,522
Current Portion of Long-term Debt	85,120	143,980
Total Current Liabilities	<u>152,576</u>	<u>212,792</u>
Long-term Liabilities:		
Revenue Bonds Payable, Net of Current Portion	<u>1,648,997</u>	<u>1,736,578</u>
Total Liabilities	<u>1,801,573</u>	<u>1,949,370</u>
Net Position:		
Net Investment in Capital Assets	5,679,986	4,967,850
Unrestricted	2,752,773	3,152,324
Total Net Position	<u>8,432,759</u>	<u>8,120,174</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 10,234,332</u>	<u>\$ 10,069,544</u>

CITY OF PINE CITY, MINNESOTA

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

For the Year Ended December 31, 2023

(With Comparative Amounts For the Year Ended December 31, 2022)

	2023 Budget	2023 Actual	Over (Under) Budget	2022 Actual
Operating Revenues:				
Charges for Services	\$ 785,760	\$ 855,999	\$ 70,239	\$ 815,190
Operating Expenses:				
Personnel Services	279,578	201,668	(77,910)	222,132
Materials and Supplies	6,600	2,723	(3,877)	4,691
Professional Fees	37,231	29,803	(7,428)	46,641
Insurance	20,103	20,103	0	30,470
Utilities	57,000	62,563	5,563	62,051
Repairs and Maintenance	16,500	32,803	16,303	12,201
Contracted Services	14,300	17,542	3,242	15,020
Other Charges	13,900	13,416	(484)	12,167
Depreciation	168,508	195,136	26,628	184,628
Total Operating Expenses	<u>613,720</u>	<u>575,757</u>	<u>(37,963)</u>	<u>590,001</u>
Income from Operations	<u>172,040</u>	<u>280,242</u>	<u>108,202</u>	<u>225,189</u>
Nonoperating Revenues (Expenses):				
Interest and Fiscal Charges	(56,029)	(46,871)	9,158	(48,147)
Special Assessments	10,029	5,196	(4,833)	4,767
Access Fees and Other Revenues	0	4,500	4,500	40,500
Investment Earnings	12,000	37,292	25,292	(13,691)
Total Nonoperating Revenues (Expenses)	<u>(34,000)</u>	<u>117</u>	<u>34,117</u>	<u>(16,571)</u>
Income Before Transfers	138,040	280,359	142,319	208,618
Transfers In	<u>0</u>	<u>32,226</u>	<u>32,226</u>	<u>0</u>
Change in Net Position	<u>\$ 138,040</u>	312,585	<u>\$ 174,545</u>	208,618
Net Position - January 1		<u>8,120,174</u>		<u>7,911,556</u>
Net Position - December 31		<u>\$ 8,432,759</u>		<u>\$ 8,120,174</u>

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF NET POSITION

LIQUOR FUND

December 31, 2023

(With Comparative Amounts For December 31, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash and Investments	\$ 367,499	\$ 536,486
Inventory	357,197	332,806
Prepaid Expense	2,431	2,509
Total Current Assets	<u>727,127</u>	<u>871,801</u>
Noncurrent Assets:		
Capital Assets Not Being Depreciated	33,000	33,000
Other Capital Assets, Net of Depreciation	129,565	145,751
Total Noncurrent Assets	<u>162,565</u>	<u>178,751</u>
TOTAL ASSETS	<u>\$ 889,692</u>	<u>\$ 1,050,552</u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accrued Expenses	\$ 183,750	\$ 156,036
Due to Other Governments	21,839	40,164
Total Current Liabilities	<u>205,589</u>	<u>196,200</u>
Net Position:		
Net Investment in Capital Assets	162,565	179,545
Unrestricted	521,538	674,807
Total Net Position	<u>684,103</u>	<u>854,352</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 889,692</u>	<u>\$ 1,050,552</u>

CITY OF PINE CITY, MINNESOTA

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

For the Year Ended December 31, 2023

(With Comparative Amounts For the Year Ended December 31, 2022)

	2023 Budget	2023 Actual	Over (Under) Budget	2022 Actual
Operating Revenues:				
Beer	\$ 1,140,000	\$ 1,136,887	\$ (3,113)	\$ 1,165,606
Liquor and Wine	990,000	1,222,790	232,790	1,161,749
Other Operating Revenues	54,700	71,077	16,377	61,180
Total Operating Revenues	<u>2,184,700</u>	<u>2,430,754</u>	<u>246,054</u>	<u>2,388,535</u>
Cost of Revenues:				
Beer	797,000	831,669	34,669	860,544
Liquor and Wine	670,000	849,873	179,873	785,140
Miscellaneous	52,250	65,692	13,442	58,129
Total Cost of Revenues	<u>1,519,250</u>	<u>1,747,234</u>	<u>227,984</u>	<u>1,703,813</u>
Gross Profit	<u>665,450</u>	<u>683,520</u>	<u>18,070</u>	<u>684,722</u>
Operating Expenses:				
Personnel Services	373,072	429,531	56,459	349,116
Materials and Supplies	14,500	14,933	433	17,385
Professional Fees	7,500	16,158	8,658	32,905
Insurance	11,500	11,500	0	13,870
Utilities	17,150	14,209	(2,941)	14,893
Repairs and Maintenance	10,500	20,365	9,865	4,095
Contracted Services	22,000	8,033	(13,967)	50,035
Other Charges	38,625	51,796	13,171	9,222
Depreciation	16,103	16,186	83	16,323
Total Operating Expenses	<u>510,950</u>	<u>582,711</u>	<u>71,761</u>	<u>507,844</u>
Income from Operations	<u>154,500</u>	<u>100,809</u>	<u>(53,691)</u>	<u>176,878</u>
Nonoperating Revenues (Expenses):				
Other Revenues	2,500	2,196	(304)	2,346
Investment Earnings	3,000	6,641	3,641	(2,649)
Total Nonoperating Revenues (Expenses)	<u>5,500</u>	<u>8,837</u>	<u>3,337</u>	<u>(303)</u>
Income Before Transfers	160,000	109,646	(50,354)	176,575
Transfers Out	<u>(150,000)</u>	<u>(279,895)</u>	<u>(129,895)</u>	<u>(185,000)</u>
Change in Net Position	<u>\$ 10,000</u>	<u>(170,249)</u>	<u>\$ (180,249)</u>	<u>(8,425)</u>
Net Position - January 1		<u>854,352</u>		<u>862,777</u>
Net Position - December 31		<u>\$ 684,103</u>		<u>\$ 854,352</u>

OTHER REQUIRED REPORTS



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Certified Public Accountants

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MINNESOTA LEGAL COMPLIANCE

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate fund information of the City of Pine City, Minnesota (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, and have issued our report thereon dated September 5, 2024. Our report includes a reference to other auditors of the financial statements of the Pine City Housing and Redevelopment Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of the provisions of the *Minnesota Legal Compliance Audit Guide* that are reported on separately by those auditors.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the accompanying schedule of responses as items 2023-003 and 2023-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above-referenced provisions.

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

Burkhardt & Burkhardt, Ltd.

Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
September 5, 2024



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INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Pine City, Minnesota (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated September 5, 2024. Our report includes a reference to other auditors of the financial statements of Pine City Housing and Redevelopment Authority, as described in our report on the City’s financial statements. This report does not include the results of the other auditor’s testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify deficiencies in internal control that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City’s financial statements will not be prevented or detected and corrected on a timely basis. As described in the accompanying schedule of findings and responses, we consider the following deficiencies in internal control to be material weaknesses as items 2023-001 and 2023-002.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, as noted in the schedule of findings and responses.

City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Burkhardt & Burkhardt, Ltd.

Burkhardt & Burkhardt, Ltd
Mankato, Minnesota
September 5, 2024

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
INTERNAL CONTROL AND LEGAL COMPLIANCE
December 31, 2023

CURRENT YEAR FINANCIAL STATEMENT FINDINGS

Material Weaknesses

Finding 2023-001. Material Audit Adjustments

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

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

Nicole Tricker, Finance Manager

Planned Completion Date for CAP:

December 31, 2024

Plan to Monitor Completion of CAP:

City Council

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
INTERNAL CONTROL AND LEGAL COMPLIANCE
December 31, 2023

Finding 2023-002. Untimely Bank Account Reconciliations

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

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

Nicole Tricker, Finance Manager

Planned Completion Date for CAP:

December 31, 2024

Plan to Monitor Completion of CAP:

City Council

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
INTERNAL CONTROL AND LEGAL COMPLIANCE
December 31, 2023

CURRENT YEAR MINNESOTA LEGAL COMPLIANCE FINDINGS

Finding 2023-003. Public Purpose Expenditures

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

During 2023, the City provided public funds to several nonprofit organizations that were not authorized under state statutes.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

Nicole Tricker, Finance Manager

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES ON
INTERNAL CONTROL AND LEGAL COMPLIANCE
December 31, 2023

Finding 2023-004. Improper Acceptance of Donations

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

During 2023, the City received donations that were not accepted by resolution adopted by a two-thirds majority of the city council with expressed terms in full.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

Nicole Tricker, Finance Manager

Planned Completion Date for CAP:

December 31, 2024

Plan to Monitor Completion of CAP:

City Council

CITY OF PINE CITY, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2023

<u>Finding Reference</u>	<u>Finding Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If Not Corrected, Provide Planned Corrective Action or Other Explanation</u>
Financial Statement Findings:				
2022-001	Material audit adjustments	Not Corrected	2021	See Current Year Finding 2023-001
2022-002	Reconciling Bank Balances to the General Ledger	Not Corrected	2021	See Current Year Finding 2023-002
2022-003	Controls Over Journal Entry Process	Corrected	2021	N/A
Minnesota Legal Compliance Findings:				
2022-004	Public Purpose Expenditures	Not Corrected	2021	See Current Year Finding 2023-003

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

MANAGEMENT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2023**

Burkhardt & Burkhardt, Ltd.
Certified Public Accountants
Mankato, Minnesota

CITY OF PINE CITY
PINE CITY, MINNESOTA

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December 31, 2023

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pine City, Minnesota (the City), for the year ended December 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 11, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

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

Also, our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting standards were adopted in 2023. The application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimate affecting the financial statements were the following:

- Management's estimate of depreciation is based on estimated useful lives of the assets. Depreciation is calculated using the straight-line method.
- Allocations of gross wages and payroll benefits are approved by the Council within the City's budget and are derived from each employee's estimated time to be spent servicing the respective functions of the City.
- The valuation of inventory for resale is measured at the lower cost or net realizable value. The cost of inventory is determined using the First-in, First-out (FIFO) convention.

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

- Management's estimate of its pension liability is based on several factors including, but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increases, and form of annuity payment upon retirement. The allocation of the pension liability is based on the City's proportionate share of employer contributions to the pension plans.
- Management's estimate of the fair value measurement of investments is determined by the market approach based primarily on comparable or similar assets in active and secondary markets.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Our audit procedures identified forty-five misstatements. Management has corrected all such misstatements, in addition, fourteen of the misstatements corrected by management were material, either individually or in the aggregate, to the affected opinion unit's financial statements taken as a whole. The material audit entries were related to the following situations:

- Too many to list, please see the adjustments at the end of this report.

We also assisted in preparing several year-end accounting entries. These were necessary to adjust the City's records at year end to the correct ending balances. The City should establish more detailed processes and procedures to reduce the total number of entries in each category. The City will receive better and timelier information if the preparation of year-end entries is completed internally. The adjustments we proposed, and management posted to the City's general ledger accounts can be found beginning on page 16.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 5, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) (the Schedules of Employer’s Shares of the Net Pension Liability – PERA, the Schedules of Employer’s PERA contributions, Schedule of Changes in the Total OPEB Liability and Related Ratios, Schedule of Changes in Net Pension Liability and Related Ratios – VFRA, and Schedule of Contributions and Net Pension Liability as a Percent of Payroll – VFRA), which is information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information (individual fund financial statements and schedules), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Restriction on Use

This communication is intended solely for the information and use of the Council, management and the Minnesota Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Burkhardt & Burkhardt, Ltd.
Mankato, Minnesota
September 5, 2024

CITY OF PINE CITY
PINE CITY, MINNESOTA

SCHEDULE OF FINDINGS ON INTERNAL CONTROLS OVER FINANCIAL REPORTING
AND COMPLIANCE AND OTHER MATTERS
December 31, 2023

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. As described below, we consider the following deficiencies in internal control to be material weaknesses as items 2023-001 & 2023-002.

MATERIAL WEAKNESS

Finding 2023-001. Material Audit Adjustments

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

Corrective Action Plan (CAP)

Disagreement with Audit Finding: None

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

Official Responsible for Ensuring CAP: Nicole Tricker, Finance Manager

Planned Completion Date for CAP: December 31, 2024

Plan to Monitor Completion of CAP: City Council

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

MATERIAL WEAKNESS

Finding 2023-002. Untimely Bank Account Reconciliation

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

Corrective Action Plan (CAP)

Disagreement with Audit Finding: None

Actions Planned in Response to Finding: The City will develop a policy to review bank reconciliations at each council meeting and designate a council member to initial to reconciliation.

Official Responsible for Ensuring CAP: Nicole Tricker, Finance Manager

Planned Completion Date for CAP: December 31, 2024

Plan to Monitor Completion of CAP: City Council

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City’s compliance with those requirements. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards* or the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65.

Finding 2023-003. Public Purpose Expenditures

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

During 2023, the City provided public funds to several nonprofit organizations that were not authorized under state statutes.

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

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding: None

Actions Planned in Response to Finding: The City will review state statutes prior to donating to a nonprofit organization to ensure it is specifically authorized.

Official Responsible for Ensuring CAP: Nicole Tricker, Finance Manager

Planned Completion Date for CAP: December 31, 2023

Plan to Monitor Completion of CAP: City Council

Finding 2023-004. Improper Acceptance of Donations

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

During 2023, the City received donations that were not accepted by resolution adopted by a two-thirds majority of the city council with expressed terms in full.

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding: None

Actions Planned in Response to Finding: The City will develop a policy to ensure all donations received will be accepted by resolution following the terms of MSA 465.03.

Official Responsible for Ensuring CAP: Nicole Tricker, Finance Manager

Planned Completion Date for CAP: December 31, 2024

Plan to Monitor Completion of CAP: City Council

CITY OF PINE CITY
PINE CITY, MINNESOTA

GENERAL RECOMMENDATIONS
December 31, 2023

Throughout the course of the audit, we spoke to management regarding certain items that we see as an opportunity to improve. None of these were considered significant within the scope of the audit. The items discussed requiring action have been resolved or are in the process of resolution. We would like to acknowledge the assistance and courtesies extended to us by the personnel of the City of Pine City.

Our recommendations are summarized below.

Number	Audit area	Recommendation
2023-001	Fund balance	The city's unassigned fund balance has remained below the levels recommended by the Office of the State Auditor for over two years. To rectify this, immediate action is recommended to raise the unassigned fund balance to at least 50% of the budgeted expenditures. Possible strategies to achieve this include reassigning balances from unrestricted resources, conducting interfund transfers, increasing the operating levy, or implementing cuts to the general fund budget. Each option should be carefully evaluated for its potential impact on city services and financial stability. This adjustment is crucial for ensuring sufficient liquidity, maintaining good fiscal health, and improving the city's ability to manage unexpected financial challenges.
2023-002	Bank reconciliation	To enhance financial accuracy and compliance, it is recommended that the client implement more stringent controls around the timing and completion of bank reconciliations. Specifically, management should enforce a policy where bank reconciliations are completed within five business days following the end of each month. This prompt reconciliation ensures timely identification and correction of discrepancies, aids in the effective management of cash flows, and supports accurate financial reporting. Additionally, training should be provided to responsible staff to emphasize the importance of this task and to ensure they have the necessary skills and resources. Regular monitoring and reporting on reconciliation status to management will further ensure adherence to this policy and highlight any areas needing attention.
2023-003	Accounting policies	Given that the city's internal control manual has not been updated since 2011, it is recommended that the city undertake a comprehensive review and revision of this crucial document. Updating the internal control manual is essential to reflect current best practices, regulatory changes, and the evolving technological landscape. This process should involve collaboration with department heads, auditors, and potentially external consultants to ensure that all aspects of the city's operations are adequately covered. The updated manual should also include clear guidelines for routine audits, risk assessment procedures, and specific controls for each department. Implementing a regularly scheduled review cycle, such as every two to three years, will ensure that the manual remains relevant and effective in guiding the city's internal controls and financial governance.
2023-004	Safeguarding assets	It has been noted that the utility billing clerk is holding significant amounts of cash in the office and making deposits infrequently, despite the proximity of city hall to the city's bank. To mitigate risks associated with holding large sums of cash and to enhance financial security and efficiency, it is recommended that the city implement a policy requiring daily deposits of all collected funds. This policy should stipulate that all cash received by the utility billing office be deposited at the close of each business day, given the convenient access to the bank. Training should be provided to all relevant staff to ensure compliance with this policy. Additionally, routine audits should be conducted to monitor adherence and to address any compliance issues promptly. Implementing these measures will improve cash management, reduce the risk of theft or loss, and ensure more accurate financial reporting.

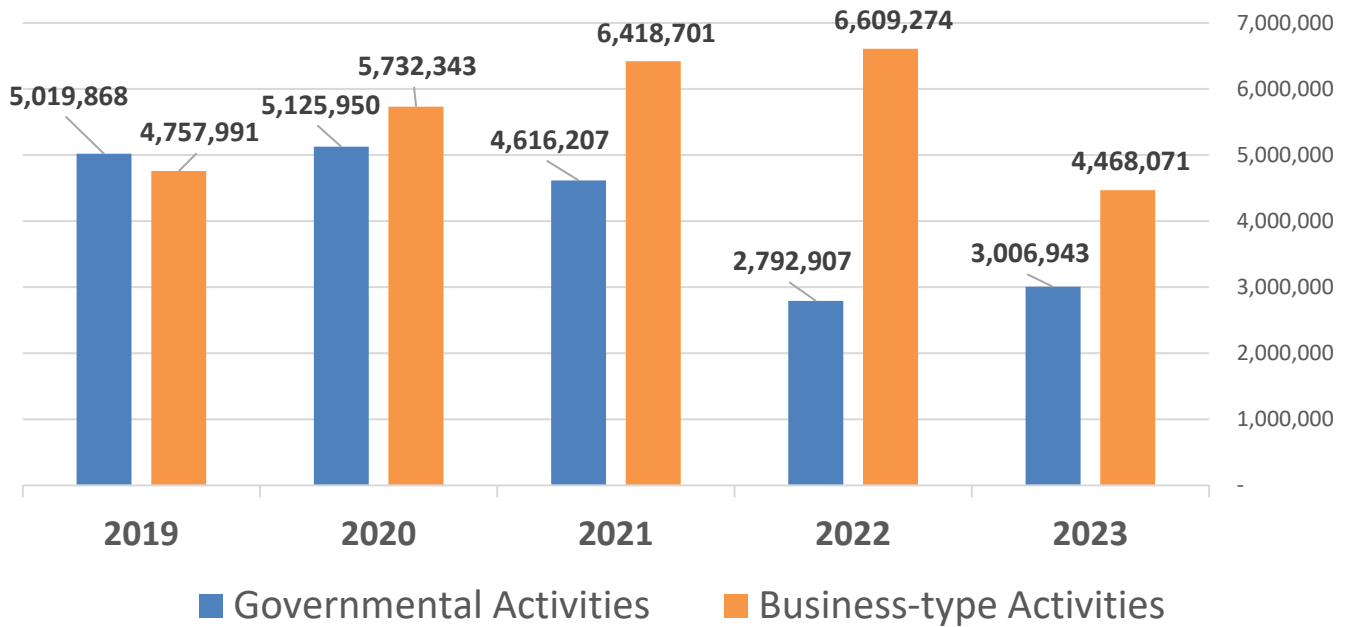
2023-005	Budgeting	<p>The city has exceeded its general fund appropriations by approximately \$475,000, or 20%, which indicates significant budgetary control issues. To address this fiscal overrun, it is recommended that the city undertake immediate measures to review and adjust its budgetary enforcement processes. This review should include a detailed analysis of current expenditures against budgeted amounts to identify the causes of overspending. Additionally, the city should implement stricter budget monitoring and reporting protocols, including monthly budget vs. actual reviews presented to the city council. To prevent future over-appropriations, training should be provided to all department heads on budget management and compliance. Furthermore, the city may consider establishing a contingency plan that includes setting aside a reserve fund specifically for unforeseen expenses, thereby preventing the need to exceed budgeted appropriations.</p>
2023-006	Financial management	<p>The city has experienced significant cost overruns on recent infrastructure projects, resulting in a deficit of approximately \$2.8 million in project funds. To rectify this financial shortfall, it is recommended that the city council consider a combination of measures. These should include evaluating potential future levy increases to gradually offset the deficit, exploring interfund borrowing options to provide immediate liquidity, and considering permanent transfers from other funds with excess reserves. Each option should be carefully analyzed for its long-term financial impact on the city's overall fiscal health. Additionally, to prevent similar situations in the future, the city should enforce stricter project budgeting protocols and secure adequate funding before commencement, alongside implementing regular financial reviews during the project lifecycle.</p>

CITY OF PINE CITY
PINE CITY, MINNESOTA

FINANCIAL POSITION AND RESULTS OF OPERATIONS
December 31, 2023

A couple of the most common and comparable metrics used to evaluate the financial health of a government is their cash balance and days of reserves. Days of reserves is best defined as the number of days a government can operate with their year-end cash balance under average annual conditions. Below are graphs and tables showing the City’s cash and investment balances and days of reserves for the past five years:

CASH AND INVESTMENT BALANCES



Days of Reserves

	2019	2020	2021	2022	2023
Governmental	315	322	290	175	189
Business-type	957	1,153	1,291	1,329	899

In the current year, the City’s cash balance for governmental activities increased by approximately \$214,000, primarily due to advances made to the project fund to cover incurred costs. As illustrated in the graph above, cash levels remained steady from 2019 to 2020, attributed to the City’s budget performance exceeding project expenditures. Despite the recent decrease in cash, the governmental activities maintained a reserve equivalent to approximately six months at the end of the year.

For business-type activities, cash balances have shown a consistent annual increase over the past four years. However, cash decreased by \$2,141,000 this year, primarily due to cash advances provided to the governmental activities. The reserves for business-type activities reached their peak in 2022, equating to approximately 44 months.

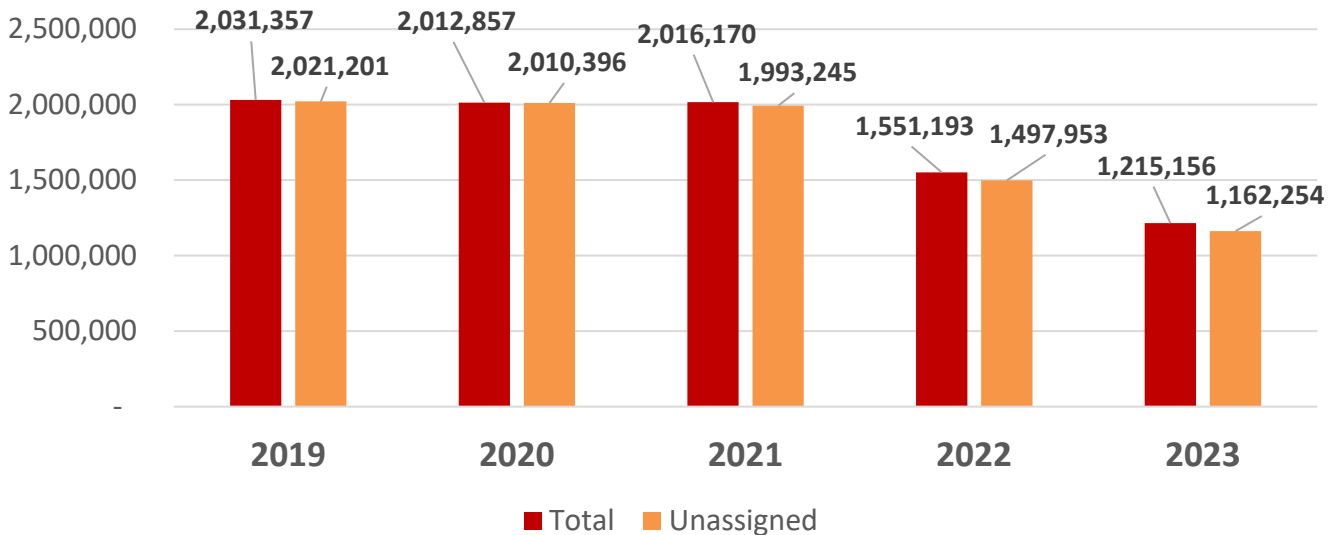
CITY OF PINE CITY
PINE CITY, MINNESOTA

FINANCIAL POSITION AND RESULTS OF OPERATIONS
December 31, 2023

A determination of the financial health of any government begins with an analysis of its General fund, or more specifically, the components of the General fund balance. The General fund’s unassigned fund balance is a vital component of this analysis, as it represents the portion of fund balance management, and the City Council has discretionary spending authority over. It is important for the City to maintain an adequate amount of unassigned fund balance to ensure resources are available to meet any unexpected disbursements during the year, as well as provide funding for city services between property tax and state aid collections.

As the City completed the fiscal year, its General fund reported a combined fund balance of \$1,215,156. This was down from \$1,551,193 at the end of the prior year, a decrease of approximately \$336,000. The unassigned fund balance constitutes \$1,162,254 of the total combined fund balance. The remainder of the fund balance is either not in spendable form or is reserved and is not available for new spending as it has already been restricted, committed, or assigned for other purposes.

COMPONENTS OF FUND BALANCE – GENERAL FUND



	2019	2020	2021	2022	2023
Fund balance percentage	101%	89%	83%	49%	40%
OSA recommended fund balance	\$ 1,004,000	\$ 1,132,000	\$ 1,199,000	\$ 1,540,000	\$ 1,469,000
Auditor recommended fund balance	\$ 1,506,000	\$ 1,697,000	\$ 1,799,000	\$ 2,310,000	\$ 2,204,000
Excess/(deficiency)	\$ 515,000	\$ 313,000	\$ 194,000	\$ (812,000)	\$ (1,042,000)

At the end of the current year, the City’s unassigned fund balance stood at 40% of current year expenditures, a decrease from 49% in 2022. The Office of the State Auditor (OSA) recommends maintaining an unassigned fund balance between 40% and 50% of current year expenditures, as outlined in their Statement of Position. However, our firm advises a minimum threshold of 75%, based on an analysis of recent debt rating reports from national rating agencies. Although the City has met the OSA’s recommendation, it falls short of our firm’s guidance by \$1,042,000.

CITY OF PINE CITY
PINE CITY, MINNESOTA

FINANCIAL POSITION AND RESULTS OF OPERATIONS
December 31, 2023

Budgetary results of the General fund are an important observation over management’s ability to execute a financial plan to provide basic public services typically performed by the General fund. It is important for management to use all available information when constructing the annual budget, including 3-5 years of historical data and outside data sources when formulating its line-item budget. Creating or updating long-term capital and financial plans should also be considered during this process.

The results of the General fund’s budget for the most recent year-end are summarized below.

BUDGET AND ACTUAL - GENERAL FUND

	Budget	Actual	Variance with Budget
Revenues	\$ 2,266,228	\$ 2,553,885	\$ 287,657
Expenditures			
Current	2,422,579	2,776,321	353,742
Capital outlay	42,500	162,656	120,156
Total expenditures	2,465,079	2,938,977	473,898
Revenues over (under) expenditures	(198,851)	(385,092)	(186,241)
Other financing sources (uses):			
Transfers	-	49,055	49,055
Change in fund balance	\$ (198,851)	\$ (336,037)	\$ (137,186)

At the end of the current fiscal year, the General Fund’s overall change in fund balance was \$(336,037), falling short of budget projections by \$137,186. The City realized revenues exceeding the budget by approximately \$287,000, primarily driven by state grants and donations. However, expenditures exceeded appropriations by approximately \$473,000, mainly due to higher disbursements related to the finance function, culture and recreation, and capital outlay. These excess disbursements were covered through additional revenues and the available fund balance.

CITY OF PINE CITY
PINE CITY, MINNESOTA

FINANCIAL POSITION AND RESULTS OF OPERATIONS
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The business-type activities, or *enterprise funds*, provide critical services to residents of the City. These activities are described as business-type activities due to the presumption that they will operate in a profitable manner. Profit and loss, although important and worthy of evaluation, are not the sole criteria to evaluate the performance and health of enterprise funds. Profit and loss can be impacted by conditions beyond the control of the government (Net Pension Liabilities) as well as accounting adjustments required by general accepted accounting principles. Therefore, we hold the view that positive cash flow from operations is the main assessment to determine the health of the enterprise funds. Positive cash flow from operations is essential to enterprise funds for two primary reasons; 1) it provides cash for capital expenditures, and 2) it provides cash to service the enterprise fund's debt. When setting user fees, management must consider the enterprise fund's cash needs related to capital replacement and debt service to ensure adequate cash flows.

The table below summarizes the cash flows from operations and other sources (uses) of cash during the year.

CASH FLOWS – ENTERPRISE FUNDS

	Water	Sewer	Liquor
Cash provided from operating activities	\$ 1,075,291	\$ 495,994	\$ 104,267
Interfund activity	(961,635)	(967,774)	(279,895)
Capital asset activity	(106,018)	(760,829)	-
Special assessment collections	25,473	20,958	-
Debt service payments	(672,780)	(195,482)	-
Investment activity	37,294	37,292	6,641
Increase (decrease) in cash	<u>\$ (602,375)</u>	<u>\$ (1,369,841)</u>	<u>\$ (168,987)</u>
Cash balance - 12/31/2023	<u>\$ 2,489,917</u>	<u>\$ 1,610,655</u>	<u>\$ 367,499</u>
Historical increases (decreases) in cash	Water	Sewer	Liquor
2022	\$ 33,160	\$ 86,336	\$ 71,078
2021	337,100	290,292	58,966
2020	694,400	284,334	(4,382)
2019	(105,575)	742,840	77,611
Five year average	<u>\$ 71,342</u>	<u>\$ 6,792</u>	<u>\$ 6,857</u>

At the close of the current fiscal year, all enterprise funds reported positive cash flows from operations. The Liquor Fund was able to transfer funds to the General and Capital Improvement Funds during the year. The Water and Sewer Funds, based on historical trends in cash balances, appear to have a user rate structure adequate to meet their capital and debt service obligations. However, it is recommended that user rates for all enterprise funds be periodically evaluated to ensure they remain sufficient to support ongoing operations.

CITY OF PINE CITY
PINE CITY, MINNESOTA

FUTURE ACCOUNTING STANDARD CHANGES
December 31, 2023

GASB Statement No. 99, Omnibus 2022

In April of 2022, the Government Accounting Standards Board issued GASB Statement No. 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

How will this Statement improve accounting and financial reporting?

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

Effective date and transition

The requirements of this Statement that are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62

In June of 2022, the Government Accounting Standards Board issued GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

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

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

How will this Statement improve accounting and financial reporting?

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

Effective date and transition

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, Compensated Absences

In June of 2022, the Government Accounting Standards Board issued GASB Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

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

How will this Statement improve accounting and financial reporting?

The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

Effective date and transition

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

CITY OF PINE CITY
PINE CITY, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2023

Account	Description	Debit	Credit
AA01	Reverse		
Record project retainage. DAU			
413-20600	CONTRACTS PAYABLE	0.00	71,075.09
413-43000-50530	IMPROVEMENTS OTHER THAN BLDGS.	71,075.09	0.00
Total		71,075.09	71,075.09
AA02			
Reclass fire contract amounts per signed contracts. LJR			
401-44225	CHARGES FOR CONTRT FIRE SRV OTHER CITIES	5,531.41	0.00
401-10100	CASH	0.00	5,531.41
100-44225	CHARGES FOR CNTRT FIRE SRV OTHER CITIES	0.00	5,531.41
100-10100	CASH	5,531.41	0.00
Total		11,062.82	11,062.82
AA03			
Adjust loan receivable balance.pfb			
202-12901	LOAN RECEIVABLE	13,855.27	0.00
202-46500-50300	PROFESSIONAL SERVICES	0.00	13,855.27
Total		13,855.27	13,855.27
AA04	Reverse		
Capture donation that should have been recorded in 2023. DAU			
100-46230	CONTRB & DONATIONS FROM PRIVATE SOURCES	0.00	37,320.08
100-10100	CASH	37,320.08	0.00
Total		37,320.08	37,320.08
AA05			
Adjust lease receivable and DIR for new lease term.pfb			
601-11600	LEASE RECEIVABLE	78,017.14	0.00
601-22300	DEFERRED INFLOWS OF RESOURCES-LEASES	0.00	77,987.48
601-46220	RENTS & ROYALTIES (RENT & LEASE PAYMENT)	0.00	29.66
Total		78,017.14	78,017.14
AA06			
Record project payment from March 2024. LJR			
413-20600	CONTRACTS PAYABLE	0.00	123,010.17
413-43000-50530	IMPROVEMENTS OTHER THAN BLDGS.	123,010.17	0.00
Total		123,010.17	123,010.17
AA07			
Reclass PY accounts receivable collection to correct fund.pfb			
100-11500	ACCOUNTS RECEIVABLE	5,531.41	0.00
100-10100	CASH	0.00	5,531.41
401-11500	ACCOUNTS RECEIVABLE	0.00	5,531.41
401-10100	CASH	5,531.41	0.00
Total		11,062.82	11,062.82
AA08			
Adjust Sales Tax Payable. DAU			
609-20801	SALES TAX PAYABLE	0.00	16,834.40
609-47811	LIQUOR SALES	16,834.40	0.00
601-20801	SALES TAX PAYABLE	0.00	2,221.00
601-47100	WATER SALES	2,221.00	0.00
Total		19,055.40	19,055.40

CITY OF PINE CITY
PINE CITY, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2023

AA09

Record bond premium amortization

601-23200	BOND PREMIUM	34,329.00	0.00
601-47000-50611	BOND INTEREST	0.00	34,329.00
602-23200	BOND PREMIUM	2,461.00	0.00
602-47000-50611	BOND INTEREST	0.00	2,461.00
Total		<u>36,790.00</u>	<u>36,790.00</u>

AA10

Adjust debt principal payments to bond liability accounts

601-47000-50601	BOND PRINCIPAL	0.00	548,020.00
601-23100	BONDS PAYABLE	522,880.00	0.00
601-23101	BONDS PAYABLE ST	25,140.00	0.00
602-47000-50601	BOND PRINCIPAL	0.00	143,980.00
602-23101	BONDS PAYABLE ST	58,860.00	0.00
602-23100	BONDS PAYABLE	85,120.00	0.00
Total		<u>692,000.00</u>	<u>692,000.00</u>

AA11

Adjust accrued interest payable

601-21500	INTEREST PAYABLE	7,082.05	0.00
601-47000-50611	BOND INTEREST	0.00	7,082.05
602-21500	INTEREST PAYABLE	2,169.66	0.00
602-47000-50611	BOND INTEREST	0.00	2,169.66
Total		<u>9,251.71</u>	<u>9,251.71</u>

AA12

Record enterprise depreciation. LJR

601-49400-50420	DEPRECIATION	7,128.63	0.00
601-16210	ACCUM DEPRECIATION	0.00	7,128.63
602-49450-50420	DEPRECIATION	10,832.06	0.00
602-16210	ACCUM DEPRECIATION	0.00	10,832.06
609-49750-50420	DEPRECIATION	2.04	0.00
609-16210	ACCUM DEPRECIATION	0.00	2.04
Total		<u>17,962.73</u>	<u>17,962.73</u>

AA13

Correct debt service payment coding

602-47000-50601	BOND PRINCIPAL	0.00	50,060.00
602-47000-50611	BOND INTEREST	0.00	1,298.49
602-10100	CASH	51,358.49	0.00
601-10100	CASH	0.00	51,358.49
601-47000-50601	BOND PRINCIPAL	51,060.00	0.00
601-47000-50611	BOND INTEREST	298.49	0.00
Total		<u>102,716.98</u>	<u>102,716.98</u>

AA14

Record CY enterprise capital additions and disposals. LJR

601-16200	FIXED ASSETS - BUILDINGS & EQU	36,780.50	0.00
601-49400-50540	MACHINERY AND EQUIPMENT	0.00	37,030.50
602-16200	FIXED ASSETS - BUILDINGS & EQU	36,780.50	0.00
602-49450-50540	MACHINERY AND EQUIPMENT	0.00	37,030.50
602-16300	FIXED ASSETS - IMPROV NOT BLDG	661,151.02	0.00
602-49450-50303	ENGINEERING SERVICES	0.00	19,753.35
602-49470-50530	IMPROVEMENTS OTHER THAN BLDGS.	0.00	641,397.67
602-49450-50400	REPAIRS AND MAINTENANCE	250.00	0.00
601-49400-50400	REPAIRS AND MAINTENANCE	250.00	0.00
Total		<u>735,212.02</u>	<u>735,212.02</u>

CITY OF PINE CITY
PINE CITY, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2023

AA15

Record CY enterprise portions of street improvement project. LJR

413-43000-50303	ENGINEERING SERVICES	0.00	7,973.48
413-43000-50530	IMPROVEMENTS OTHER THAN BLDGS.	0.00	111,268.86
413-10100	CASH	119,242.34	0.00
601-10100	CASH	0.00	69,237.49
601-16300	FIXED ASSETS - IMPROV NOT BLDG	69,237.49	0.00
602-10100	CASH	0.00	50,004.85
602-16300	FIXED ASSETS - IMPROV NOT BLDG	50,004.85	0.00
Total		238,484.68	238,484.68

AA16

Record enterprise portion of equipment trade in. LJR

602-16200	FIXED ASSETS - BUILDINGS & EQU	13,147.33	0.00
602-49480-50540	MACHINERY AND EQUIPMENT	0.00	12,895.00
602-16210	ACCUM DEPRECIATION	5,803.63	0.00
602-16200	FIXED ASSETS - BUILDINGS & EQU	0.00	6,055.96
601-16200	FIXED ASSETS - BUILDINGS & EQU	0.00	2,595.40
601-16210	ACCUM DEPRECIATION	2,487.26	0.00
601-49400-49990	Loss on disposal	108.14	0.00
Total		21,546.36	21,546.36

AA17

Record DFOG for grant expenditures.pfb
100-13200

Reverse

100-43400	DUE FROM OTHER GOVERNMENTS	18,145.28	0.00
	GRANTS AND AIDS FROM LOCAL GOVT UNITS	0.00	18,145.28
Total		18,145.28	18,145.28

AA18

Adjust allowance for uncollectible.pfb
100-11515
100-41350-50430

100-11515	ALLOWANCE-UNCOLLECTIBLE ACCT	1,000.00	0.00
100-41350-50430	MISCELLANEOUS EXPENSE	0.00	1,000.00
Total		1,000.00	1,000.00

AA19

Record 2% state fire aid for 2023.pfb
100-13200

Reverse

100-43470	DUE FROM OTHER GOVERNMENTS	78,994.99	0.00
	FIRE DEPARTMENT STATE GRANTS AND AIDS	0.00	78,994.99
Total		78,994.99	78,994.99

AA20

Record payable to fire relief for 2% state aid accrual.pfb

Reverse

100-20200	ACCOUNTS PAYABLE	0.00	78,994.99
100-42200-50124	FIRE PENSION CONTRIBUTIONS	78,994.99	0.00
Total		78,994.99	78,994.99

AA21

Adjust GERP NPL.pfb

700-11111	DEFERRED OUTFLOWS OF RESOURCES	675,850.86	0.00
700-22222	DEFERRED INFLOWS OF RESOURCES	79,093.71	0.00
700-23333	NET PENSION LIABILITY	0.00	358,055.00
700-44444-50101	WAGES - FULL TIME	0.00	396,889.57
Total		754,944.57	754,944.57

AA22

Adjust VFRA NPL.pfb

902-24701	NPL - VFRA	0.00	209,968.00
902-18101	DOR - VFRA	195,701.99	0.00
902-24801	DIR - VFRA	0.00	36,011.80
902-42200-50121	Pension Expense - VFRA	50,277.81	0.00
Total		245,979.80	245,979.80

CITY OF PINE CITY
PINE CITY, MINNESOTA

ADJUSTMENTS TO THE ACCOUNTING RECORDS
December 31, 2023

AA23

Adjust current year OPEB liability.pfb

700-23800	OPEB LIABILITY	15,181.00	0.00
700-15600	DEFERRED OUTFLOW - OPEB	0.00	4,905.45
700-22333	DIR - OPEB	0.00	4,569.35
700-41000-50130	CHANGE IN OPEB EXPENSE	0.00	5,706.20
Total		15,181.00	15,181.00

AA24

Adjust nonspendable fund balance.pfb

100-35500	FUND BALANCE NONSPENDABLE	337.83	0.00
100-35300	FUND BALANCE UNASSIGNED	0.00	337.83
201-35500	FUND BALANCE NONSPENDABLE	0.00	228.71
201-35300	FUND BALANCE UNASSIGNED	228.71	0.00
213-35500	FUND BALANCE NONSPENDABLE	0.00	228.71
213-35300	FUND BALANCE UNASSIGNED	228.71	0.00
Total		795.25	795.25

AA25

Adjust compensated absences.pfb

601-23600	COMPENSATED ABSENCES PAYABLE	0.00	152.65
601-49400-50101	WAGES - FULL TIME	152.65	0.00
602-23600	COMPENSATED ABSENCES PAYABLE	0.00	152.65
602-49450-50101	WAGES - FULL TIME	152.65	0.00
609-23600	COMPENSATED ABSENCES PAYABLE	0.00	15,686.63
609-49750-50101	WAGES - FULL TIME	15,686.63	0.00
902-23600	Compensated Absences	0.00	17,509.58
902-41300-50101	Wages - GG	8,112.56	0.00
902-43100-50101	Wages - PW	5,551.11	0.00
902-42200-50101	Wages - PS	3,845.91	0.00
Total		33,501.51	33,501.51

AA26

Adjust wages payable to match client recap.pfb

100-21600	WAGES PAYABLE	0.00	3,050.99
100-41300-50101	WAGES - FULL TIME	3,050.99	0.00
601-21600	WAGES PAYABLE	2,057.75	0.00
601-49400-50101	WAGES - FULL TIME	0.00	2,057.75
602-21600	WAGES PAYABLE	2,056.02	0.00
602-49450-50101	WAGES - FULL TIME	0.00	2,056.02
609-21600	WAGES PAYABLE	2,915.74	0.00
609-49750-50101	WAGES - FULL TIME	0.00	2,915.74
Total		10,080.50	10,080.50

AA27

Adjust wages - per diem for minor amount.pfb

100-41910-50106	WAGES - PER DIEM	25.00	0.00
100-41910-50101	WAGES - FULL TIME	0.00	25.00
Total		25.00	25.00

AA28

Adjust payroll liabilities to match subsequent payments.pfb

100-21702	STATE TAXES PAYABLE	1,734.63	0.00
100-21704	PERA PAYABLE	967.08	0.00
100-21706	HEALTH INSURANCE PAYABLE	3,950.87	0.00
100-21707	UNION DUES PAYABLE	0.00	347.80
100-21709	DISABILITY-LIFE INSURANCE PAYA	0.00	49.67
100-21712	HSA PAYABLE	1,669.93	0.00
100-21713	WAGE LEVY PAYABLE	379.82	0.00
100-41300-50101	WAGES - FULL TIME	0.00	580.17
100-42200-50101	WAGES - FULL TIME	0.00	292.39
100-42400-50101	WAGES - FULL TIME	0.00	226.30
100-43100-50101	WAGES - FULL TIME	0.00	635.78
100-41300-50121	PERA CONTRIBUTIONS	0.00	323.45

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100-42200-50121	PERA CONTRIBUTIONS	0.00	163.01
100-42400-50121	PERA CONTRIBUTIONS	0.00	126.16
100-43100-50121	PERA CONTRIBUTIONS	0.00	354.45
100-41300-50131	HEALTH INS	0.00	1,874.06
100-42200-50131	HEALTH INS	0.00	944.46
100-42400-50131	HEALTH INS	0.00	730.97
100-43100-50131	HEALTH INS	0.00	2,053.66
Total		8,702.33	8,702.33

AA29

Adjust water connection fee payable.pfb

601-20800	ST WATER CONNECTION FEE	0.00	995.29
601-20803	WATER CONNECTION FEE PAYABLE	995.29	0.00
Total		995.29	995.29

AA30

Adjust deferred and delinquent specials

305-12100	SPEC ASSESS - CURRENT	945.40	0.00
305-12300	SPEC ASSESS - DEFERRED	7,089.69	0.00
305-22200	DEFERRED REVENUE	0.00	8,035.09
310-12100	SPEC ASSESS - CURRENT	15,542.21	0.00
310-12300	SPEC ASSESS - DEFERRED	7,901.11	0.00
310-22200	DEFERRED REVENUE	0.00	23,443.32
311-12100	SPEC ASSESS - CURRENT	5,454.71	0.00
311-12300	SPEC ASSESS - DEFERRED	0.00	554.03
311-22200	DEFERRED REVENUE	0.00	4,900.68
314-12100	SPEC ASSESS - CURRENT	5,862.90	0.00
314-12300	SPEC ASSESS - DEFERRED	0.00	467.41
314-22200	DEFERRED REVENUE	0.00	5,395.49
316-12100	SPEC ASSESS - CURRENT	16,899.59	0.00
316-12300	SPEC ASSESS - DEFERRED	5,090.67	0.00
316-22200	DEFERRED REVENUE	0.00	21,990.26
317-12100	SPEC ASSESS - CURRENT	11,374.84	0.00
317-12300	SPEC ASSESS - DEFERRED	0.00	439.65
317-22200	DEFERRED REVENUE	0.00	10,935.19
401-12100	SPEC ASSESS - CURRENT	2,040.75	0.00
401-12300	SPEC ASSESS - DEFERRED	1,633.77	0.00
401-22200	DEFERRED REVENUE	0.00	3,674.52
601-12100	SPEC ASSESS - CURRENT	7,631.64	0.00
601-12300	SPEC ASSESS - DEFERRED	8,076.93	0.00
601-12200	SPEC ASSESS - DELINQUENT	469.02	0.00
601-46100	SPECIAL ASSMTS	0.00	16,177.59
602-12100	SPEC ASSESS - CURRENT	6,140.50	0.00
602-12300	SPEC ASSESS - DEFERRED	8,248.78	0.00
602-12200	SPEC ASSESS - DELINQUENT	376.24	0.00
602-46100	SPECIAL ASSMTS	0.00	14,765.52
305-12200	SPEC ASSESS - DELINQUENT	175.30	0.00
305-22200	DEFERRED REVENUE	0.00	175.30
311-12200	SPEC ASSESS - DELINQUENT	1,578.68	0.00
311-22200	DEFERRED REVENUE	0.00	1,578.68
316-12200	SPEC ASSESS - DELINQUENT	176.92	0.00
316-22200	DEFERRED REVENUE	0.00	176.92
Total		112,709.65	112,709.65

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AA31

Adjust delinquent taxes

100-10700	TAXES REC - DELINQUENT	0.00	3,212.26
100-22200	DEFERRED REVENUE	3,212.26	0.00
Total		3,212.26	3,212.26

AA32

Correct client adjustment of deferred revenue

601-22200	DEFERRED REVENUE	0.00	35,706.00
601-46100	SPECIAL ASSMTS	35,706.00	0.00
602-22200	DEFERRED REVENUE	0.00	30,617.00
602-46100	SPECIAL ASSMTS	30,617.00	0.00
Total		66,323.00	66,323.00

AA33

Correct special assessment coding

407-46100	SPECIAL ASSMTS	1,388.92	0.00
407-10100	CASH	0.00	1,388.92
401-46100	SPECIAL ASSMTS	4,692.72	0.00
401-10100	CASH	0.00	4,692.72
601-46101	SPECIAL ASSMTS - PREPAY/PAYOFF	6,851.29	0.00
601-46100	SPECIAL ASSMTS	0.00	8,192.04
601-10100	CASH	1,340.75	0.00
602-46101	SPECIAL ASSMTS - PREPAY/PAYOFF	4,461.44	0.00
602-46100	SPECIAL ASSMTS	0.00	2,955.51
602-10100	CASH	0.00	1,505.93
316-46100	SPECIAL ASSMTS	0.00	5,222.41
316-10100	CASH	5,222.41	0.00
305-46100	SPECIAL ASSMTS	0.00	1,024.41
305-10100	CASH	1,024.41	0.00
Total		24,981.94	24,981.94

AA34

Record temporary interfund loans to remove deficit cash balances

411-20700	DUE TO OTHER FUNDS	0.00	581,703.13
411-10100	CASH	581,703.13	0.00
100-10100	CASH	0.00	825,388.96
100-13100	DUE FROM OTHER FUNDS	825,388.96	0.00
601-10100	CASH	0.00	1,000,000.00
601-13100	DUE FROM OTHER FUNDS	1,000,000.00	0.00
602-10100	CASH	0.00	1,000,000.00
602-13100	DUE FROM OTHER FUNDS	1,000,000.00	0.00
413-10100	CASH	2,243,685.83	0.00
413-20700	DUE TO OTHER FUNDS	0.00	2,243,685.83
Total		5,650,777.92	5,650,777.92

AA35

Reverse credit transfer done by client's UB program.pfb

601-11510	ACCOUNTS RECEIVABLE - UB	0.00	128,517.44
601-10100	CASH	128,517.44	0.00
602-10100	CASH	0.00	128,517.44
602-11510	ACCOUNTS RECEIVABLE - UB	128,517.44	0.00
Total		257,034.88	257,034.88

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AA36

Adjust UB accounts receivable.pfb			
601-11510	ACCOUNTS RECEIVABLE - UB	142,094.31	0.00
601-47100	WATER SALES	0.00	142,094.31
602-11510	ACCOUNTS RECEIVABLE - UB	87,205.82	0.00
602-47200	SEWER CHARGES	0.00	87,205.82
Total		<u>229,300.13</u>	<u>229,300.13</u>

AA37

Adjust customer overpayment payable per client report.pfb			
601-22800	CUSTOMER OVERPAYMENT PAYABLE	4,795.08	0.00
601-47100	WATER SALES	0.00	4,795.08
602-22800	CUSTOMER OVERPAYMENT PAYABLE	2,025.27	0.00
602-47200	SEWER CHARGES	0.00	2,025.27
Total		<u>6,820.35</u>	<u>6,820.35</u>

AA38

Reclass security system and server upgrades and BS&A module out of computer expenditures.pfb			
100-41300-50309	COMPUTER/INTERNET/GIS SUPPORT	0.00	112,954.17
100-41300-50540	MACHINERY AND EQUIPMENT	112,954.17	0.00
Total		<u>112,954.17</u>	<u>112,954.17</u>

AA39

Reclass repairs and maintenance out of professional services.pfb			
201-46500-50300	PROFESSIONAL SERVICES	0.00	37,288.31
201-46500-50400	Repairs and Maintenance	37,288.31	0.00
Total		<u>37,288.31</u>	<u>37,288.31</u>

AA40

Adjust balance sheets for unused accounts.pfb			
401-10450	INTEREST RECEIVABLE	0.00	577.00
401-46210	INTEREST EARNINGS	577.00	0.00
609-21709	DISABILITY-LIFE INSURANCE PAYA	0.00	80.60
609-49750-50131	HEALTH INS	80.60	0.00
100-20210	ESCHEATS PAYABLE	0.00	1.00
100-41100-50200	OFFICE SUPPLIES	1.00	0.00
Total		<u>658.60</u>	<u>658.60</u>

AA41

Reverse depreciation expense recorded to fund 905.pfb			
905-16210	ACCUM DEPRECIATION	635,584.17	0.00
905-50420	DEPRECIATION	0.00	635,584.17
Total		<u>635,584.17</u>	<u>635,584.17</u>

AA42

Adjust invested in capital assets.pfb			
601-35400	Net Investment in Capital Assets	0.00	4,610,371.45
601-35300	FUND BALANCE UNASSIGNED	4,610,371.45	0.00
602-35400	Net Investment in Capital Assets	0.00	5,679,985.80
602-35300	FUND BALANCE UNASSIGNED	5,679,985.80	0.00
609-25300	FUND BALANCE UNASSIGNED	853,861.15	0.00
609-35400	Net Investment in Capital Assets	0.00	162,564.71
609-35300	FUND BALANCE UNASSIGNED	0.00	691,296.44
Total		<u>11,144,218.40</u>	<u>11,144,218.40</u>

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AA43

Record receivable for fire calls as provided by
finance manager.pfb

100-11500	ACCOUNTS RECEIVABLE	21,900.00	0.00
100-44202	SPECIAL FIRE PROTECTION SRV (FIRE CALLS)	0.00	1,550.00
100-22200	DEFERRED REVENUE	0.00	20,350.00
Total		21,900.00	21,900.00

NC01

Record client proposed JE for TIF1-12.pfb

404-10100	CASH	945.00	0.00
404-49200	Transfers In	0.00	945.00
100-49990-50720	TRANSFER OUT	945.00	0.00
100-10100	CASH	0.00	945.00
Total		1,890.00	1,890.00

NC02

To close retired debt service fund

307-10100	CASH	0.00	211,441.71
307-47000-50720	Transfers Out	211,441.71	0.00
310-10100	CASH	211,441.71	0.00
310-49200	Transfers In	0.00	211,441.71
Total		422,883.42	422,883.42

GRAND TOTAL

27,099,756.58 **27,099,756.58**