

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 18, 2024

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "TAX EXEMPTION" herein.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF PINE CITY, MINNESOTA (Pine County)

\$3,260,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2024A

PROPOSAL OPENING: May 1, 2024, 10:00 A.M., C.T.

CONSIDERATION: May 1, 2024, 6:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$3,260,000* General Obligation Improvement Bonds, Series 2024A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, by the City of Pine City, Minnesota (the "City"), for the purpose of financing the City's 2024 street improvement project. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota.

DATE OF BONDS: May 22, 2024

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2026	\$45,000	2032	\$205,000	2038	\$245,000
2027	175,000	2033	210,000	2039	260,000
2028	180,000	2034	215,000	2040	265,000
2029	185,000	2035	220,000	2041	200,000
2030	190,000	2036	230,000		
2031	195,000	2037	240,000		

***MATURITY ADJUSTMENTS:** The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: February 1, 2025 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2035 and thereafter are subject to call for prior optional redemption on February 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM PROPOSAL: \$3,220,880.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$65,200 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL: Taft Stettinius & Hollister LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Underwriter (Syndicate Manager). Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

TABLE OF CONTENTS

<p>INTRODUCTORY STATEMENT 1</p> <p>THE BONDS 1</p> <p style="padding-left: 20px;">GENERAL 1</p> <p style="padding-left: 20px;">OPTIONAL REDEMPTION 2</p> <p style="padding-left: 20px;">AUTHORITY; PURPOSE 2</p> <p style="padding-left: 20px;">ESTIMATED SOURCES AND USES 2</p> <p style="padding-left: 20px;">SECURITY 2</p> <p style="padding-left: 20px;">RATING 3</p> <p style="padding-left: 20px;">CONTINUING DISCLOSURE 3</p> <p style="padding-left: 20px;">LEGAL OPINION 4</p> <p style="padding-left: 20px;">STATEMENT REGARDING BOND COUNSEL PARTICIPATION 4</p> <p style="padding-left: 20px;">TAX EXEMPTION 4</p> <p style="padding-left: 20px;">QUALIFIED TAX-EXEMPT OBLIGATIONS 6</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR 6</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR AFFILIATED COMPANIES 6</p> <p style="padding-left: 20px;">INDEPENDENT AUDITORS 6</p> <p style="padding-left: 20px;">RISK FACTORS 7</p> <p>VALUATIONS 9</p> <p style="padding-left: 20px;">OVERVIEW 9</p> <p style="padding-left: 20px;">CURRENT PROPERTY VALUATIONS 10</p> <p style="padding-left: 20px;">2023/24 NET TAX CAPACITY BY CLASSIFICATION 10</p> <p style="padding-left: 20px;">TREND OF VALUATIONS 11</p> <p style="padding-left: 20px;">LARGEST TAXPAYERS 11</p> <p>DEBT 12</p> <p style="padding-left: 20px;">DIRECT DEBT 12</p> <p style="padding-left: 20px;">DEBT PAYMENT HISTORY 12</p> <p style="padding-left: 20px;">FUTURE FINANCING 12</p> <p style="padding-left: 20px;">DEBT LIMIT 13</p> <p style="padding-left: 20px;">SCHEDULES OF BONDED INDEBTEDNESS 14</p> <p style="padding-left: 20px;">OVERLAPPING DEBT 19</p> <p style="padding-left: 20px;">DEBT RATIOS 20</p>	<p>TAX LEVIES, COLLECTIONS AND RATES 21</p> <p style="padding-left: 20px;">TAX LEVIES AND COLLECTIONS 21</p> <p style="padding-left: 20px;">TAX CAPACITY RATES 21</p> <p>THE ISSUER 22</p> <p style="padding-left: 20px;">CITY GOVERNMENT 22</p> <p style="padding-left: 20px;">EMPLOYEES; PENSIONS; UNIONS 22</p> <p style="padding-left: 20px;">POST EMPLOYMENT BENEFITS 22</p> <p style="padding-left: 20px;">LITIGATION 22</p> <p style="padding-left: 20px;">MUNICIPAL BANKRUPTCY 23</p> <p style="padding-left: 20px;">FUNDS ON HAND 23</p> <p style="padding-left: 20px;">ENTERPRISE FUNDS 24</p> <p style="padding-left: 20px;">SUMMARY GENERAL FUND INFORMATION 25</p> <p>GENERAL INFORMATION 26</p> <p style="padding-left: 20px;">LOCATION 26</p> <p style="padding-left: 20px;">LARGER EMPLOYERS 26</p> <p style="padding-left: 20px;">BUILDING PERMITS 27</p> <p style="padding-left: 20px;">U.S. CENSUS DATA 28</p> <p style="padding-left: 20px;">EMPLOYMENT/UNEMPLOYMENT DATA 28</p> <p>FINANCIAL STATEMENTS A-1</p> <p>FORM OF LEGAL OPINION B-1</p> <p>BOOK-ENTRY-ONLY SYSTEM C-1</p> <p>FORM OF CONTINUING DISCLOSURE UNDERTAKING D-1</p> <p>TERMS OF PROPOSAL E-1</p> <p>PROPOSAL FORM</p>
---	--

**CITY OF PINE CITY
CITY COUNCIL**

		<u>Term Expires</u>
Vacant**	Mayor	January 2025
Gina Pettie	Acting Mayor	January 2027
David Hill	Council Member	January 2027
Kyle Palmer	Council Member	January 2025
Mary Kay Sloan	Council Member	January 2025

ADMINISTRATION

Marcy Peterson, Interim City Administrator

Nicole Tricker, Finance Director

** The City intends to fill the Mayoral vacancy in November 2024.

PROFESSIONAL SERVICES

Flaherty & Hood, P.A., City Attorney, St. Paul, Minnesota

Taft Stettinius & Hollister LLP, Bond Counsel, Minneapolis, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota

(Other office located in Waukesha, Wisconsin)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Pine City, Minnesota (the "City") and the issuance of its \$3,260,000* General Obligation Improvement Bonds, Series 2024A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on May 1, 2024.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of May 22, 2024. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2025, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2035 shall be subject to optional redemption prior to maturity on February 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, by the City for the purpose of financing the City's 2024 street improvement project.

ESTIMATED SOURCES AND USES*

Sources

Par Amount of Bonds	<u>\$3,260,000</u>	
Total Sources		\$3,260,000

Uses

Total Underwriter's Discount (1.200%)	\$39,120	
Costs of Issuance	69,000	
Capitalized Interest	57,906	
Deposit to Construction Fund	3,092,304	
Rounding Amount	<u>1,669</u>	
Total Uses		\$3,260,000

*Preliminary, subject to change.

SECURITY

The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged without limitation as to rate or amount. The City anticipates that the debt service will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Bonds and from ad valorem property taxes. In accordance with Minnesota Statutes, receipt of special assessments and ad valorem property taxes will be sufficient to provide not less than 105% of principal and interest on the Bonds.

Should the special assessments pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy additional taxes for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "A+" by S&P Global Ratings ("S&P").

The City has requested an underlying rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating, if any, reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board ("MSRB ") through its Electronic Municipal Market Access ("EMMA ") system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City ("Bond Counsel"), and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

By expressing its opinion, Bond Counsel is expressing its professional judgment and does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the applicability of any such state and local taxes.

STATEMENT REGARDING BOND COUNSEL PARTICIPATION

Bond Counsel has neither been engaged nor undertaken to prepare or independently verify the accuracy of any portion of the Official Statement, including the financial or operational information of the Issuer and risks associated with the purchase of the Bonds, except for statements under "TAX EXEMPTION" herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as "APPENDIX B – FORM OF LEGAL OPINION."

TAX EXEMPTION

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions are subject to the condition that the City complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

Other Federal and State Tax Considerations

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisers.

Original Issue Discount

Some of the Bonds ("the OID Bonds") may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds are sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holders' tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder's tax basis during the period such Bonds are held.

Original Issue Premium

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds shall be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

BTSC and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2022 have been audited by Burkhardt & Burkhardt, Ltd, Mankato, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

The following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds will be general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (special assessments) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Levy Limits: The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2021/22	2022/23	2023/24
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,890,000 - 0.50% ² Over \$1,890,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,150,000 - 0.50% ² Over \$2,150,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$174,000 - .75% Over \$174,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2022/23 Economic Market Value¹	<u><u>\$306,221,403²</u></u>
2023/24 Assessor's Estimated Market Value	
Real Estate	\$335,389,100
Personal Property	<u>1,936,600</u>
Total Valuation	<u><u>\$337,325,700</u></u>
2023/24 Net Tax Capacity	
Real Estate	\$3,697,401
Personal Property	<u>69,981</u>
Net Tax Capacity	\$3,767,382
Less: Captured Tax Increment Tax Capacity ³	<u>(151,418)</u>
Taxable Net Tax Capacity	<u><u>\$3,615,964</u></u>

2023/24 NET TAX CAPACITY BY CLASSIFICATION

	2023/24 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$1,834,850	48.70%
Agricultural	17,087	0.45%
Commercial/industrial	1,020,675	27.09%
Public utility	12,730	0.34%
Railroad operating property	1,438	0.04%
Non-homestead residential	699,883	18.58%
Commercial & residential seasonal/rec.	110,738	2.94%
Personal property	<u>69,981</u>	<u>1.86%</u>
Total	<u><u>\$3,767,382</u></u>	<u><u>100.00%</u></u>

¹ Most recent value available from the Minnesota Department of Revenue.

² According to the Minnesota Department of Revenue, the 2022/23 Assessor's Estimated Market Value (the "AEMV") for the City was about 96.13% of the actual selling prices of property sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in a 2022/23 Economic Market Value ("EMV") for the City of \$306,221,403.

³ The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City.

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity ¹	Taxable Net Tax Capacity ²	Percent Increase/Decrease in Estimated Market Value
2019/20	\$220,774,200	\$201,226,800	\$2,332,655	\$2,276,704	7.67%
2020/21	231,963,400	212,929,100	2,440,288	2,384,467	5.07%
2021/22	250,973,700	232,040,700	2,768,440	2,718,760	8.20%
2022/23	292,135,200	274,806,400	3,266,227	3,199,332	16.40%
2023/24	337,325,700	321,560,478	3,767,382	3,615,964	15.47%

LARGEST TAXPAYERS

Taxpayer	Type of Property	2023/24 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Walmart	Commercial	\$126,342	3.35%
PCSL LLC	Commercial	81,791	2.17%
Welia Health	Commercial	45,332	1.20%
Duno, LLC	Industrial	42,108	1.12%
Minnesota Energy Resources	Utility	38,954	1.03%
Lakeside Center, LLC	Apartments	37,423	0.99%
M&M Ventures, LLC	Industrial	36,954	0.98%
Nordic Star, LLC	Commercial	35,614	0.95%
1903 17 th St, LLC	Industrial	33,578	0.89%
One Dimple Holdings, LLC	Industrial	29,054	0.77%
Total		\$507,150	13.46%

City's Total 2023/24 Net Tax Capacity \$3,767,382

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by Pine County.

¹ Net Tax Capacity includes tax increment values.

² Taxable Net Tax Capacity does not include tax increment values.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes (includes the Bonds)*	\$8,498,000
Total G.O. debt secured by tax abatement revenues	50,000
Total G.O. debt secured by taxes	850,000
Total G.O. debt secured by utility revenues	3,685,000
Total General Obligation Debt*	<u>\$13,083,000</u>

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The City has no current plans for additional financing in the next 12 months.

¹ Outstanding debt is as of the dated date of the Bonds.

DEBT LIMIT

The statutory limit on net debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (is defined under Minnesota Statutes, Section 475.51, subd. 4) to mean the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property (includes the Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any public revenue producing convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37; (8) obligations issued to pay judgments against the City; and (9) all other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

2023/24 Assessor's Estimated Market Value	\$337,325,700
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$10,119,771
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	<u>(850,000)</u>
Unused Debt Limit	<u><u>\$9,269,771</u></u>

City of Pine City, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 05/22/2024)

	Taxable Improvement Bonds Series 2013B		Improvement Bonds Series 2015A		Improvement Bonds 1) Series 2018A		Improvement Refunding Bonds 2) Series 2019B		Improvement Bonds Series 2020A	
Dated	07/25/2013		07/15/2015		09/27/2018		11/21/2019		08/27/2020	
Amount	\$585,000		\$720,000		\$965,000		\$3,025,000		\$1,700,000	
Maturity	07/25		12/01		02/01		02/01		02/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	29,000	12,005	50,000	10,635	0	11,509	0	29,694	0	12,363
2025	30,000	10,990	50,000	9,260	65,000	21,719	165,000	56,913	105,000	23,675
2026	31,000	9,940	50,000	7,885	65,000	19,119	175,000	51,813	105,000	21,575
2027	32,000	8,855	50,000	6,510	65,000	16,844	175,000	46,563	110,000	19,425
2028	34,000	7,735	50,000	4,960	70,000	14,819	185,000	41,163	110,000	17,225
2029	35,000	6,545	55,000	3,410	70,000	12,719	185,000	35,613	110,000	15,025
2030	36,000	5,320	55,000	1,705	70,000	10,619	195,000	30,766	115,000	12,775
2031	37,000	4,060			70,000	8,475	195,000	26,622	115,000	10,993
2032	39,000	2,765			75,000	6,209	200,000	22,300	120,000	9,700
2033	40,000	1,400			75,000	3,819	205,000	17,744	120,000	8,260
2034					80,000	1,300	215,000	12,884	120,000	6,700
2035							215,000	7,778	120,000	4,960
2036							220,000	2,613	125,000	3,000
2037									125,000	1,000
2038										
2039										
2040										
2041										
	343,000	69,615	360,000	44,365	705,000	127,150	2,330,000	382,463	1,500,000	166,675

1) This represents the \$965,000 Improvement portion of the \$1,745,000 General Obligation Bonds, Series 2018A.

2) This represents the \$3,025,000 Improvement Refunding portion of the \$6,910,000 General Obligation Bonds, Series 2019B.

--Continued on next page

City of Pine City, Minnesota
 Schedule of Bonded Indebtedness continued
 General Obligation Debt Secured by Special Assessments and Taxes
 (As of 05/22/2024)

Improvement Bonds Series 2024A								
Dated	05/22/2024							
Amount	\$3,260,000*							
Maturity	02/01							
Calendar Year Ending	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2024	0	0	79,000	76,206	155,206	8,419,000	.93%	2024
2025	0	133,374	415,000	255,931	670,931	8,004,000	5.81%	2025
2026	45,000	111,146	471,000	221,478	692,478	7,533,000	11.36%	2026
2027	175,000	107,526	607,000	205,723	812,723	6,926,000	18.50%	2027
2028	180,000	101,848	629,000	187,749	816,749	6,297,000	25.90%	2028
2029	185,000	96,099	640,000	169,410	809,410	5,657,000	33.43%	2029
2030	190,000	90,193	661,000	151,377	812,377	4,996,000	41.21%	2030
2031	195,000	84,129	612,000	134,278	746,278	4,384,000	48.41%	2031
2032	205,000	77,829	639,000	118,803	757,803	3,745,000	55.93%	2032
2033	210,000	71,293	650,000	102,515	752,515	3,095,000	63.58%	2033
2034	215,000	64,545	630,000	85,429	715,429	2,465,000	70.99%	2034
2035	220,000	57,420	555,000	70,158	625,158	1,910,000	77.52%	2035
2036	230,000	49,768	575,000	55,380	630,380	1,335,000	84.29%	2036
2037	240,000	41,540	365,000	42,540	407,540	970,000	88.59%	2037
2038	245,000	32,748	245,000	32,748	277,748	725,000	91.47%	2038
2039	260,000	23,275	260,000	23,275	283,275	465,000	94.53%	2039
2040	265,000	13,168	265,000	13,168	278,168	200,000	97.65%	2040
2041	200,000	4,000	200,000	4,000	204,000	0	100.00%	2041
	3,260,000	1,159,898	8,498,000	1,950,166	10,448,166			

* Preliminary, subject to change.

City of Pine City, Minnesota
 Schedule of Bonded Indebtedness
 General Obligation Debt Secured by Tax Abatement Revenues
 (As of 05/22/2024)

Tax Abatement Bonds 1) Series 2018A								
Dated	09/27/2018							
Amount	\$75,000							
Maturity	02/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2024	0	819	0	819	819	50,000	.00%	2024
2025	5,000	1,538	5,000	1,538	6,538	45,000	10.00%	2025
2026	5,000	1,338	5,000	1,338	6,338	40,000	20.00%	2026
2027	5,000	1,163	5,000	1,163	6,163	35,000	30.00%	2027
2028	5,000	1,013	5,000	1,013	6,013	30,000	40.00%	2028
2029	5,000	863	5,000	863	5,863	25,000	50.00%	2029
2030	5,000	713	5,000	713	5,713	20,000	60.00%	2030
2031	5,000	559	5,000	559	5,559	15,000	70.00%	2031
2032	5,000	403	5,000	403	5,403	10,000	80.00%	2032
2033	5,000	244	5,000	244	5,244	5,000	90.00%	2033
2034	5,000	81	5,000	81	5,081	0	100.00%	2034
	50,000	8,731	50,000	8,731	58,731			

1) This represents the \$75,000 Tax Abatement portion of the \$1,745,000 General Obligation Bonds, Series 2018A.

City of Pine City, Minnesota
 Schedule of Bonded Indebtedness
 General Obligation Debt Secured by Taxes
 (As of 05/22/2024)

Building Refunding Bonds
 Series 2016A

Dated	04/01/2016
Amount	\$1,315,000
Maturity	12/01

Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2024	100,000	20,325	100,000	20,325	120,325	750,000	11.76%	2024
2025	100,000	18,325	100,000	18,325	118,325	650,000	23.53%	2025
2026	100,000	16,325	100,000	16,325	116,325	550,000	35.29%	2026
2027	105,000	14,125	105,000	14,125	119,125	445,000	47.65%	2027
2028	105,000	11,815	105,000	11,815	116,815	340,000	60.00%	2028
2029	110,000	9,190	110,000	9,190	119,190	230,000	72.94%	2029
2030	115,000	6,440	115,000	6,440	121,440	115,000	86.47%	2030
2031	115,000	3,220	115,000	3,220	118,220	0	100.00%	2031
	850,000	99,765	850,000	99,765	949,765			

City of Pine City, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 05/22/2024)

	Taxable Water & Sewer Revenue Bonds Series 2013A		Utility Bonds 1) Series 2018A		Utility Refunding Bonds 2) Series 2019B							
Dated	07/25/2013		09/27/2018		11/21/2019							
Amount	\$1,481,000		\$705,000		\$3,885,000							
Maturity	01/01		02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2024	0	16,981	0	8,381	0	29,025	0	54,388	54,388	3,685,000	.00%	2024
2025	28,000	33,578	40,000	15,963	445,000	51,375	513,000	100,915	613,915	3,172,000	13.92%	2025
2026	29,000	32,794	50,000	14,163	465,000	37,725	544,000	84,681	628,681	2,628,000	28.68%	2026
2027	30,000	31,983	50,000	12,413	480,000	23,550	560,000	67,945	627,945	2,068,000	43.88%	2027
2028	31,000	31,144	50,000	10,913	545,000	8,175	626,000	50,231	676,231	1,442,000	60.87%	2028
2029	32,000	30,278	50,000	9,413			82,000	39,690	121,690	1,360,000	63.09%	2029
2030	33,000	29,384	55,000	7,838			88,000	37,221	125,221	1,272,000	65.48%	2030
2031	33,000	28,476	55,000	6,153			88,000	34,629	122,629	1,184,000	67.87%	2031
2032	34,000	27,555	55,000	4,434			89,000	31,989	120,989	1,095,000	70.28%	2032
2033	35,000	26,606	55,000	2,681			90,000	29,288	119,288	1,005,000	72.73%	2033
2034	36,000	25,630	55,000	894			91,000	26,524	117,524	914,000	75.20%	2034
2035	37,000	24,626					37,000	24,626	61,626	877,000	76.20%	2035
2036	38,000	23,595					38,000	23,595	61,595	839,000	77.23%	2036
2037	39,000	22,536					39,000	22,536	61,536	800,000	78.29%	2037
2038	40,000	21,450					40,000	21,450	61,450	760,000	79.38%	2038
2039	42,000	20,323					42,000	20,323	62,323	718,000	80.52%	2039
2040	43,000	19,154					43,000	19,154	62,154	675,000	81.68%	2040
2041	44,000	17,958					44,000	17,958	61,958	631,000	82.88%	2041
2042	45,000	16,734					45,000	16,734	61,734	586,000	84.10%	2042
2043	46,000	15,483					46,000	15,483	61,483	540,000	85.35%	2043
2044	48,000	14,190					48,000	14,190	62,190	492,000	86.65%	2044
2045	49,000	12,856					49,000	12,856	61,856	443,000	87.98%	2045
2046	50,000	11,495					50,000	11,495	61,495	393,000	89.34%	2046
2047	52,000	10,093					52,000	10,093	62,093	341,000	90.75%	2047
2048	53,000	8,649					53,000	8,649	61,649	288,000	92.18%	2048
2049	54,000	7,178					54,000	7,178	61,178	234,000	93.65%	2049
2050	56,000	5,665					56,000	5,665	61,665	178,000	95.17%	2050
2051	58,000	4,098					58,000	4,098	62,098	120,000	96.74%	2051
2052	59,000	2,489					59,000	2,489	61,489	61,000	98.34%	2052
2053	61,000	839					61,000	839	61,839	0	100.00%	2053
	1,235,000	573,815	515,000	93,244	1,935,000	149,850	3,685,000	816,909	4,501,909			

1) This represents the \$705,000 Utility portion of the \$1,745,000 General Obligation Bonds, Series 2018A.

2) This represents the \$3,885,000 Utility Refunding portion of the \$6,910,000 General Obligation Bonds, Series 2019B.

OVERLAPPING DEBT¹

Taxing District	2023/24 Taxable Net Tax Capacity	% In City	Total G.O. Debt²	City's Proportionate Share
Pine County	\$50,796,126	7.1186%	\$18,375,971	\$1,308,112
I.S.D. No. 578 (Pine City)	18,032,454	20.0525%	10,270,000 ³	<u>2,059,392</u>
City's Share of Total Overlapping Debt				<u><u>\$3,367,504</u></u>

¹ Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. It does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

² Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

³ Minnesota School Districts may qualify for aid from the State of Minnesota through the Debt Service Equalization Formula, School Building Bond Agricultural Credit and Long Term Facilities Maintenance Revenue programs. While some of the districts listed may receive these aids, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aids for the purposes of the Bonds.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$306,221,403	Debt/ Per Capita 3,458 ¹
Direct G.O. Debt Secured By:			
Special Assessments & Taxes*	\$8,498,000		
Tax Abatement Revenues	50,000		
Taxes	850,000		
Utility Revenues	3,685,000		
Total General Obligation Debt*	<u>\$13,083,000</u>		
Less: G.O. Debt Paid Entirely from Revenues ²	<u>(3,685,000)</u>		
Tax Supported General Obligation Debt*	\$9,398,000	3.07%	\$2,717.76
 City's Share of Total Overlapping Debt	 <u>\$3,367,504</u>	 <u>1.10%</u>	 <u>\$973.83</u>
 Total*	 <u><u>\$12,765,504</u></u>	 <u><u>4.17%</u></u>	 <u><u>\$3,691.59</u></u>

*Preliminary, subject to change.

¹ Estimated 2022 population.

² Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

TAX LEVIES, COLLECTIONS AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date	% Collected
2019/20	\$1,514,047	\$1,496,355	\$1,512,555	99.90%
2020/21	1,595,392	1,577,837	1,593,668	99.89%
2021/22	1,640,830	1,583,833	1,636,512	99.74%
2022/23	1,773,493	1,737,812	1,737,812	97.99%
2023/24	1,994,342	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.² Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

TAX CAPACITY RATES³

	2019/20	2020/21	2021/22	2022/23	2023/24
Pine County	65.193%	63.032%	60.432%	50.156%	43.553%
City of Pine City	61.320%	62.045%	59.512%	55.740%	55.400%
I.S.D. 578 (Pine City)	22.127%	20.633%	19.400%	15.837%	14.209%
Countywide	0.204%	0.189%	0.176%	0.146%	0.124%
Pine City HRA	2.275%	1.286%	1.662%	1.438%	1.272%

Referendum Market Value Rates:

I.S.D. 578 (Pine City)	0.16186%	0.16771%	0.15675%	0.14066%	0.11989%
------------------------	----------	----------	----------	----------	----------

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Pine County.

¹ This reflects the Final Levy Certification of the City after all adjustments have been made.

² Second half tax payments on agricultural property are due on November 15th of each year.

³ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

THE ISSUER

CITY GOVERNMENT

The City was organized as a municipality in 1881. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The Interim City Administrator and Finance Manager are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 15 full-time, 10 part-time, and 10 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
AFSCME Local #1647	December 31, 2025
Teamsters Local #320	December 31, 2025

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent actuarial study shows a total OPEB liability of \$87,299 as of December 31, 2023. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent actuarial study.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, Section 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

FUNDS ON HAND (as of February 29, 2024)

Fund	Total Cash and Investments
General	\$1,044,524
Special Revenue	687,643
Debt Service	878,043
Capital Projects	(2,780,656)
Enterprise Funds	6,166,794
Escrow	6,080
	<hr/>
Total Funds on Hand	<u><u>\$6,002,428</u></u>

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2020 Audited	2021 Audited	2022 Audited
Liquor			
Total Operating Revenues	\$750,382	\$657,223	\$684,722
Less: Operating Expenses	<u>(403,321)</u>	<u>(448,899)</u>	<u>(507,844)</u>
Operating Income	\$347,061	\$208,324	\$176,878
Plus: Depreciation	<u>16,103</u>	<u>15,672</u>	<u>16,323</u>
Revenues Available for Debt Service	<u><u>\$363,164</u></u>	<u><u>\$223,996</u></u>	<u><u>\$193,201</u></u>
Water Utility			
Total Operating Revenues	\$1,205,808	\$1,351,482	\$1,287,437
Less: Operating Expenses	<u>(559,001)</u>	<u>(629,616)</u>	<u>(643,326)</u>
Operating Income	\$646,807	\$721,866	\$644,111
Plus: Depreciation	<u>225,056</u>	<u>246,394</u>	<u>246,395</u>
Revenues Available for Debt Service	<u><u>\$871,863</u></u>	<u><u>\$968,260</u></u>	<u><u>\$890,506</u></u>
Sewer Utility			
Total Operating Revenues	\$793,802	\$852,849	\$815,190
Less: Operating Expenses	<u>(511,035)</u>	<u>(593,971)</u>	<u>(590,001)</u>
Operating Income	\$282,767	\$258,878	\$225,189
Plus: Depreciation	<u>167,779</u>	<u>185,249</u>	<u>184,628</u>
Revenues Available for Debt Service	<u><u>\$450,546</u></u>	<u><u>\$444,127</u></u>	<u><u>\$409,817</u></u>

SUMMARY GENERAL FUND INFORMATION

The following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the 2022 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2020 Audited	2021 Audited	2022 Audited	2023 Unaudited ¹	2024 Adopted Budget ²
Revenues					
Property taxes	\$905,193	\$924,120	\$813,048	\$997,491	\$1,120,776
Special assessments	0	0	207	1,012	0
Licenses and permits	197,562	213,472	117,812	119,767	110,300
Intergovernmental	898,120	853,875	1,068,781	906,482	1,014,473
Charges for services	279,005	289,623	293,580	331,045	438,259
Fine and forfeitures	13,669	14,859	8,091	5,970	3,400
Investment income	19,416	(3,733)	(7,857)	12,395	1,500
Miscellaneous	56,640	55,766	155,585	32,727	15,500
Total Revenues	<u>\$2,369,605</u>	<u>\$2,347,982</u>	<u>\$2,449,247</u>	<u>\$2,406,889</u>	<u>\$2,704,208</u>
Expenditures					
Current:					
General government	\$599,027	\$744,146	\$849,633	921,989	679,038
Public safety	887,281	908,063	922,719	940,210	1,066,309
Public works	406,235	443,975	469,063	496,933	608,267
Culture and recreation	274,772	296,825	308,856	473,571	365,594
Capital Outlay	95,790	5,132	529,340	28,468	15,000
Total Expenditures	<u>\$2,263,105</u>	<u>\$2,398,141</u>	<u>\$3,079,611</u>	<u>\$2,861,171</u>	<u>\$2,734,208</u>
Excess of revenues over (under) expenditures	\$106,500	(\$50,159)	(\$630,364)	(\$454,281)	(\$30,000)
Other Financing Sources (Uses)					
Transfers in	\$75,000	\$135,000	\$135,000	\$50,000	\$30,000
Transfers (out)	(200,000)	(81,528)	(171,901)	0	0
Total Other Financing Sources (Uses)	<u>(125,000)</u>	<u>53,472</u>	<u>(36,901)</u>	<u>50,000</u>	<u>30,000</u>
Net changes in Fund Balances	(\$18,500)	\$3,313	(\$667,265)	(\$404,281)	\$0
General Fund Balance January 1	\$2,031,357	\$2,012,857	\$2,016,170	\$1,551,193	
Prior Period Adjustment	0	0	202,288	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	\$2,012,857	\$2,016,170	\$1,551,193	\$1,146,912	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$2,461	\$22,925	\$53,240		
Unassigned	2,010,396	1,993,245	1,497,953		
Total	<u>\$2,012,857</u>	<u>\$2,016,170</u>	<u>\$1,551,193</u>		

¹ Unaudited data is as of March 24, 2024.

² The 2024 budget was adopted on December 21, 2023.

GENERAL INFORMATION

LOCATION

The City, with a 2020 U.S. Census population of 3,130 and a 2022 population estimate of 3,458, and comprising an area of 3.91 square miles, is located approximately 63 miles north of St. Paul, Minnesota. The City is the county seat of Pine County, Minnesota.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Pine County	County government and services	304
Walmart	Discount retail store	300
I.S.D. No.578 (Pine City)	Elementary and secondary education	250
Community Living Options	Residential group home	175
Pine Technical & Community College	Technical institute and community college	113
McDonalds	Restaurant	65
Atscott Manufacturing	Machine metal shop	60
WellFirst Health System	Clinics	53
Minpack	Packaging materials-manufacturer	50
Meadow Creek Treatment Center	Alcoholism treatment center	47

Source: Data Axle Reference Solutions, written and telephone survey, and the Minnesota Department of Employment and Economic Development.

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above.

BUILDING PERMITS (as of April 10, 2024)

	2020	2021	2022	2023	2024
<u>New Single Family Homes</u>					
No. of building permits	9	13	0	1	0
Valuation	\$1,868,584	\$2,502,055	\$0	\$242,857	\$0
<u>New Multiple Family Buildings</u>					
No. of building permits	2	2	2	1	0
Valuation	\$351,124	\$15,250,000	\$354,536	\$250,000	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	1	0	0	0	0
Valuation	\$227,000	\$0	\$0	\$0	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	289	292	235	192	34
Valuation	\$7,239,974	\$25,904,790	\$4,793,169	\$5,600,068	\$908,364

Source: The City.

U.S. CENSUS DATA

Population Trend: The City

2010 U.S. Census population	3,127
2020 U.S. Census population	3,130
Percent of Change 2010 - 2020	0.10%
2022 State Demographer Population Estimate	3,458

Income and Age Statistics

	The City	Pine County	State of Minnesota	United States
2022 per capita income	\$32,142	\$32,335	\$44,947	\$41,261
2022 median household income	\$49,336	\$65,059	\$74,313	\$75,149
2022 median family income	\$74,958	\$79,482	\$107,072	\$92,646
2022 median gross rent	\$578	\$863	\$1,178	\$1,268
2022 median value owner occupied units	\$175,900	\$207,100	\$286,800	\$281,900
2022 median age	42.8 yrs.	45.6 yrs.	38.5 yrs.	38.5 yrs.

	State of Minnesota	United States
City % of 2022 per capita income	71.51%	77.90%
City % of 2022 median family income	70.01%	80.91%

Housing Statistics

	The City		Percent of Change
	2020	2022	
All Housing Units	1,383	1,512	9.33%

Source: 2010 and 2020 Census of Population and Housing, and 2022 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov>), and Minnesota State Demographer (<https://mn.gov/admin/demography/data-by-topic/population-data/our-estimates/>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	Average Employment		Average Unemployment	
	Pine County	Pine County	State of Minnesota	
2020	13,385	8.7%	6.3%	
2021	13,506	5.4%	3.7%	
2022	13,789	4.2%	2.7%	
2023	13,927	4.9%	2.8%	
2024, February	13,587	7.4%	3.6%	

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

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

AUDITED FINANCIAL STATEMENTS

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

CITY OF PINE CITY, MINNESOTA

TABLE OF CONTENTS

	<u>Page</u>
ELECTED AND APPOINTED OFFICIALS	1
INDEPENDENT AUDITOR’S REPORT	2
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	6
Statement of Activities	7
Fund Financial Statements:	
Governmental Funds	
Balance Sheet - Governmental Funds	9
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
General Fund	15
Proprietary Funds	
Statement of Net Position	16
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	18
Statement of Cash Flows	20
Notes to the Basic Financial Statements	22
REQUIRED SUPPLEMENTAL INFORMATION SECTION	
Schedule of City’s Proportionate Share of Net Pension Liability – GERP	58
Schedule of City’s Contributions – GERP	58
Schedule of Changes in the Total OPEB Liability and Related Ratios	59
Schedule of Changes in Net Pension Liability and Related Ratios – Pine City Fire Relief Association	60
Schedule of Contributions and Net Pension Liability as a Percent of Payroll – Pine City Fire Relief Association	61
Notes to the Required Supplemental Information	62
SUPPLEMENTAL INFORMATION SECTION	
Nonmajor Funds:	
Combining Balance Sheet	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	67
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	70
Nonmajor Capital Project Funds:	
Combining Balance Sheet	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	74
Debt Service Funds:	
Combining Balance Sheet	76
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	78
General Fund:	
Balance Sheet	80
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	81
Proprietary Funds:	
Water Utility:	
Schedule of Net Position	86
Schedule of Revenues, Expenses and Changes in Net Position	87

CITY OF PINE CITY, MINNESOTA

TABLE OF CONTENTS

	<u>Page</u>
SUPPLEMENTAL INFORMATION SECTION – (Continued)	
Sewer Utility:	
Schedule of Net Position	88
Schedule of Revenues, Expenses and Changes in Net Position	89
Liquor Fund:	
Schedule of Net Position	90
Schedule of Revenues, Expenses and Changes in Net Position	91
OTHER REQUIRED REPORTS:	
Independent Auditor’s Report on Minnesota Legal Compliance	93
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 <i>Governmental Auditing Standards</i>	94
Schedule of Findings and Responses on Internal Control and Legal Compliance	96
Summary Schedule of Prior Findings	100

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

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Carl Pederson	Mayor	December 31, 2022
Steven Ovick	Council Member	December 31, 2025
Kyle Palmer	Council Member	December 31, 2025
Gina Pettie	Council Member	December 31, 2023
Mary Kay Sloan	Council Member	December 31, 2023

APPOINTED

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



Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

Website: www.bnbcpas.com

Annandale Office:
35 Oak Ave. N, P.O. Box N
Annandale, MN 55302
P: 320.274.1040
F: 320.274.2260

Experienced... Over 40 years combined experience

Affordable... Exceptional value for a reasonable price

Friendly... Family owned and run since 1990

Mankato Office:
430 S. Broad St., Ste. 100
Mankato, MN 56001
P: 507.387.1338
F: 507.387.5199

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pine City, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of Pine City Housing and Redevelopment Authority, which is a discretely presented component unit of the City.

Qualified Opinion on Business-type Activities and Municipal Liquor Fund

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

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

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

Basis for Qualified and Unmodified Opinions

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental information, as listed in the table of contents under supplemental section, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Comparative Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



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

BASIC FINANCIAL STATEMENTS

CITY OF PINE CITY, MINNESOTA

STATEMENT OF NET POSITION
December 31, 2022

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

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

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF PINE CITY, MINNESOTA

STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2022

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

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Property Taxes, Levied for Other Purposes

Tax Increment

Intergovernmental

Unrestricted Investment Earnings

Other Revenues

Transfers

Total General Revenues

Change in Net Position

Net Position - January 1 (As Previously Stated)

Prior Period Adjustment

Net Position - January 1 (As Restated)

Net Position - December 31

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

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

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

CITY OF PINE CITY, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022

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

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

2022 Street Project	Nonmajor Governmental Funds	Total Governmental Funds
\$ 357,211	\$ 1,325,790	\$ 2,792,907
0	0	19,015
0	0	264,379
0	0	85,855
0	168,725	168,725
0	0	22,868
0	4,420	2,383,328
0	0	806,102
0	0	30,372
<u>\$ 357,211</u>	<u>\$ 1,498,935</u>	<u>\$ 6,573,551</u>
\$ 108,140	\$ 1,631	\$ 989,442
0	0	34,074
1,680,147	586,124	2,383,329
<u>1,788,287</u>	<u>587,755</u>	<u>3,406,845</u>
0	0	890,126
0	0	53,240
0	547,902	1,608,197
0	949,402	949,402
0	0	236,964
(1,431,076)	(586,124)	(571,223)
<u>(1,431,076)</u>	<u>911,180</u>	<u>2,276,580</u>
<u>\$ 357,211</u>	<u>\$ 1,498,935</u>	<u>\$ 6,573,551</u>

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

CITY OF PINE CITY, MINNESOTA

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

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

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

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF PINE CITY, MINNESOTA

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

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

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

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

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

CITY OF PINE CITY, MINNESOTA

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

For the Year Ended December 31, 2022

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

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

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

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

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

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

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

(1,911)

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

Pension expense	186,928
-----------------	---------

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

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

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

Compensated absences	(12,120)
----------------------	----------

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

(121,943)

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

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

CITY OF PINE CITY, MINNESOTA

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

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

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

CITY OF PINE CITY, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS

December 31, 2022

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

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

Net Position of Business-type Activities

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

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

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

CITY OF PINE CITY, MINNESOTA

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

For the Year Ended December 31, 2022

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

Change in Net Position reported above

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

Change in Net Position of Business-type Activities

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

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

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

CITY OF PINE CITY, MINNESOTA

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Reporting entity**

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

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

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

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

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

B. Government-wide and fund financial statements

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

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

Deposits and investments

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

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

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

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

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

Property taxes

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

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

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

Accounts receivable

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

Notes receivable

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

Special assessments

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

Land held for resale

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

Inventory and Prepaid items

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Interfund receivables and payables

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

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

Capital assets

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

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

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

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

Compensated absences

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

Deferred outflows/inflows of resources

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Unearned Revenue

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

Pensions

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

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

Long-term obligations

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

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

Leases

Lease receivables

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

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

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Lease liabilities

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

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

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

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

Significant lease terms are disclosed in note 3.

Net position

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

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

Fund balance

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

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

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

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

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

Note 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

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

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

B. Excess of Expenditures over Appropriations

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (Continued)

C. Deficit Fund Equity

The following had fund equity deficits at year end:

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

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

Note 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

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

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

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

Investments

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

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

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

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

Negotiable certificates of deposit

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

Nonnegotiable certificates of deposit

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

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

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

NAV - Investments measured at the net asset value

N/A - Not applicable

N/R - Not rated

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

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

B. Receivables

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

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

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

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

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

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

C. Lease Receivables

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

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

D. Capital assets

Primary Government

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

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

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Discretely presented component unit

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

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

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

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

E. Long-term debt

General Obligation Revenue Bonds

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

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

General Obligation Tax Increment Revenue Bonds

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

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

General Obligation Improvement Bonds/Notes

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

General Obligation Bonds/Certificates

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

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

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Changes in long-term liabilities

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

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

F. Interfund receivables, payables, and transfers

Interfund transfers

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

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Internal Balances

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

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

G. Net Position/Fund Balance

Governmental Fund Balances

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 DETAILED NOTES ON ALL FUNDS – (Continued)

Governmental Activities Net Position

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

Net Investment in Capital Assets:

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

Restricted for:

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

Unrestricted

432,895

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

Business-type Activities Net Position

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

Net Investment in Capital Assets:

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

Unrestricted

7,063,625

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022Note 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION****A. Plan Description**

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

General Employees Retirement Plan (GERP)

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

B. Benefits Provided

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

GERP Benefits

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

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

C. Contributions

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

GERP Contributions

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

D. Pension Costs

GERP Pension Costs

On December 31, 2022, the City reported a liability of \$760,323 for its proportionate share of the GERP's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2022. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$22,332.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. On June 30, 2022, the City's proportion was 0.0096% which was a decrease of 0.0038% from its proportion measured as of June 30, 2021. For the year ended December 31, 2022, the City recognized pension expense of \$245,700 for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$3,337 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

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

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

E. Actuarial Assumptions

GERP

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:

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

Actuarial Assumption:

Investment Rate of Return	6.50%
Inflation	2.25% per year
Projected Salary Increase	3.00% after 27 years of service

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

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

The following changes in actuarial assumptions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

F. Discount Rate

GERP

The discount rate used to measure the total pension liability in 2022 was 6.50. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

GERP

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

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

H. Pension Plan Fiduciary Net Position

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

VOLUNTEER FIRE RELIEF ASSOCIATION

A. Plan Description

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

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

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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

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

Summary of Participant Data

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

B. Benefits Provided

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

C. Contributions

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

D. Pension Costs

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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

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

There were no plan provision changes during the measurement period.

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

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

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

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

E. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:

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

Actuarial Assumption:

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

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

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

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

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

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

The following changes in actuarial assumptions occurred in 2021:

- None

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

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

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

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

F. Discount Rate

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 DEFINED BENEFIT PENSION PLANS – (Continued)

G. Pension Liability Sensitivity

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

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

H. Pension Plan Fiduciary Net Position

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

Note 5 OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

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

B. Benefits Provided

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

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

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

C. Membership

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

D. Actuarial Methods and Assumptions

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

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

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

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

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

E. Discount rate

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

F. Changes in the Total OPEB Liability

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

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

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

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

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

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

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

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

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

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

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

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

Note 6 OTHER INFORMATION

A. Risk management

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 6 OTHER INFORMATION – (Continued)

B. Legal debt margin

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

C. Tax increment districts

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

D. Concentrations

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

E. Construction Commitments

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

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

F. Prior Period Adjustments

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 7 ADOPTION OF NEW STANDARD

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

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PINE CITY, MINNESOTA

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

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

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

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

CITY OF PINE CITY, MINNESOTA

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

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

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

No assets are accumulated in a trust.

CITY OF PINE CITY, MINNESOTA

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

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

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

CITY OF PINE CITY, MINNESOTA

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

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

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

CITY OF PINE CITY, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

December 31, 2022

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

A. Public Employees Retirement Association – General Employees Retirement Fund

2022 changes:

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

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

2021 changes:

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

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

2020 changes:

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

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

2019 changes:

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

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

2018 changes:

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2022

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

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

2017 changes:

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

2021 changes:

None.

2020 changes:

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

2019 changes:

None.

2018 changes:

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

2017 changes:

None.

CITY OF PINE CITY, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2022

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

C. OPEB Information

2022 changes:

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

2021 changes:

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

2020 changes:

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

2019 changes:

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

2018 changes:

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

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

SUPPLEMENTARY INFORMATION SECTION

CITY OF PINE CITY, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2022

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

CITY OF PINE CITY, MINNESOTA

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

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

CITY OF PINE CITY, MINNESOTA

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

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

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

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

CITY OF PINE CITY, MINNESOTA

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

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

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

CITY OF PINE CITY, MINNESOTA

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

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

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

CITY OF PINE CITY, MINNESOTA

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

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

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

CITY OF PINE CITY, MINNESOTA

COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
December 31, 2022

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

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

CITY OF PINE CITY, MINNESOTA

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

For the Year Ended December 31, 2022

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

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

CITY OF PINE CITY, MINNESOTA

BALANCE SHEET

GENERAL FUND

December 31, 2022

(With Comparative Amounts for December 31, 2021)

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

CITY OF PINE CITY, MINNESOTA

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

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

CITY OF PINE CITY, MINNESOTA

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

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

CITY OF PINE CITY, MINNESOTA

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

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

CITY OF PINE CITY, MINNESOTA

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

For The Year Ended December 31, 2022

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

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

CITY OF PINE CITY, MINNESOTA

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

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

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF NET POSITION

WATER FUND

December 31, 2022

(With Comparative Amounts For December 31, 2021)

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

CITY OF PINE CITY, MINNESOTA

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

For the Year Ended December 31, 2022

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

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

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF NET POSITION
SEWER FUND

December 31, 2022

(With Comparative Amounts For December 31, 2021)

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

CITY OF PINE CITY, MINNESOTA

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

For the Year Ended December 31, 2022

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

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

CITY OF PINE CITY, MINNESOTA

SCHEDULE OF NET POSITION
LIQUOR FUND

December 31, 2022

(With Comparative Amounts For December 31, 2021)

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

CITY OF PINE CITY, MINNESOTA

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

For the Year Ended December 31, 2022

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

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

OTHER REQUIRED REPORTS



Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

Website: www.bnbcpas.com

Annandale Office:
35 Oak Ave. N, P.O. Box N
Annandale, MN 55302
P: 320.274.1040
F: 320.274.2260

Experienced... Over 40 years combined experience

Affordable... Exceptional value for a reasonable price

Friendly... Family owned and run since 1990

Mankato Office:
430 S. Broad St., Ste. 100
Mankato, MN 56001
P: 507.387.1338
F: 507.387.5199

MINNESOTA LEGAL COMPLIANCE

Independent Auditor's Report

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

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

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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the schedule of findings and responses as item 2022-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above-referenced provisions.

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

Burkhardt & Burkhardt, Ltd.

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



Burkhardt & Burkhardt, Ltd.

Certified Public Accountants

Website: www.bnbcpas.com

Annandale Office:
35 Oak Ave. N, P.O. Box N
Annandale, MN 55302
P: 320.274.1040
F: 320.274.2260

Experienced... Over 40 years combined experience

Affordable... Exceptional value for a reasonable price

Friendly... Family owned and run since 1990

Mankato Office:
430 S. Broad St., Ste. 100
Mankato, MN 56001
P: 507.387.1338
F: 507.387.5199

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Pine City, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated August 28, 2023. Our report includes a reference to other auditors of the financial statements of Pine City Housing and Redevelopment Authority, as described in our report on the City’s financial statements. This report does not include the results of the other auditor’s testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City’s financial statements will not be prevented or detected and corrected on a timely basis. As described in the accompanying schedule of findings and responses, we consider the following deficiencies in internal control to be material weaknesses as items 2022-001 and 2022-002.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a significant deficiency as item 2022-003.

Report on Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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



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

CITY OF PINE CITY, MINNESOTA

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

CURRENT YEAR FINANCIAL STATEMENT FINDINGS

Material Weaknesses

Finding 2022-001. Material Audit Adjustments

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

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

Nicole Tricker, Finance Manager

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF PINE CITY, MINNESOTA

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

Finding 2022-002. Untimely Bank Account Reconciliations

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

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

Nicole Tricker, Finance Manager

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF PINE CITY, MINNESOTA

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

Significant Deficiencies

Finding 2022-003. Controls Over Posting of Journal Entries

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

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

Scott Hildebrand, City Administrator

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF PINE CITY, MINNESOTA

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

CURRENT YEAR MINNESOTA LEGAL COMPLIANCE FINDINGS

Finding 2022-004. Public Purpose Expenditures

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

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

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

Nicole Tricker, Finance Manager

Planned Completion Date for CAP:

December 31, 2023

Plan to Monitor Completion of CAP:

City Council

CITY OF PINE CITY, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2022

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

FORM OF LEGAL OPINION

(See following pages)

PROPOSED FORM OF LEGAL OPINION

\$ _____
GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2024A
CITY OF PINE CITY
PINE COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Pine City, Pine County, Minnesota (the "Issuer"), of its \$ _____ General Obligation Improvement Bonds, Series 2024A, bearing a date of original issue of May 22, 2024 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

(1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the Issuer, and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and

is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur and be retroactive.

TAFT STETTINIUS & HOLLISTER LLP

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE UNDERTAKING

(See following pages)

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Pine City, Minnesota (the "Issuer"), in connection with the issuance of its \$_____ General Obligation Improvement Bonds, Series 2024A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on May 1, 2024 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated _____, 2024, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2023, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2024, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection A, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Content and Format of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the Issuer listed below as of the end of the preceding Fiscal Year. The Annual Report may be submitted to the MSRB as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Disclosure Undertaking.

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Current Property Valuations; Direct Debt; Tax Levies and Collections; US Census Data/Population Trend; and Employment/Unemployment Data.

B. Audited Financial Statements of the Issuer. The Audited Financial Statements of the Issuer may be submitted to the MSRB separately from the balance of the Annual Report. In the event Audited Financial Statements of the Issuer are not available on or before the date for filing the Annual Report with the MSRB as set forth in Section 3.A. above, unaudited financial statements shall be provided as part of the Annual Report. The accounting principles pursuant to which the financial statements will be prepared will be pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as such principles are

modified by the governmental accounting standards promulgated by the Government Accounting Standards Board, as in effect from time to time. If Audited Financial Statements are not provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

SECTION 5. Reporting of Significant Events. This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the Issuer to provide the Annual Reports described in Section 4.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 10. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: May 22, 2024.

CITY OF PINE CITY, MINNESOTA

By _____
Its Mayor

By _____
Its Interim City Administrator

TERMS OF PROPOSAL

**\$3,260,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2024A
CITY OF PINE CITY, MINNESOTA**

Proposals for the purchase of \$3,260,000* General Obligation Improvement Bonds, Series 2024A (the "Bonds") of the City of Pine City, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via bondsale@ehlers-inc.com or **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on May 1, 2024, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 6:30 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, by the City, for the purpose of financing City's 2024 street improvement project. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated May 22, 2024, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2026	\$45,000	2032	\$205,000	2038	\$245,000
2027	175,000	2033	210,000	2039	260,000
2028	180,000	2034	215,000	2040	265,000
2029	185,000	2035	220,000	2041	200,000
2030	190,000	2036	230,000		
2031	195,000	2037	240,000		

ADJUSTMENT OPTION

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2025, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%).** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2035 shall be subject to optional redemption prior to maturity on February 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about May 22, 2024, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City ("Bond Counsel"), and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

By expressing its opinion, Bond Counsel is expressing its professional judgment and does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the applicability of any such state and local taxes.

STATEMENT REGARDING BOND COUNSEL PARTICIPATION

Bond Counsel has neither been engaged nor undertaken to prepare or independently verify the accuracy of any portion of the Official Statement, including the financial or operational information of the Issuer and risks associated with the purchase of the Bonds, except for statements under "TAX EXEMPTION" herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as "APPENDIX B – FORM OF LEGAL OPINION."

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$3,220,880 plus accrued interest on the principal sum of \$3,260,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$65,200 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Underwriter (Syndicate Manager) will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Pine City, Minnesota

PROPOSAL FORM

The City Council
City of Pine City, Minnesota (the "City")

May 1, 2024

RE: \$3,260,000* General Obligation Improvement Bonds, Series 2024A (the "Bonds")
DATED: May 22, 2024

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$ _____ (not less than \$3,220,880) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2026	_____ % due	2032	_____ % due	2038
_____ % due	2027	_____ % due	2033	_____ % due	2039
_____ % due	2028	_____ % due	2034	_____ % due	2040
_____ % due	2029	_____ % due	2035	_____ % due	2041
_____ % due	2030	_____ % due	2036		
_____ % due	2031	_____ % due	2037		

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$65,200 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about May 22, 2024.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (Syndicate Manager), we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ___ NO: ___.

If the competitive sale requirements are not met, we elect to use either the: ___ 10% test, or the ___ hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from May 22, 2024 of the above proposal is \$ _____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Pine City, Minnesota, on May 1, 2024.

By: _____ By: _____
Title: _____ Title: _____