

# Annual Financial Report

## City of Pine Island

Pine Island, Minnesota

For the Year Ended  
December 31, 2020

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Pine Island, Minnesota  
Annual Financial Report  
Table of Contents  
For the Year Ended December 31, 2020

	<u>Page No.</u>
<b>Introductory Section</b>	
Elected and Appointed Officials	9
<b>Financial Section</b>	
Independent Auditor's Report	13
Management's Discussion and Analysis	17
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	31
Statement of Activities	32
Fund Financial Statements	
Governmental Funds	
Balance Sheet	36
Reconciliation of the Balance Sheet to the Statement of Net Position	37
Statement of Revenues, Expenditures and Changes in Fund Balances	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	39
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	40
Proprietary Funds	
Statement of Net Position	41
Statement of Revenues, Expenses and Changes in Net Position	43
Statement of Cash Flows	44
Notes to the Financial Statements	47
<b>Required Supplementary Information</b>	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	76
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	76
Notes to the Required Supplementary Information - General Employees Retirement Fund	77
Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios	79
Notes to the Required Supplementary Information - Fire Relief Association	79
Schedule of Employer's Fire Relief Association Contributions	80
<b>Combining and Individual Fund Financial Statements and Schedules</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	83
Nonmajor Special Revenue Funds	
Combining Balance Sheet	84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	86
Library Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	89
Nonmajor Capital Projects Funds	
Combining Balance Sheet	90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	92
Nonmajor Proprietary Funds	
Combining Statement of Net Position	95
Combining Statement of Revenues, Expenses and Changes in Net Position	96
Combining Statement of Cash Flows	97
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	98

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Pine Island, Minnesota  
Annual Financial Report  
Table of Contents (Continued)  
For the Year Ended December 31, 2020

	<u>Page No.</u>
<b>Combining and Individual Fund Financial Statements and Schedules (Continued)</b>	
Debt Service Funds	
Combining Balance Sheet	102
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	104
Discretely Presented Component Unit	
Economic Development Authority	
Balance Sheet	106
Statement of Revenues, Expenditures and Changes in Fund Balances	107
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	108
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	109
<b>Other Required Report</b>	
Independent Auditor's Report	
on Minnesota Legal Compliance	113
Schedule of Findings and Response	117

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

INTRODUCTORY SECTION

CITY OF PINE ISLAND  
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



City of Pine Island, Minnesota  
Elected and Appointed Officials  
For the Year Ended December 31, 2020

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rod Steele	Mayor	12/31/2020
Kelly Leibold	Council Member	12/31/2022
Jason Johnson	Council Member	12/31/2022
Mike Hildenbrand	Council Member	12/31/2020
David Friese	Council Member	12/31/2020

**APPOINTED**

Elizabeth Howard	City Administrator
------------------	--------------------

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

FINANCIAL SECTION  
CITY OF PINE ISLAND  
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Pine Island, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Pine Island, Minnesota (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of December 31, 2020, 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.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

## Other Matters

### **Required Supplementary Information**

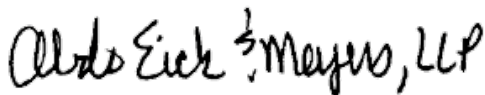
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, starting on page 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

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

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
May 17, 2021

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



## Management's Discussion and Analysis

As management of the City of Pine Island, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2020.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$24,824,278 (*net position*). Of this amount, \$3,500,926 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$1,154,894. This increase is due to governmental activities increasing \$1,080,123 and business-type activities increasing \$74,771.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,860,119, an increase of \$279,463 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,249,256 or 46.9 percent of total General fund expenditures. The City has a policy to build and maintain a General fund working capital balance of 35 percent of expenditures.
- The City's total debt increased \$831,000 during the current fiscal year, which is due the issuance of new debt in 2020.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1**  
**Required Components of the**  
**City's Annual Financial Report**

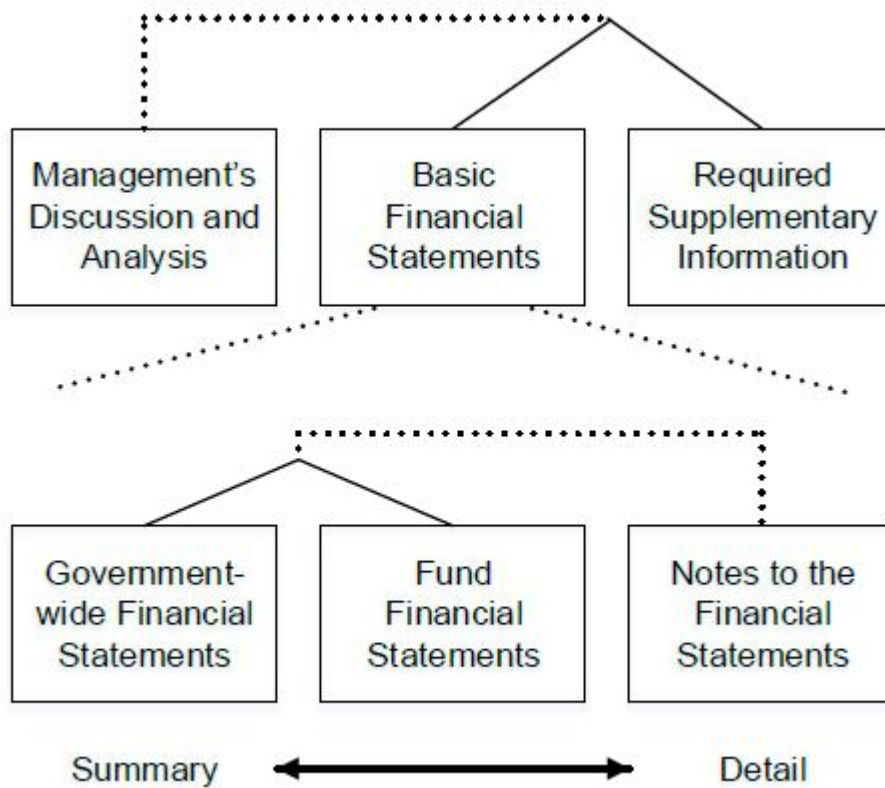


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure 2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of Net Position</li> <li>• Statements of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statements of Cash Flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City’s assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, housing and economic development, and interest on long-term debt. The business-type activities of the City include water, sewer, evergreen place, cemetery and the deputy registrar.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Authority (EDA) for which the City is financially accountable. Financial information for this *component unit* is discretely presented for the primary government.

The government-wide financial statements start on page 31 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances (deficits) provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds, nine of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances (deficits) for the General fund, Debt Service fund, Capital Equipment fund, and the 2<sup>nd</sup> Ave. Reconstruction fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund and Library fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with their budget.

The basic governmental fund financial statements start on page 36 of this report.

**Proprietary Funds.** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, Evergreen Place, Cemetery and Deputy Registrar activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 41 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 47 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found starting on page 76 of this report.

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 82 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$24,824,278 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$17,583,713 or 70.8 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Pine Island's Summary of Net position

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 5,789,420	\$ 5,169,290	\$ 620,130	\$ 3,914,615	\$ 3,885,492	\$ 29,123
Capital assets	17,237,439	15,720,576	1,516,863	11,608,965	11,661,544	(52,579)
Total Assets	<u>23,026,859</u>	<u>20,889,866</u>	<u>2,136,993</u>	<u>15,523,580</u>	<u>15,547,036</u>	<u>(23,456)</u>
<b>Deferred Outflows of Resources</b>						
Deferred pension resources	<u>155,723</u>	<u>182,222</u>	<u>(26,499)</u>	<u>19,484</u>	<u>17,080</u>	<u>2,404</u>
<b>Liabilities</b>						
Long-term liabilities outstanding	11,392,931	10,337,165	1,055,766	730,547	844,325	(113,778)
Other liabilities	311,252	324,984	(13,732)	1,290,294	1,253,663	36,631
Total Liabilities	<u>11,704,183</u>	<u>10,662,149</u>	<u>1,042,034</u>	<u>2,020,841</u>	<u>2,097,988</u>	<u>(77,147)</u>
<b>Deferred Inflows of Resources</b>						
Deferred pension resources	<u>169,765</u>	<u>181,428</u>	<u>(11,663)</u>	<u>6,579</u>	<u>25,255</u>	<u>(18,676)</u>
<b>Net Position</b>						
Net investment in capital assets	6,546,191	6,345,516	200,675	11,037,522	10,533,529	503,993
Restricted	3,739,639	2,973,082	766,557	-	-	-
Unrestricted	<u>1,022,804</u>	<u>909,913</u>	<u>112,891</u>	<u>2,478,122</u>	<u>2,907,344</u>	<u>(429,222)</u>
Total Net Position	<u>\$ 11,308,634</u>	<u>\$ 10,228,511</u>	<u>\$ 1,080,123</u>	<u>\$ 13,515,644</u>	<u>\$ 13,440,873</u>	<u>\$ 74,771</u>

An additional portion of the City's net position (\$3,739,639) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$3,500,926) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

**Statement of Activities.** The total change in net position was an increase of \$1,154,894. Governmental-type activities increased \$1,080,123 and business-type activities increased \$74,771 during the year. The changes are highlighted below:

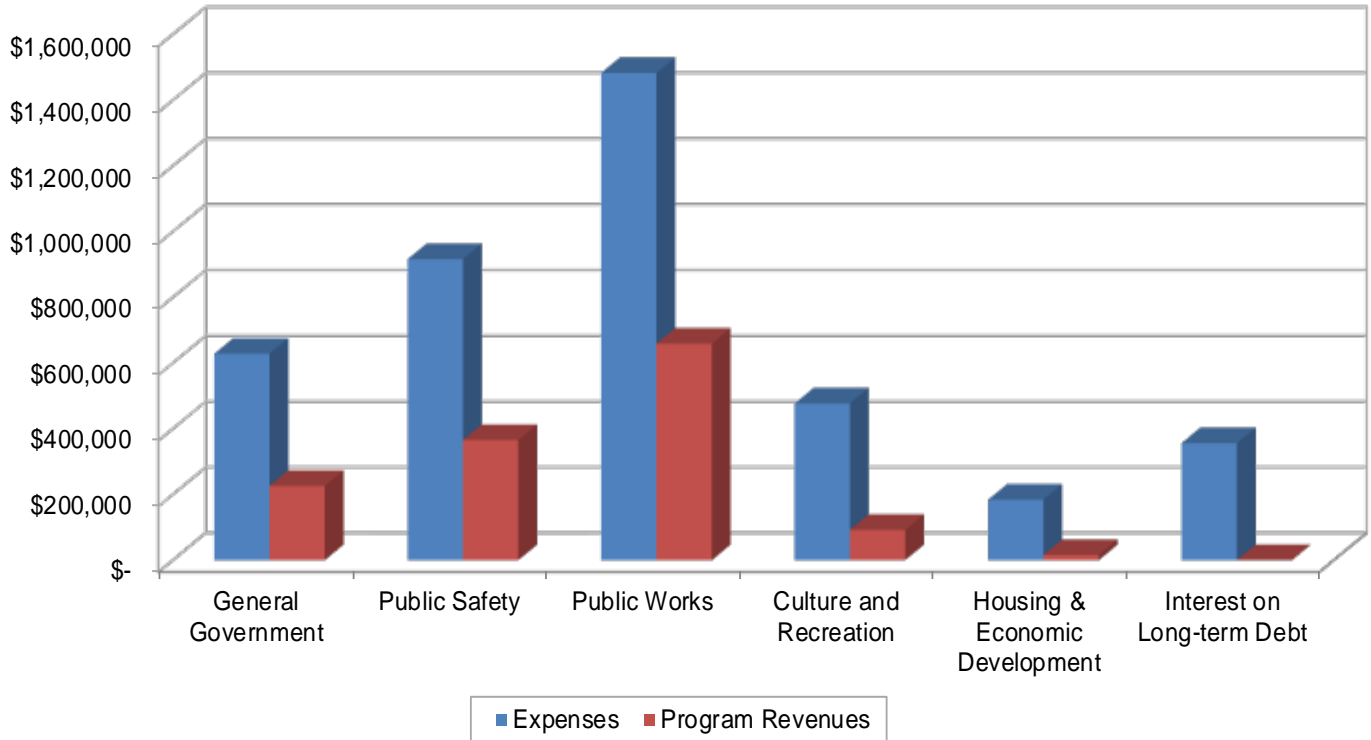
### City of Pine Island's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 265,529	\$ 289,596	\$ (24,067)	\$ 1,745,545	\$ 1,721,649	\$ 23,896
Operating grants and contributions	440,489	170,830	269,659	3,054	530	2,524
Capital grants and contributions	652,279	57,368	594,911	-	-	-
<b>General revenues</b>						
Taxes	2,780,509	2,558,190	222,319	-	-	-
<b>Grants and contributions not restricted to specific programs</b>						
Unrestricted investment earnings	654,883	616,012	38,871	-	-	-
Gain on sale of capital assets	57,593	36,357	21,236	100,894	114,988	(14,094)
	36,387	-	36,387	-	-	-
<b>Total Revenues</b>	<b>4,887,669</b>	<b>3,728,353</b>	<b>1,159,316</b>	<b>1,849,493</b>	<b>1,837,167</b>	<b>12,326</b>
<b>Expenses</b>						
General government	628,213	514,791	113,422	-	-	-
Public safety	916,269	860,190	56,079	-	-	-
Public works	1,482,649	1,400,885	81,764	-	-	-
Culture and recreation	477,012	405,294	71,718	-	-	-
Housing and economic development	184,127	144,665	39,462	-	-	-
Debt service	356,085	296,095	59,990	-	-	-
Water	-	-	-	384,499	386,142	(1,643)
Sewer	-	-	-	823,806	787,390	36,416
Evergreen Place	-	-	-	237,235	231,918	5,317
Cemetery	-	-	-	30,781	34,468	(3,687)
Deputy Register	-	-	-	61,592	62,746	(1,154)
<b>Total Expenses</b>	<b>4,044,355</b>	<b>3,621,920</b>	<b>422,435</b>	<b>1,537,913</b>	<b>1,502,664</b>	<b>35,249</b>
<b>Change in Net Position</b>						
Before Transfers	843,314	106,433	736,881	311,580	334,503	(22,923)
Operating Transfers	236,809	232,772	4,037	(236,809)	(232,772)	(4,037)
<b>Increase (Decrease) in Net Position</b>	<b>1,080,123</b>	<b>339,205</b>	<b>740,918</b>	<b>74,771</b>	<b>101,731</b>	<b>(26,960)</b>
<b>Net Position, January 1</b>	<b>10,228,511</b>	<b>9,889,306</b>	<b>339,205</b>	<b>13,440,873</b>	<b>13,339,142</b>	<b>101,731</b>
<b>Net Position, December 31</b>	<b>\$ 11,308,634</b>	<b>\$ 10,228,511</b>	<b>\$ 1,080,123</b>	<b>\$ 13,515,644</b>	<b>\$ 13,440,873</b>	<b>\$ 74,771</b>

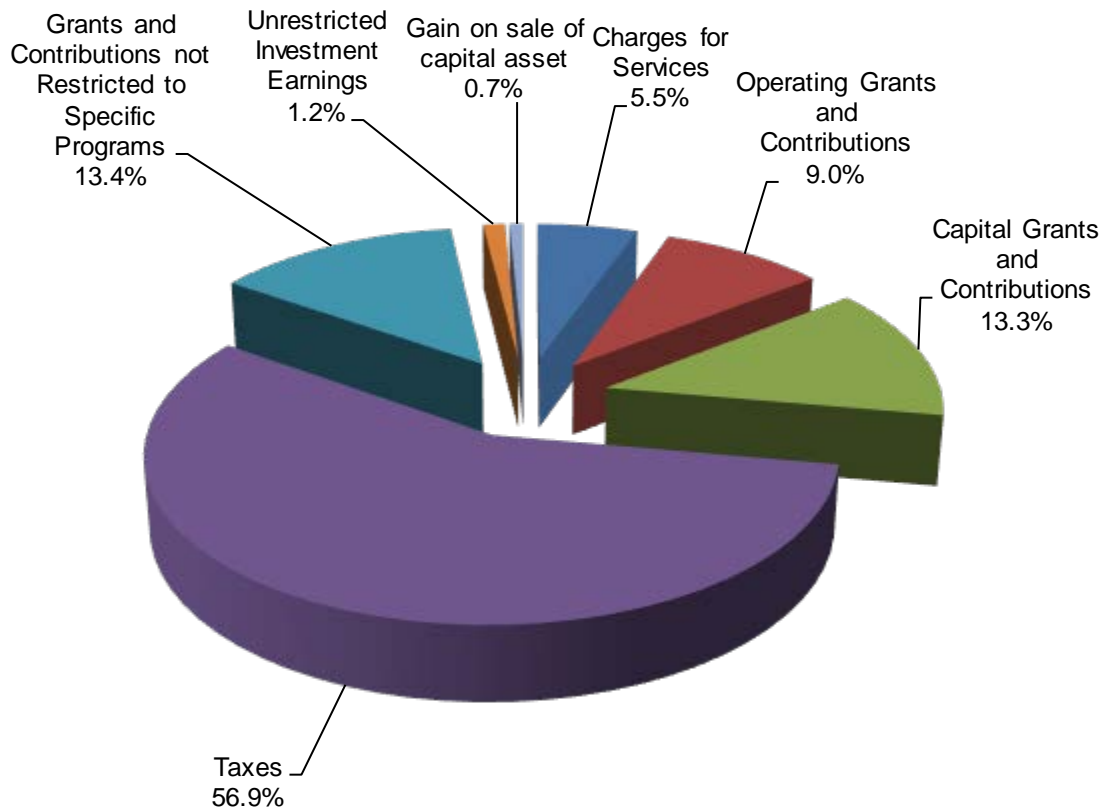
- Capital Grants and contributions increased \$594,911 due to an increase in special assessment revenue in 2020.
- The \$269,659 increase in operating grants and contributions in the government type activities is primarily due to CARES act funding.
- The \$222,319 increase in tax revenue in the government type activities is primarily due to an increased tax levy.

**Governmental-type Activities.** Governmental-type activities increased the City's net position by \$1,080,123.

### Expenses and Program Revenues - Governmental Activities

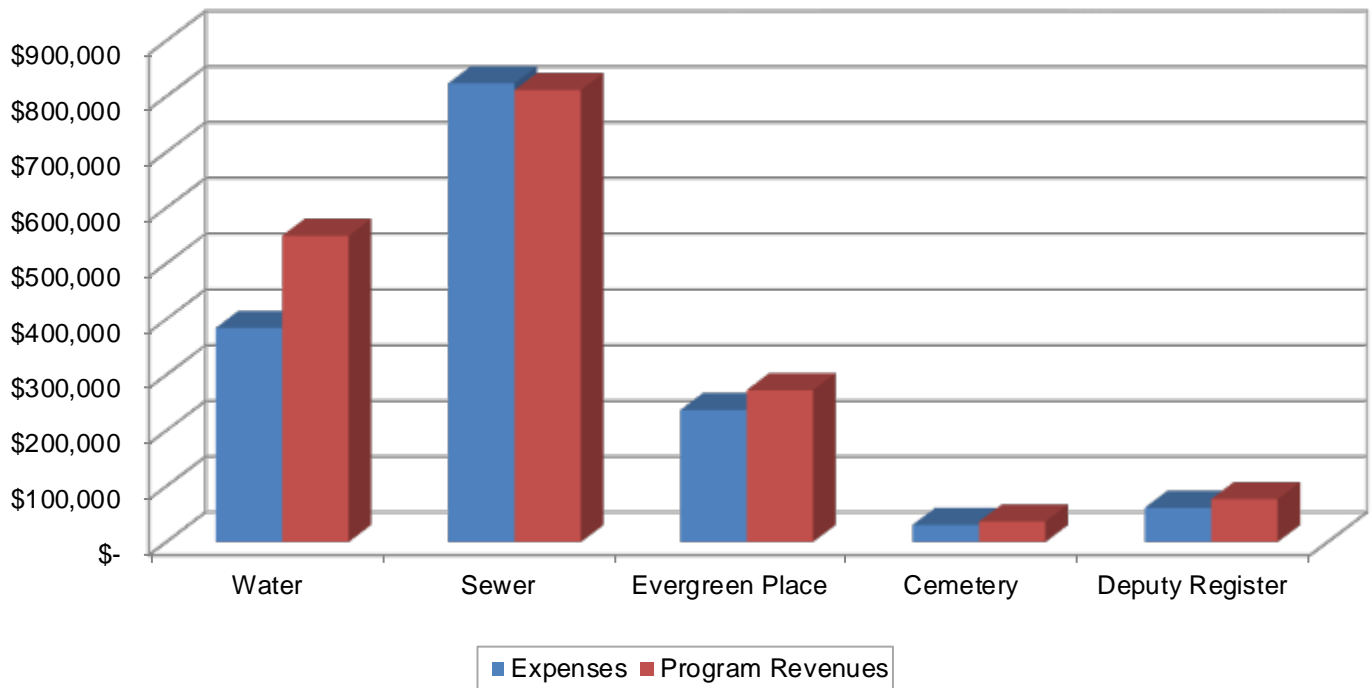


### Revenues by Source - Governmental Activities

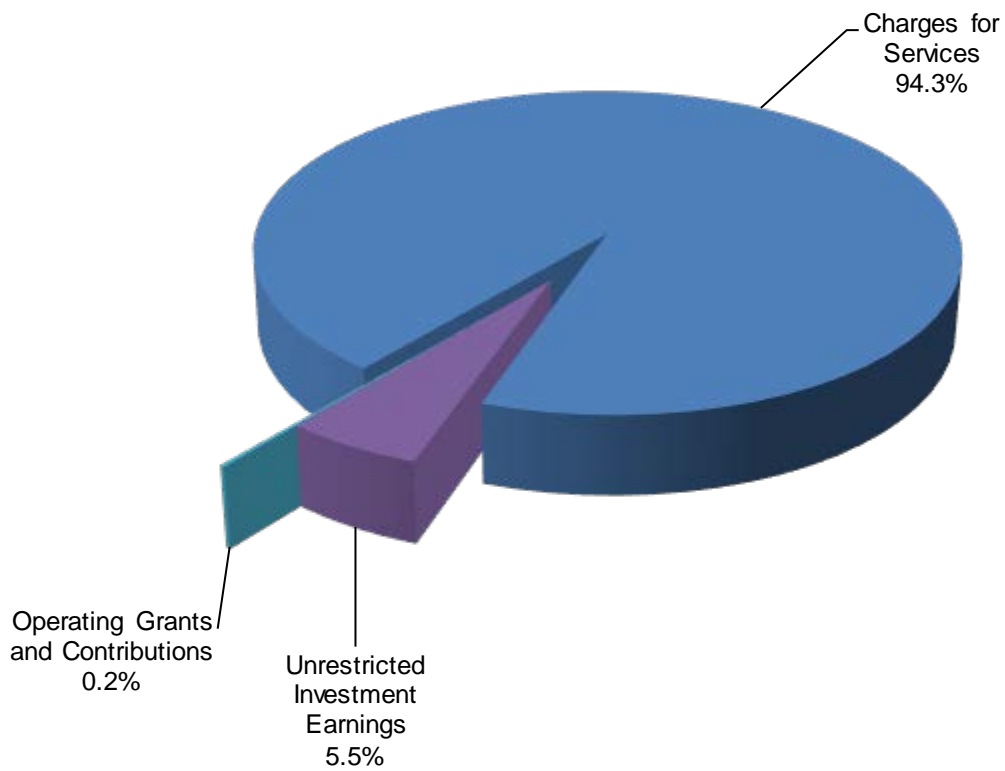


**Business-type Activities.** Business-type activities increased the City's net position by \$74,771.

### Expenses and Program Revenues - Business-type Activities



### Revenues by Source - Business-type Activities





## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,860,119, an increase of \$279,463 in comparison with the prior year. Of this total amount, \$970,254 constitutes unassigned fund balance. The remaining fund balance is made up of the following: 1) Restricted (\$2,680,879), 2) Committed (\$162,622), and 3) Assigned (\$46,364).

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$1,251,689. As a measure of the General fund's liquidity, it may be useful to compare fund balance to total budgeted expenditures for the following year. Unassigned fund balance represents approximately 40.5% percent of 2021 budgeted expenditures.

The fund balance of the City's General fund increased \$231,707 during the current fiscal year. The General fund transferred \$310,228 to other funds during the year for operations and future capital purchases and contributed \$96,187 to the Economic Development discretely presented component unit.

The Debt Service fund has a total fund balance of \$1,864,155, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service fund was \$31,291.

The Capital Equipment fund has a total deficit fund balance of \$216,601, which is a decrease of \$22,715 over prior year. This deficit is due to capital outlay expenditures exceeding transfers in and other revenues in the current year.

The 2<sup>nd</sup> Ave Reconstruction fund has an ending fund balance of \$184,309 which is an increase of \$184,309 over prior year. The increase is due to bond proceeds in excess of capital outlay expenses.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$2,478,122. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

### General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Total revenues were \$209,210 over budgeted amounts which was mostly due to intergovernmental revenues being over budget by \$232,438. Total expenditures were under budgeted amounts by \$39,760, This was mostly due to positive budget variances in public works and culture and recreation.

## Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounts to \$28,846,404 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

Additional information on the City's capital assets can be found in Note 3C starting on page 58 of this report.

### City of Pine Island's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Land	\$ 1,195,850	\$ 1,185,450	\$ 10,400	\$ 64,136	\$ 64,136	\$ -
Construction in Progress	1,665,479	-	1,665,479	-	-	-
Land Improvements	3,591	8,374	(4,783)	-	-	-
Buildings	245,183	262,674	(17,491)	617,572	677,578	(60,006)
Improvements other than Buildings	-	-	-	123,418	124,641	(1,223)
Infrastructure	12,433,544	12,718,262	(284,718)	10,190,392	10,098,617	91,775
Machinery and Equipment	1,693,792	1,545,816	147,976	613,447	696,572	(83,125)
<b>Total</b>	<b>\$ 17,237,439</b>	<b>\$ 15,720,576</b>	<b>\$ 1,516,863</b>	<b>\$ 11,608,965</b>	<b>\$ 11,661,544</b>	<b>\$ (52,579)</b>

**Long-term Debt.** At the end of the current fiscal year, the City had total debt outstanding of \$11,447,000, excluding compensated absences payable and pension liability. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

### City of Pine Island's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
General Obligation Bonds	\$ 10,546,557	\$ 9,582,385	\$ 964,172	\$ 325,443	\$ 382,615	\$ (57,172)
General Obligation Tax Increment Bonds	329,000	329,000	-	-	-	-
General Obligation Revenue Bonds	-	-	-	246,000	322,000	(76,000)
<b>Total</b>	<b>\$ 10,875,557</b>	<b>\$ 9,911,385</b>	<b>\$ 964,172</b>	<b>\$ 571,443</b>	<b>\$ 704,615</b>	<b>\$ (133,172)</b>

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The City currently has no debt subject to that limitation.

Additional information on the City's long-term debt can be found in Note 3E starting on page 60 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- The City of Pine Island continues to see growth and positive changes. The City had a record year with 30 permits issued for new home construction in 2020.
- Sewer and water rates increased in January 2021 and are set to increase 2% each year thereafter for 9 more years as the City continues to plan for a new wastewater facility. The City continues to build a storm water account to help maintain the City's storm water drainage ponds.
- The City started the 2<sup>nd</sup> Street reconstruction project in 2020. The project is expected to be completed in 2021. The financing consisted of a \$1.941 million mega loan utilizing Minnesota Rural Water Association's Mega Loan Program and the Note was ultimately purchased by Pine Island Bank.
- Due to COVID-19, the City had to change its day-to-day operations and make many changes throughout the year. This included not opening the Pine Island Pool and also making numerous technological upgrades throughout City Departments.
- The City received \$257,000 in CARES Act funding to aid with unbudgeted expenditures related to COVID-19
- The Island Heights water tower was painted and renovated with capital funds during the summer of 2020.
- The City started to work with a developer in 2020 to plat a large residential development near the Elementary School off New Haven Road. This development is planned to start seeing infrastructure improvements in 2021. needed within the next 10 years.

All of these factors were considered in preparing the City's budget for the 2020 fiscal year.

## **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Pine Island, City Hall, 250 South Main Street, PO Box 1000, Pine Island, Minnesota 55963.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PINE ISLAND  
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Pine Island, Minnesota  
Statement of Net Position  
December 31, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
<b>Assets</b>				
Cash and temporary investments	\$ 4,140,211	\$ 3,313,692	\$ 7,453,903	\$ 96,776
Restricted cash	40,822	21,545	62,367	-
Receivables				
Interest	8,797	-	8,797	-
Taxes	75,679	-	75,679	-
Accounts	15,615	132,864	148,479	-
Notes	85,134	-	85,134	-
Special assessments	1,371,476	8,775	1,380,251	-
Internal balances	(437,739)	437,739	-	-
Due from other governments	131,566	-	131,566	-
Net pension asset	357,859	-	357,859	-
Capital assets				
Land and construction in progress	2,861,329	64,136	2,925,465	-
Depreciable capital assets, net	14,376,110	11,544,829	25,920,939	-
Total Assets	<u>23,026,859</u>	<u>15,523,580</u>	<u>38,550,439</u>	<u>96,776</u>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	<u>155,723</u>	<u>19,484</u>	<u>175,207</u>	<u>-</u>
<b>Liabilities</b>				
Accounts payable	30,815	17,938	48,753	812
Contracts payable	67,826	39,900	107,726	-
Accrued salaries payable	88,360	6,344	94,704	-
Accrued interest payable	124,251	4,051	128,302	-
Security deposits payable	-	21,545	21,545	-
Due to other governments	-	516	516	-
Unearned revenue	-	1,200,000	1,200,000	-
Noncurrent liabilities				
Due within one year				
Long-term liabilities	812,235	141,747	953,982	-
Due in more than one year				
Long-term liabilities	10,070,609	433,391	10,504,000	-
Net pension liability	510,087	155,409	665,496	-
Total Liabilities	<u>11,704,183</u>	<u>2,020,841</u>	<u>13,725,024</u>	<u>812</u>
<b>Deferred Inflows of Resources</b>				
Deferred pension resources	<u>169,765</u>	<u>6,579</u>	<u>176,344</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	6,546,191	11,037,522	17,583,713	-
Restricted for				
Debt service	3,107,224	-	3,107,224	-
Economic development	159,492	-	159,492	-
Revolving loan	158,828	-	158,828	-
DTED Land O'Lakes	313,581	-	313,581	-
Disaster relief	514	-	514	-
Unrestricted	<u>1,022,804</u>	<u>2,478,122</u>	<u>3,500,926</u>	<u>95,964</u>
Total Net Position	<u>\$ 11,308,634</u>	<u>\$ 13,515,644</u>	<u>\$ 24,824,278</u>	<u>\$ 95,964</u>

The notes to the financial statements are an integral part of this statement.

City of Pine Island, Minnesota  
Statement of Activities  
For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 628,213	\$ 37,177	\$ 188,940	\$ -
Public safety	916,269	219,182	146,383	-
Public works	1,482,649	6,491	-	652,279
Culture and recreation	477,012	1,979	90,166	-
Housing and economic development	184,127	700	15,000	-
Interest on long-term debt	356,085	-	-	-
Total Governmental Activities	<u>4,044,355</u>	<u>265,529</u>	<u>440,489</u>	<u>652,279</u>
Business-type Activities				
Water	384,499	549,195	829	-
Sewer	823,806	811,756	-	-
Evergreen Place	237,235	272,788	-	-
Cemetery	30,781	34,665	2,225	-
Deputy Registrar	61,592	77,141	-	-
Total Business-type Activities	<u>1,537,913</u>	<u>1,745,545</u>	<u>3,054</u>	<u>-</u>
Total Primary Government	<u>\$ 5,582,268</u>	<u>\$ 2,011,074</u>	<u>\$ 443,543</u>	<u>\$ 652,279</u>
<b>Component Unit</b>				
Economic Development Authority	<u>\$ 93,300</u>	<u>\$ -</u>	<u>\$ 150,634</u>	<u>\$ -</u>

General Revenues

Taxes

Property taxes - levied for general activities

Property taxes - levied for debt service

Franchise taxes

Tax increments

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Transfers - Internal Activities

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

The notes to the financial statements are an integral part of this statement.



Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (402,096)	\$ -	\$ (402,096)	\$ -
(550,704)	-	(550,704)	-
(823,879)	-	(823,879)	-
(384,867)	-	(384,867)	-
(168,427)	-	(168,427)	-
(356,085)	-	(356,085)	-
<u>(2,686,058)</u>	<u>-</u>	<u>(2,686,058)</u>	<u>-</u>
-	165,525	165,525	-
-	(12,050)	(12,050)	-
-	35,553	35,553	-
-	6,109	6,109	-
-	15,549	15,549	-
<u>-</u>	<u>210,686</u>	<u>210,686</u>	<u>-</u>
<u>(2,686,058)</u>	<u>210,686</u>	<u>(2,475,372)</u>	<u>-</u>
			<u>57,334</u>
1,815,561	-	1,815,561	-
816,336	-	816,336	-
39,950	-	39,950	-
108,662	-	108,662	-
654,883	-	654,883	-
57,593	100,894	158,487	288
36,387	-	36,387	-
236,809	(236,809)	-	-
<u>3,766,181</u>	<u>(135,915)</u>	<u>3,630,266</u>	<u>288</u>
1,080,123	74,771	1,154,894	57,622
<u>10,228,511</u>	<u>13,440,873</u>	<u>23,669,384</u>	<u>38,342</u>
<u>\$ 11,308,634</u>	<u>\$ 13,515,644</u>	<u>\$ 24,824,278</u>	<u>\$ 95,964</u>

The notes to the financial statements are an integral part of this statement.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

FUND FINANCIAL STATEMENTS

CITY OF PINE ISLAND  
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

City of Pine Island, Minnesota

Balance Sheet

Governmental Funds

December 31, 2020

	101	300's	250	450	Other	Total
	General	Debt Service	Capital Equipment	2nd Ave Reconstruction	Governmental Funds	Governmental Funds
<b>Assets</b>						
Cash and temporary investments	\$ 1,147,993	\$ 1,864,561	\$ 221,138	\$ 252,135	\$ 654,384	\$ 4,140,211
Restricted cash	-	-	-	-	40,822	40,822
Receivables						
Interest	8,797	-	-	-	-	8,797
Taxes	75,679	-	-	-	-	75,679
Accounts	15,583	32	-	-	-	15,615
Notes	-	-	-	-	85,134	85,134
Special assessments	2,094	1,369,382	-	-	-	1,371,476
Due from other governments	131,566	-	-	-	-	131,566
<b>Total Assets</b>	<b>\$ 1,381,712</b>	<b>\$ 3,233,975</b>	<b>\$ 221,138</b>	<b>\$ 252,135</b>	<b>\$ 780,340</b>	<b>\$ 5,869,300</b>
<b>Liabilities</b>						
Accounts payable	\$ 27,898	\$ 2,500	\$ -	\$ -	\$ 417	\$ 30,815
Contracts payable	-	-	-	67,826	-	67,826
Accrued salaries payable	85,004	-	-	-	3,356	88,360
Due to other funds	-	-	437,739	-	-	437,739
<b>Total Liabilities</b>	<b>112,902</b>	<b>2,500</b>	<b>437,739</b>	<b>67,826</b>	<b>3,773</b>	<b>624,740</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenues - taxes	15,027	-	-	-	-	15,027
Unavailable revenues - special assessments	2,094	1,367,320	-	-	-	1,369,414
<b>Total Deferred Inflows of Resources</b>	<b>17,121</b>	<b>1,367,320</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,384,441</b>
<b>Fund Balances</b>						
Restricted	-	1,864,155	-	184,309	632,415	2,680,879
Committed	-	-	-	-	162,622	162,622
Assigned	2,433	-	-	-	43,931	46,364
Unassigned	1,249,256	-	(216,601)	-	(62,401)	970,254
<b>Total Fund Balances</b>	<b>1,251,689</b>	<b>1,864,155</b>	<b>(216,601)</b>	<b>184,309</b>	<b>776,567</b>	<b>3,860,119</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,381,712</b>	<b>\$ 3,233,975</b>	<b>\$ 221,138</b>	<b>\$ 252,135</b>	<b>\$ 780,340</b>	<b>\$ 5,869,300</b>

The notes to the financial statements are an integral part of this statement.

City of Pine Island, Minnesota  
Reconciliation of the Balance Sheet  
to the Statement of Net Position  
Governmental Funds  
December 31, 2020

Amounts reported for governmental activities in the statement of net position are different because

Total Fund Balances - Governmental Funds	\$ 3,860,119
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund.	
Cost of capital assets	23,059,708
Less accumulated depreciation	(5,822,269)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	
Net pension asset	357,859
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Bonds payable	(10,875,557)
Compensated absences payable	(7,287)
Net pension liability	(510,087)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenues in the funds.	
Delinquent taxes receivable	15,027
Special assessments receivable	1,369,414
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	155,723
Deferred inflows of pension resources	(169,765)
Governmental funds do not report a liability for accrued interest until due and payable.	(124,251)
Total Net Position - Governmental Activities	\$ 11,308,634

The notes to the financial statements are an integral part of this statement.

City of Pine Island, Minnesota  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2020

	101	300's	250	450	Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Equipment	2nd Ave Reconstruction		
<b>Revenues</b>						
Taxes	\$ 1,822,036	\$ 816,336	\$ 54,550	\$ -	\$ 108,662	\$ 2,801,584
Licenses and permits	91,083	-	-	-	-	91,083
Intergovernmental	945,605	-	-	-	144,361	1,089,966
Charges for services	143,161	-	-	-	407	143,568
Fines and forfeitures	2,433	-	-	-	719	3,152
Special assessments	-	300,142	-	-	-	300,142
Interest on investments	39,811	5,821	1,690	2,732	7,539	57,593
Miscellaneous	24,708	13,437	-	-	33,165	71,310
<b>Total Revenues</b>	<u>3,068,837</u>	<u>1,135,736</u>	<u>56,240</u>	<u>2,732</u>	<u>294,853</u>	<u>4,558,398</u>
<b>Expenditures</b>						
<b>Current</b>						
General government	619,762	-	-	-	-	619,762
Public safety	790,790	-	-	-	38,657	829,447
Public works	985,911	-	-	66,954	-	1,052,865
Culture and recreation	138,832	-	-	-	175,816	314,648
Housing and economic development	96,187	3,798	-	-	40,734	140,719
<b>Capital outlay</b>						
Public safety	30,593	-	-	-	-	30,593
Public works	1,626	-	226,745	1,665,479	-	1,893,850
Culture and recreation	-	-	17,410	-	194,310	211,720
Housing and economic development	-	-	-	-	41,016	41,016
<b>Debt service</b>						
Principal	-	1,167,828	-	-	-	1,167,828
Interest and other	-	301,398	9,800	23,740	18,095	353,033
<b>Total Expenditures</b>	<u>2,663,701</u>	<u>1,473,024</u>	<u>253,955</u>	<u>1,756,173</u>	<u>508,628</u>	<u>6,655,481</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>405,136</u>	<u>(337,288)</u>	<u>(197,715)</u>	<u>(1,753,441)</u>	<u>(213,775)</u>	<u>(2,097,083)</u>
<b>Other Financing Sources (Uses)</b>						
Sale of capital assets	7,737	-	-	-	-	7,737
Transfers in	129,062	111,747	175,000	-	131,228	547,037
Refunding bonds issued	-	1,691,557	-	-	-	1,691,557
Bonds issued	-	27,250	-	1,937,750	-	1,965,000
Payment made to refunding bond escrow agent	-	(1,524,557)	-	-	-	(1,524,557)
Transfers out	(310,228)	-	-	-	-	(310,228)
<b>Total Other Financing Sources (Uses)</b>	<u>(173,429)</u>	<u>305,997</u>	<u>175,000</u>	<u>1,937,750</u>	<u>131,228</u>	<u>2,376,546</u>
<b>Net Change in Fund Balances</b>	231,707	(31,291)	(22,715)	184,309	(82,547)	279,463
<b>Fund Balances, January 1</b>	<u>1,019,982</u>	<u>1,895,446</u>	<u>(193,886)</u>	<u>-</u>	<u>859,114</u>	<u>3,580,656</u>
<b>Fund Balances, December 31</b>	<u>\$ 1,251,689</u>	<u>\$ 1,864,155</u>	<u>\$ (216,601)</u>	<u>\$ 184,309</u>	<u>\$ 776,567</u>	<u>\$ 3,860,119</u>

The notes to the financial statements are an integral part of this statement.

City of Pine Island, Minnesota  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances to the Statement of Activities  
 Governmental Funds  
 For the Year Ended December 31, 2020

Amounts reported for governmental activities in the statement of activities are different because

Net Change in Fund Balances - Governmental Funds	\$ 279,463
<p>Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlays	2,111,774
Depreciation expense	(633,961)
Donated capital	10,400
<p>Governmental fund report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities</p>	
Gain on disposals	28,650
<p>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 of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Principal repayments	2,692,385
Debt issued or incurred	(3,656,557)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund 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 accrues, regardless of when it is due.</p>	
	(3,052)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(31,480)
Direct aid contributions	1,375
<p>Certain revenues are recognized as soon as earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Special assessments	342,184
Delinquent taxes	(21,075)
Intergovernmental	(40,000)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	17
	17
Change in Net Position - Governmental Activities	\$ 1,080,123

The notes to the financial statements are an integral part of this statement.

City of Pine Island, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
General Fund  
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,834,010	\$ 1,834,010	\$ 1,822,036	\$ (11,974)
Licenses and permits	71,300	71,300	91,083	19,783
Intergovernmental	713,167	713,167	945,605	232,438
Charges for services	197,000	197,000	143,161	(53,839)
Fines and forfeitures	3,500	3,500	2,433	(1,067)
Interest on investments	18,000	18,000	39,811	21,811
Special assessments	2,000	2,000	-	(2,000)
Miscellaneous	20,650	20,650	24,708	4,058
Total Revenues	<u>2,859,627</u>	<u>2,859,627</u>	<u>3,068,837</u>	<u>209,210</u>
Expenditures				
Current				
General government	452,446	452,446	619,762	(167,316)
Public safety	783,117	783,117	790,790	(7,673)
Public works	1,132,526	1,132,526	985,911	146,615
Culture and recreation	208,317	208,317	138,832	69,485
Housing and economic development	96,212	96,212	96,187	25
Capital outlay	30,843	30,843	32,219	(1,376)
Total Expenditures	<u>2,703,461</u>	<u>2,703,461</u>	<u>2,663,701</u>	<u>39,760</u>
Excess of Revenues Over Expenditures	<u>156,166</u>	<u>156,166</u>	<u>405,136</u>	<u>248,970</u>
Other Financing Sources (Uses)				
Transfers in	129,062	129,062	129,062	-
Sale of capital assets	-	-	7,737	7,737
Transfers out	(285,228)	(285,228)	(310,228)	(25,000)
Total Other Financing Sources (Uses)	<u>(156,166)</u>	<u>(156,166)</u>	<u>(173,429)</u>	<u>(17,263)</u>
Net Change in Fund Balances	-	-	231,707	231,707
Fund Balances, January 1	<u>1,019,982</u>	<u>1,019,982</u>	<u>1,019,982</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,019,982</u>	<u>\$ 1,019,982</u>	<u>\$ 1,251,689</u>	<u>\$ 231,707</u>

The notes to the financial statements are an integral part of this statement.



City of Pine Island, Minnesota  
Statement of Net Position  
Proprietary Funds  
December 31, 2020

	Business-type Activities - Enterprise Funds				Total
	601 Water	602 Sewer	603 Evergreen Place	Nonmajor Enterprise Funds	
<b>Assets</b>					
<b>Current Assets</b>					
Cash and temporary investments	\$ 1,266,062	\$ 1,332,351	\$ 186,901	\$ 528,378	\$ 3,313,692
Cash restricted for security deposits	-	-	21,545	-	21,545
<b>Receivables</b>					
Accounts	53,504	77,131	2,142	87	132,864
Special assessments	1,897	6,878	-	-	8,775
<b>Total Current Assets</b>	<u>1,321,463</u>	<u>1,416,360</u>	<u>210,588</u>	<u>528,465</u>	<u>3,476,876</u>
<b>Noncurrent Assets</b>					
Due from other funds	437,739	-	-	-	437,739
<b>Capital assets</b>					
Land	64,136	-	-	-	64,136
Buildings	253,732	1,034,970	1,369,528	15,500	2,673,730
Improvements other than buildings	-	-	-	177,234	177,234
Infrastructure	7,193,433	9,319,640	-	-	16,513,073
Machinery and equipment	389,428	1,468,147	43,035	30,051	1,930,661
Less accumulated depreciation	(3,083,339)	(5,642,833)	(912,004)	(111,693)	(9,749,869)
<b>Total Capital Assets</b>	<u>4,817,390</u>	<u>6,179,924</u>	<u>500,559</u>	<u>111,092</u>	<u>11,608,965</u>
<b>Total Noncurrent Assets</b>	<u>5,255,129</u>	<u>6,179,924</u>	<u>500,559</u>	<u>111,092</u>	<u>12,046,704</u>
<b>Total Assets</b>	<u>6,576,592</u>	<u>7,596,284</u>	<u>711,147</u>	<u>639,557</u>	<u>15,523,580</u>
<b>Deferred Outflows of Resources</b>					
Deferred pension resources	3,565	11,652	-	4,267	19,484
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	6,037	10,087	1,728	86	17,938
Contracts payable	39,900	-	-	-	39,900
Accrued salaries payable	2,485	2,485	-	1,374	6,344
Accrued interest payable	1,540	-	2,511	-	4,051
Security deposits payable	-	-	21,545	-	21,545
Due to other governments	516	-	-	-	516
Unearned revenue	451,764	748,236	-	-	1,200,000
Compensated absences payable	1,561	1,561	-	573	3,695
Bonds payable, current portion	58,052	-	80,000	-	138,052
<b>Total Current Liabilities</b>	<u>561,855</u>	<u>762,369</u>	<u>105,784</u>	<u>2,033</u>	<u>1,432,041</u>
<b>Noncurrent Liabilities</b>					
Net pension liability	28,435	92,939	-	34,035	155,409
Bonds payable	267,391	-	166,000	-	433,391
<b>Total Noncurrent Liabilities</b>	<u>295,826</u>	<u>92,939</u>	<u>166,000</u>	<u>34,035</u>	<u>588,800</u>
<b>Total Liabilities</b>	<u>857,681</u>	<u>855,308</u>	<u>271,784</u>	<u>36,068</u>	<u>2,020,841</u>
<b>Deferred Inflows of Resources</b>					
Deferred pension resources	1,204	3,934	-	1,441	6,579
<b>Net Position</b>					
Net investment in capital assets	4,491,947	6,179,924	254,559	111,092	11,037,522
Unrestricted	1,229,325	568,770	184,804	495,223	2,478,122
<b>Total Net Position</b>	<u>\$ 5,721,272</u>	<u>\$ 6,748,694</u>	<u>\$ 439,363</u>	<u>\$ 606,315</u>	<u>\$ 13,515,644</u>

The notes to the financial statements are an integral part of this statement.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Pine Island, Minnesota  
Statement of Revenues, Expenses and  
Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds				
	601	602	603	Nonmajor Enterprise Funds	Total
	Water	Sewer	Evergreen Place		
Operating Revenues					
Charges for services	\$ 546,319	\$ 811,756	\$ 270,901	\$ 111,691	\$ 1,740,667
Operating Expenses					
Personal services	51,556	157,611	-	64,781	273,948
Supplies	33,034	59,122	11	5,855	98,022
Other services and charges	73,519	142,367	166,768	12,040	394,694
Insurance	4,026	8,432	-	-	12,458
Utilities	18,068	129,526	27,129	1,320	176,043
Depreciation	195,730	326,748	37,145	8,377	568,000
Total Operating Expenses	<u>375,933</u>	<u>823,806</u>	<u>231,053</u>	<u>92,373</u>	<u>1,523,165</u>
Operating Income (Loss)	<u>170,386</u>	<u>(12,050)</u>	<u>39,848</u>	<u>19,318</u>	<u>217,502</u>
Nonoperating Revenues (Expenses)					
Intergovernmental	829	-	-	1,600	2,429
Interest income	57,538	20,818	2,583	19,955	100,894
Other income	227	-	1,887	740	2,854
Interest expense	(5,917)	-	(6,182)	-	(12,099)
Total Nonoperating Revenues (Expenses)	<u>52,677</u>	<u>20,818</u>	<u>(1,712)</u>	<u>22,295</u>	<u>94,078</u>
Income Before Transfers	223,063	8,768	38,136	41,613	311,580
Transfers in	-	-	-	4,000	4,000
Transfers out	(169,803)	(66,910)	(4,096)	-	(240,809)
Change in Net Position	53,260	(58,142)	34,040	45,613	74,771
Net Position, January 1	<u>5,668,012</u>	<u>6,806,836</u>	<u>405,323</u>	<u>560,702</u>	<u>13,440,873</u>
Net Position, December 31	<u>\$ 5,721,272</u>	<u>\$ 6,748,694</u>	<u>\$ 439,363</u>	<u>\$ 606,315</u>	<u>\$ 13,515,644</u>

The notes to the financial statements are an integral part of this statement.

City of Pine Island, Minnesota  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds				Total
	601 Water	602 Sewer	603 Evergreen Place	Nonmajor Enterprise Funds	
Cash Flows from Operating Activities					
Receipts from tenants and users	\$ 541,187	\$ 806,730	\$ 273,527	\$ 113,944	\$ 1,735,388
Payments to suppliers	(127,862)	(341,357)	(195,191)	(19,274)	(683,684)
Payments to employees	(50,469)	(160,150)	-	(63,961)	(274,580)
Fees collected on behalf of state	-	-	-	44,877	44,877
Fees paid to state	-	-	-	(44,877)	(44,877)
Net Cash Provided by Operating Activities	<u>362,856</u>	<u>305,223</u>	<u>78,336</u>	<u>30,709</u>	<u>777,124</u>
Cash Flows from Noncapital and Related Financing Activities					
Transfers from other funds	-	-	-	4,000	4,000
Transfers to other funds	(169,803)	(66,910)	(4,096)	-	(240,809)
Decrease in due from other funds	44,750	-	-	-	44,750
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(125,053)</u>	<u>(66,910)</u>	<u>(4,096)</u>	<u>4,000</u>	<u>(192,059)</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(475,521)	-	-	-	(475,521)
Principal paid on long-term debt	(57,172)	-	(76,000)	-	(133,172)
Interest paid on long-term debt	(7,912)	-	(6,958)	-	(14,870)
Net Cash Used by Capital and Related Financing Activities	<u>(540,605)</u>	<u>-</u>	<u>(82,958)</u>	<u>-</u>	<u>(623,563)</u>
Cash Flows from Investing Activities					
Interest on investments	<u>57,538</u>	<u>20,818</u>	<u>2,583</u>	<u>19,955</u>	<u>100,894</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(245,264)	259,131	(6,135)	54,664	62,396
Cash and Cash Equivalents, January 1	<u>1,511,326</u>	<u>1,073,220</u>	<u>214,581</u>	<u>473,714</u>	<u>3,272,841</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,266,062</u>	<u>\$ 1,332,351</u>	<u>\$ 208,446</u>	<u>\$ 528,378</u>	<u>\$ 3,335,237</u>
Reconciliation to Statement of Net Position					
Cash and temporary investments	\$ 1,266,062	\$ 1,332,351	\$ 186,901	\$ 528,378	\$ 3,313,692
Cash restricted for security deposits	-	-	21,545	-	21,545
Total Cash and Cash Equivalents	<u>\$ 1,266,062</u>	<u>\$ 1,332,351</u>	<u>\$ 208,446</u>	<u>\$ 528,378</u>	<u>\$ 3,335,237</u>

The notes to the financial statements are an integral part of this statement.

City of Pine Island, Minnesota  
Statement of Cash Flows (Continued)  
Proprietary Funds  
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds				Total
	601 Water	602 Sewer	603 Evergreen Place	Nonmajor Enterprise Funds	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income	\$ 170,386	\$ (12,050)	\$ 39,848	\$ 19,318	\$ 217,502
Adjustments to reconcile operating income to net cash provided by operating activities					
Other income related to operations	1,056	-	1,887	2,340	5,283
Depreciation	195,730	326,748	37,145	8,377	568,000
(Increase) decrease in assets/deferred outflows of resources					
Accounts receivable	(7,003)	(6,360)	(176)	(87)	(13,626)
Special assessments receivable	815	1,334	-	-	2,149
Deferred pension resources	(597)	(1,241)	-	(566)	(2,404)
Increase (decrease) in liabilities/deferred inflows of resources					
Accounts payable	785	(1,910)	(1,283)	(59)	(2,467)
Accrued salaries payable	396	396	-	442	1,234
Security deposits payable	-	-	915	-	915
Net pension liability	4,821	10,114	-	4,591	19,526
Compensated absences payable	(348)	(348)	-	384	(312)
Deferred pension resources	(3,185)	(11,460)	-	(4,031)	(18,676)
 Net Cash Provided by Operating Activities	 <u>\$ 362,856</u>	 <u>\$ 305,223</u>	 <u>\$ 78,336</u>	 <u>\$ 30,709</u>	 <u>\$ 777,124</u>
 Noncash Capital and Related Financing Activities					
Capital assets purchased on account	<u>\$ 39,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,900</u>
Debt refunded	<u>\$ 325,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 325,443</u>

The notes to the financial statements are an integral part of this statement.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

## Note 1: Summary of Significant Accounting Policies

### A. Reporting Entity

The City of Pine Island, Minnesota (the City), operates under “Optional Plan A” as defined in the Minnesota statutes. The City is governed by an elected Mayor and four-member City Council. 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.

#### ***Economic Development Authority***

The Economic Development Authority (EDA) of the City was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment consistent with policies established by the City Council. The City has the authority to approve and modify the EDA’s budget and the City Council has the ability to veto, overrule, or modify the decisions of the EDA Board of Directors. The EDA is governed by seven board members, three of which are City Council members and four citizens appointed by the Mayor. It is this criterion that results in the EDA being reported as a discretely presented component unit. The EDA does not prepare separate financial statements.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as 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*.

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

### C. Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 1: Summary of Significant Accounting Policies (Continued)**

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 considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the 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, entitlement 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.

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 following major governmental funds meet the criteria described above:

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

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

The *Capital Equipment fund* is used to fund the future purchases of capital equipment made by the City.

The *2<sup>nd</sup> Ave Reconstruction fund* is a capital project fund accounting for the reconstruction of 2<sup>nd</sup> Avenue.

The City reports the following major proprietary funds:

The *Water fund* accounts for the activities of the water distribution system the City maintains.

The *Sewer fund* accounts for the activities of the City's sewage collection operations.

The *Evergreen Place fund* accounts for the activities of the City's management of Evergreen Place.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements.

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.



## Note 1: Summary of Significant Accounting Policies (Continued)

### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

#### *Deposits and Investments*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statement of Cash Flows.

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 on the basis of applicable participation by each of the funds.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. 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.
8. 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.
9. 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.

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 56 and are valued using quoted market prices (Level 1 inputs).

The City has the following recurring fair value measurements as of December 31, 2020:

- Brokered certificates of \$1,617,592 are valued using a matrix pricing model (Level 2 inputs)

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 1: Summary of Significant Accounting Policies (Continued)**

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

***Property Taxes***

The City Council annually adopts a tax levy in December and certifies it to the County 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 Auditor and tax settlements are made to the City during January, July and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the governmental 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 2020. 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.

***Special Assessments***

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivable 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 assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

***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). All other outstanding balances between funds are reported as "due to/from other funds." 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 that they are not available for appropriation and are not expendable available financial resources.

***Restricted Cash***

Certain resources set aside for security deposits paid by tenants to the Evergreen Place enterprise fund are classified as restricted assets on the balance sheet. The Revolving Loan fund has cash restricted and set aside for the Spruce Up loan program through Pine Island Bank.

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 1: Summary of Significant Accounting Policies (Continued)**

**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 a value as defined below in the table and with a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Asset	Threshold
Land and Land Improvements	\$ 10,000
Other Improvements	25,000
Buildings	25,000
Improvements other than Buildings	25,000
Infrastructure	100,000
Machinery and Equipment	5,000
Vehicles	5,000
Other Assets	5,000

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical 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 are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Land Improvements	15 to 30
Buildings and Improvements	15 to 75
System Improvements/Infrastructure	20 to 60
Machinery and Equipment	3 to 15
Vehicles	3 to 12

**Deferred Outflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 1: Summary of Significant Accounting Policies (Continued)**

***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) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA 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. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the GERP and Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA) GERP	Fire Relief Association	Total All Plans
Pension Expense	\$ 42,734	\$ 75,013	\$ 117,747

***Compensated Absences***

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and earned compensation time, which is paid to the employee upon separation. Accrued vacation and compensation totaled at year end. Vacation and compensation pay is accrued in proprietary funds and reported as a liability. The total liability in the enterprise funds is . Compensated absences in the governmental funds totaled at year end. The General fund is typically used to liquidate governmental accrued compensated absences.

***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. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized 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.

***Deferred 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. The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

## Note 1: Summary of Significant Accounting Policies (Continued)

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

### **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.

*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 Clerk.

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

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

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 35 percent of budgeted operating expenditures for cash-flow timing needs.

### **Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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 acquire 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".

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

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**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 and selected special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In June of each year, all departments of the City submit requests for appropriations to the Finance Director so that a budget may be prepared. Before September 30, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads 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 fund level. The budget was not amended in 2020.

**B. Deficit Fund Equity**

The following funds had fund equity deficits at December 31, 2020:

Fund	Amount
Major Capital Projects	
Capital Equipment	\$ 216,601
Nonmajor Capital Projects	
2018 Pool Project	52,180
Brewing Company TIF	9,701
Nonmajor Special Revenue Fund	
River Food Monitor	520

The City plans to eliminate these deficits with future tax increment revenues and transfers from other funds.

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

### Note 3: Detailed Notes on All Funds

#### A. Deposits and Investments

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by Minnesota statutes. Each fund's portion of this pool (or pools) is displayed on the financial statements as "cash and temporary investments." For purposes of identifying the risk of investing public funds, the balances are categorized as follows:

##### *Deposits*

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits 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 which are members of the Federal Reserve System.

Minnesota statutes require that all utility deposits be protected by insurance, surety bond, or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds or irrevocable standby letters of credit from Federal Home Loan banks.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$2,051,595 and the bank balance was \$2,316,577. Of the bank balance, \$337,379 was covered by federal depository insurance. The remaining balance was covered by collateral held by the pledging financial institution's trust department in the City's name.

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

**Investments**

As of December 31, 2020, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name.

Investment Type	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount	Fair Value Measurement Using	
				Level 1	Level 2
<b>Non-pooled Investments at Fair Value</b>					
Brokered Certificates of Deposit	N/A	less than 1 year	\$ 333,330	\$ -	\$ 333,330
Brokered Certificates of Deposit	N/A	1 year to 5 years	1,284,262	-	1,284,262
<b>Pooled Investments at Amortized Costs</b>					
4M Fund	N/A	less than 1 year	644,646	-	-
Broker money market	N/A	N/A	2,985,532	-	-
Mutual funds	N/A	N/A	313,331	-	-
<b>Total</b>			<b>\$ 5,561,101</b>	<b>\$ -</b>	<b>\$ 1,617,592</b>

(1) Ratings are provided by Standard & Poor's where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not available.

The investments of the City are subject to the following risks:

- **Credit Risk.** The credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments to the list on page 49 of the notes.
- **Custodial Credit Risk.** The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- **Concentration of Credit Risk.** The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of December 31, 2020, the City had invested 5.0 percent or more of its total investment portfolio in the following issuers: UBS Salt Lake City CD (9.51 percent), Rock Canyon Bank CD (16.08 percent), Goldman Sachs Banks CD (9.41 percent), Morgan Stanley Bank (9.90 percent), Morgan Stanley Private Bank (9.74 percent), Sallie Mae Bank CD (15.73 percent), Citi Bank CD (11.09 percent), and Wells Fargo Bank CD (16.36 percent).
- **Interest Rate Risk.** The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.



City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

A reconciliation of cash and temporary investments as shown on the statement of net position for the City follows:

Carrying Amount of Deposits	\$ 2,051,595
Investments	5,561,101
Cash on Hand	<u>350</u>
Total	<u><u>\$ 7,613,046</u></u>
Cash and Investments	
Unrestricted	
Primary government	\$ 7,453,903
Discretely presented component unit	96,776
Restricted cash	
Primary government	<u>62,367</u>
Total	<u><u>\$ 7,613,046</u></u>

**B. Notes Receivable**

The City issued notes to local businesses for business development in the Revolving Loan special revenue fund. The City has 10 loans outstanding at year end totaling \$85,134. They have varying interest rates and maturity dates on each note. They are secured by assets of the businesses.

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 1,185,450	\$ 10,400	\$ -	\$ 1,195,850
Construction in progress	-	1,665,479	-	1,665,479
Total Capital Assets not Being Depreciated	<u>1,185,450</u>	<u>1,675,879</u>	<u>-</u>	<u>2,861,329</u>
Capital Assets Being Depreciated				
Land improvements	76,752	-	-	76,752
Buildings	620,729	-	-	620,729
Infrastructure	15,878,679	176,140	-	16,054,819
Machinery and equipment	3,305,593	302,655	(162,169)	3,446,079
Total Capital Assets Being Depreciated	<u>19,881,753</u>	<u>478,795</u>	<u>(162,169)</u>	<u>20,198,379</u>
Less Accumulated Depreciation for				
Land improvements	(68,378)	(4,783)	-	(73,161)
Buildings	(358,055)	(17,491)	-	(375,546)
Infrastructure	(3,160,417)	(460,858)	-	(3,621,275)
Machinery and equipment	(1,759,777)	(150,829)	158,319	(1,752,287)
Total Accumulated Depreciation	<u>(5,346,627)</u>	<u>(633,961)</u>	<u>158,319</u>	<u>(5,822,269)</u>
Total Capital Assets Being Depreciated, Net	<u>14,535,126</u>	<u>(155,166)</u>	<u>(3,850)</u>	<u>14,376,110</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,720,576</u>	<u>\$ 1,520,713</u>	<u>\$ (3,850)</u>	<u>\$ 17,237,439</u>

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

<b>Governmental Activities</b>	
General government	\$ 315
Public safety	75,687
Public works	415,087
Culture and recreation	140,480
Housing and economic development	<u>2,392</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 633,961</u>

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 64,136	\$ -	\$ -	\$ 64,136
Capital Assets Being Depreciated				
Buildings	2,673,730	-	-	2,673,730
Improvements other than buildings	177,234	-	-	177,234
Infrastructure	15,997,652	515,421	-	16,513,073
Machinery and equipment	1,930,661	-	-	1,930,661
Total Capital Assets Being Depreciated	<u>20,779,277</u>	<u>515,421</u>	<u>-</u>	<u>21,294,698</u>
Less Accumulated Depreciation for				
Buildings	(1,996,152)	(60,006)	-	(2,056,158)
Improvements other than buildings	(52,593)	(1,223)	-	(53,816)
Infrastructure	(5,899,035)	(423,646)	-	(6,322,681)
Machinery and equipment	(1,234,089)	(83,125)	-	(1,317,214)
Total Accumulated Depreciation	<u>(9,181,869)</u>	<u>(568,000)</u>	<u>-</u>	<u>(9,749,869)</u>
Total Capital Assets Being Depreciated, Net	<u>11,597,408</u>	<u>(52,579)</u>	<u>-</u>	<u>11,544,829</u>
Business-type Activities Capital Assets, Net	<u>\$ 11,661,544</u>	<u>\$ (52,579)</u>	<u>\$ -</u>	<u>\$ 11,608,965</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

<b>Business-type Activities</b>	
Water	\$ 195,730
Sewer	326,748
Evergreen place	37,145
Cemetery	<u>8,377</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 568,000</u>

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

**D. Interfund Transfers**

The composition of interfund transfers at December 31, 2020 is as follows:

Fund	Transfer In					Total
	General	Debt Service	Capital Equipment	Nonmajor Governmental	Nonmajor Enterprise	
Transfer Out						
General	\$ -	\$ -	\$ 175,000	\$ 131,228	\$ 4,000	\$ 310,228
Water	62,483	107,320	-	-	-	169,803
Sewer	62,483	4,427	-	-	-	66,910
Evergreen Place	4,096	-	-	-	-	4,096
<b>Total</b>	<b>\$ 129,062</b>	<b>\$ 111,747</b>	<b>\$ 175,000</b>	<b>\$ 131,228</b>	<b>\$ 4,000</b>	<b>\$ 551,037</b>

The City annually budgets transfers for specific purposes. Annual transfers include transfers made to cover funds annual operations, transfers for debt service payments, transfers made as part of capital improvement plans and other transfers made for various reasons.

**E. Long-term Debt**

General Obligation Bonds

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 both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

General Obligation Improvement Bonds

The following bonds were issued 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. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

Refunding Bonds

On September 1, 2020 the City issued \$2,017,000 of G.O. Refunding Bonds, Series 2020B. The bonds bear an average coupon rate of 1.25 percent and was used to call \$1,524,557 of the outstanding principal of the G.O. Improvement Bonds, Series 2012B in 2020. As a result of the refunding issue, the City will achieve an economic gain (the present value of the difference between the old and the new debt service) of \$66,714.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2014A G.O Street Reconstruction Improvement Bonds	\$ 2,315,000	1.50 - 4.00 %	07/28/14	02/01/44	\$ 1,970,000
2014B G.O Crossover Refunding Bonds	1,565,000	2.00 - 3.00	08/04/14	02/01/27	770,000
2015A G.O Improvement Bond	1,200,000	.70 - 3.00	05/16/15	02/01/31	915,000
2017A G.O. Improvement Bond	1,175,000	1.25 - 3.13	06/20/17	02/01/33	1,040,000
2018A G.O. Improvement Bond	2,400,000	2.00 - 3.25	05/01/18	02/01/38	2,195,000
2020A G.O. Improvement Bond	1,965,000	2.05	06/01/20	02/01/36	1,965,000
2020B G.O. Refunding Bond	2,017,000	1.25	09/01/20	02/01/28	<u>2,017,000</u>
Total General Obligation Improvement Bonds					<u><u>\$ 10,872,000</u></u>

The annual debt service requirements to maturity for general obligation improvement bonds outstanding at December 31, 2020 are as follows:

Year Ending December 31,	<b>General Obligation Improvement Bonds</b>		
	Governmental Activities		
	Principal	Interest	Total
2021	\$ 786,948	\$ 268,118	\$ 1,055,066
2022	898,068	246,987	1,145,055
2023	920,309	228,331	1,148,640
2024	815,550	210,850	1,026,400
2025	683,215	195,466	878,681
2026 - 2030	2,744,467	758,696	3,503,163
2031 - 2035	2,148,000	418,490	2,566,490
2036 - 2040	1,095,000	164,516	1,259,516
2041 - 2044	455,000	37,100	492,100
Total	<u>\$ 10,546,557</u>	<u>\$ 2,528,554</u>	<u>\$ 13,075,111</u>

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2021	\$ 58,052	\$ 3,642	\$ 61,694
2022	58,932	3,177	62,109
2023	60,690	2,348	63,038
2024	62,450	1,507	63,957
2025	30,785	854	31,639
2026 - 2028	54,534	556	55,090
Total	<u>\$ 325,443</u>	<u>\$ 12,084</u>	<u>\$ 337,527</u>

General Obligation Tax Increment Note

The following bonds were issued for development purposes. The additional tax increments resulting from increased tax capacity of the redeveloped properties will be used to retire the related debt.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O Tax Increment Note, Series 2017B	\$ 329,000	5.50 %	08/01/17	02/01/33	<u>\$ 329,000</u>

Annual debt service requirements to maturity for general obligation tax increment bonds outstanding at December 31, 2020, are as follows:

Year Ending December 31,	G.O. Tax Increment Bonds		
	Governmental Activities		
	Principal	Interest	Total
2021	\$ 18,000	\$ 17,600	\$ 35,600
2022	19,000	16,583	35,583
2023	20,000	15,510	35,510
2024	21,000	14,382	35,382
2025	22,000	13,200	35,200
2026 - 2030	132,000	45,540	177,540
2031 - 2033	97,000	8,168	105,168
Total	<u>\$ 329,000</u>	<u>\$ 130,983</u>	<u>\$ 459,983</u>

Annual net operating revenues, principal and interest payments, and the percentage of revenue required to cover principal and interest payment are as follows for the enterprise portions of the outstanding debt:

	Water	Evergreen Place
Net Operating Revenues	\$ 546,319	\$ 270,901
Principal and Interest	65,084	82,958
Percentage of Revenues	12%	31%

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

General Obligation Revenue Bonds

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
<b>Business-type Activities</b>					
2016A G.O. Assisted Living Refunding Bonds	\$ 537,000	2.45 %	03/07/16	02/01/23	<u>\$ 246,000</u>

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

Year Ending December 31,	<b>General Obligation Revenue Bonds</b>		
	Business-type Activities		
	Principal	Interest	Total
2021	\$ 80,000	\$ 5,047	\$ 85,047
2022	79,000	3,099	82,099
2023	87,000	1,066	88,066
Total	<u>\$ 246,000</u>	<u>\$ 9,212</u>	<u>\$ 255,212</u>

Changes in Long-term Liabilities

During the year ended December 31, 2020, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
General obligation bonds	\$ 9,582,385	\$ 3,656,557	\$ (2,692,385)	\$ 10,546,557	\$ 786,948
General obligation tax increment bonds	329,000	-	-	329,000	18,000
Total Bonds Payable	<u>9,911,385</u>	<u>3,656,557</u>	<u>(2,692,385)</u>	<u>10,875,557</u>	<u>804,948</u>
Compensated Absences Payable	<u>7,304</u>	<u>40,478</u>	<u>(40,495)</u>	<u>7,287</u>	<u>7,287</u>
Governmental Activities	<u>\$ 9,918,689</u>	<u>\$ 3,697,035</u>	<u>\$ (2,732,880)</u>	<u>\$ 10,882,844</u>	<u>\$ 812,235</u>
<b>Business-type Activities</b>					
Bonds Payable					
General obligation bonds	\$ 382,615	\$ 325,443	\$ (382,615)	\$ 325,443	\$ 58,052
General obligation revenue bonds	322,000	-	(76,000)	246,000	80,000
Total Bonds Payable	<u>704,615</u>	<u>325,443</u>	<u>(458,615)</u>	<u>571,443</u>	<u>138,052</u>
Compensated Absences Payable	<u>3,827</u>	<u>5,899</u>	<u>(6,031)</u>	<u>3,695</u>	<u>3,695</u>
Business-type Activities	<u>\$ 708,442</u>	<u>\$ 331,342</u>	<u>\$ (464,646)</u>	<u>\$ 575,138</u>	<u>\$ 141,747</u>

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

**F. Components of Fund Balance**

At December 31, 2020, portions of the City's fund balance are not available for appropriation due to legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Capital Equipment	2nd Ave Reconstruction	Other Governmental Funds	Total
Restricted for						
Debt service	\$ -	\$ 1,864,155	\$ -	\$ -	\$ -	\$ 1,864,155
Capital projects	-	-	-	184,309	-	184,309
Economic development	-	-	-	-	159,492	159,492
Revolving loan	-	-	-	-	158,828	158,828
DTED Land O'Lakes	-	-	-	-	313,581	313,581
Disaster relief	-	-	-	-	514	514
<b>Total Restricted</b>	<b>\$ -</b>	<b>\$ 1,864,155</b>	<b>\$ -</b>	<b>\$ 184,309</b>	<b>\$ 632,415</b>	<b>\$ 2,680,879</b>
Committed to						
Library	\$ -	\$ -	\$ -	\$ -	\$ 162,622	\$ 162,622
Assigned to						
Street projects	\$ -	\$ -	\$ -	\$ -	\$ 12,258	\$ 12,258
Public safety	-	-	-	-	31,673	31,673
Heritage preservation	2,433	-	-	-	-	2,433
<b>Total Assigned</b>	<b>\$ 2,433</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 43,931</b>	<b>\$ 46,364</b>



## Note 4: Defined Benefit Pension Plans - Statewide

### 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

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.

#### General Employees Plan 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 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be 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. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

### C. Contributions

*Minnesota statutes*, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

#### General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2020, 2019 and 2018 were \$57,380, \$59,873 and \$54,908, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of \$665,496 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. 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 \$20,625. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0111 percent which was an increase of 0.0004 percent from its proportion measured as of June 30, 2019.

City's Proportionate Share of the Net Pension Liability	\$ 665,496
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>20,625</u>
Total	<u><u>\$ 686,121</u></u>

For the year ended December 31, 2020, the City recognized pension expense of \$40,939 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized \$1,795 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.

At December 31, 2020, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 5,943	\$ 3,369
Changes in Actuarial Assumptions	353	24,455
Net Difference Between Projected and Actual Earnings on Plan Investments	17,200	-
Changes in Proportion	32,885	-
Contributions Paid to PERA Subsequent to the Measurement Date	<u>27,052</u>	<u>-</u>
Total	<u><u>\$ 83,433</u></u>	<u><u>\$ 27,824</u></u>

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

The \$27,052 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (15,982)
2022	9,641
2023	18,821
2024	16,077

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. . The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020. The recommended assumptions for that plan were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

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.

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	35.5 %	5.10 %
Alternative Assets (Private Markets)	25.0	5.90
Bonds (Fixed Income)	20.0	0.75
International Stocks	17.5	5.30
Cash	<u>2.0</u>	-
Total	<u>100.0 %</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. 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 were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability Sensitivity**

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

	<u>City Proportionate Share of NPL</u>		
	<u>1 Percent Decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 Percent Increase (8.50%)</u>
General Employees Fund	\$ 1,066,559	\$ 665,496	\$ 334,651

**H. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 5: Defined Benefit Pension Plans - Fire Relief Association**

**A. Plan Description**

All members of the City of Pine Island Fire Department (the Department) are covered by a defined benefit plan administered by the City of Pine Island Fire Department Relief Association (the Association). As of December 31, 2019, the plan covered 21 active firefighters and 5 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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 Firefighter's 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.

**B. Benefits Provided**

A fire fighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full-service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 10 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-forfeitable percentage of pension.

**C. Contributions**

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$57,135 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2020, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2020 were \$68,635. The City's contributions were equal to the required contributions as set by state statute. The City made voluntary contributions of to the plan in 2020. The firefighter has no obligation to contribute to the plan.

**D. Pension Costs**

At December 31, 2020, the City reported a net pension asset of \$357,859 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2019. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department.

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)**

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

	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (c)
Beginning Balance January 1, 2019	\$ 661,542	\$ 943,059	\$ (281,517)
Changes for the Year			
Service cost	40,511	-	40,511
Interest on pension liability (asset)	40,368	-	40,368
Change of benefit terms	48,900	-	48,900
State and Local contributions	-	54,178	(54,178)
Net investment income	-	156,943	(156,943)
Administrative expenses	-	(5,000)	5,000
Total Net Changes	<u>129,779</u>	<u>206,121</u>	<u>(76,342)</u>
Ending Balance December 31, 2019	<u>\$ 791,321</u>	<u>\$ 1,149,180</u>	<u>\$ (357,859)</u>

For the year ended December 31, 2020, the City recognized pension expense of \$6,378.

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources and its contributions subsequent to the measurement date related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 83,796
Changes in Actuarial Assumptions	23,139	9,624
Net Difference Between Projected and Actual Earnings on Plan Investments	-	55,100
Contributions to Plan Subsequent to the Measurement Date	<u>68,635</u>	<u>-</u>
Total	<u>\$ 91,774</u>	<u>\$ 148,520</u>

Deferred outflows of resources totaling \$68,635 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2021	\$ (22,810)
2022	(22,119)
2023	(13,061)
2024	(28,254)
2025	(7,786)
Thereafter	(31,351)

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)**

**E. Actuarial Assumptions**

The total pension liability at December 31, 2019 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at 50 Percent of Age 50, 20 Percent at Ages 51-64 and 100 Percent at Age 65	
Investment Rate of Return	5.75%
20-Year Municipal Bond Yield	2.75%
Inflation	2.50%

Since the prior measurement date, the following assumptions changed:

- The expected investment rate of return and discount rate decreased from 6.25% to 5.75%.
- The 20 year municipal bond yield decreased from 3.81% to 2.75%.
- The inflation rate decreased from 2.75% to 2.50%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	48.73 %	4.95 %
International Equity	-	5.24
Fixed Income	18.94	1.99
Real Estate	-	4.19
Cash	<u>32.33</u>	0.58
Total	<u><u>100.00 %</u></u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability was 5.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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.



City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)**

**G. Pension Liability Sensitivity**

The following presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	1 Percent Decrease (4.75%)	Current (5.75%)	1 Percent Increase (6.75%)
Defined Benefit Plan	\$ (321,133)	\$ (357,859)	\$ (392,339)

**H. Pension Plan fiduciary net position**

The Association issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Pine Island Firemen's Relief Association, P.O. Box 486, Pine Island, Minnesota 55963.

**Note 6: Other Information**

**A. 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 no debt subject to this limit.

**B. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters 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.

**C. Concentrations**

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2020 for LGA was \$644,483. This accounted for 21.0 percent of General fund revenue.

**D. 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.

City of Pine Island, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 7: Evergreen Place Management Contract**

The City entered into an agreement with Pine Haven, Inc. to rent and manage the Evergreen Place property. Pine Haven, Inc. agreed to contribute up to \$100,000 as necessary to fund operating expenses and debt service through September 30, 1996. Subsequent to 1996, all operating deficits are assumed by the City. Pine Haven, Inc. will be paid for administrative and office expenses in addition to direct expenses. The agreement expired April 1, 1998 and currently operates on a month-to-month basis.

**Note 8: Transactions between the Primary Government and its Component Unit**

The City conducts routine transactions with its component unit for services provided. The City provides administrative and financial services for the EDA activities. In 2020, the City contributed \$96,187 to the EDA for EDA operations.

**Note 9: COVID-19**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (“COVID-19”) and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the City cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the City’s financial condition, liquidity, and future results of its revenue collections is uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PINE ISLAND  
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

City of Pine Island, Minnesota  
 Required Supplementary Information  
 For the Year Ended December 31, 2020

**Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund**

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/20	0.0111 %	\$ 665,496	\$ 20,625	\$ 686,121	\$ 804,464	82.7 %	79.0 %
06/30/19	0.0107	591,579	18,333	609,912	756,170	78.2	80.2
06/30/18	0.0105	582,498	19,029	601,527	692,647	84.1	79.5
06/30/17	0.0100	638,393	8,053	646,446	646,273	98.8	75.9
06/30/16	0.0103	836,309	10,991	847,300	640,911	130.5	68.9
06/30/15	0.0105	544,164	-	544,164	615,932	88.3	78.2

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

**Schedule of Employer's PERA Contributions - General Employees Fund**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/20	\$ 57,380	\$ 57,380	\$ -	\$ 765,072	7.5 %
12/31/19	59,873	59,873	-	798,307	7.5
12/31/18	54,908	54,908	-	732,109	7.5
12/31/17	48,453	48,453	-	646,038	7.5
12/31/16	46,992	46,992	-	626,560	7.5
12/31/15	46,552	46,552	-	620,693	7.5

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

City of Pine Island, Minnesota  
Required Supplementary Information  
For the Year Ended December 31, 2020

**Notes to the Required Supplementary Information - General Employees Fund**

Changes in Actuarial Assumptions

2020 - 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.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - 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. 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 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. 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 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

City of Pine Island, Minnesota  
Required Supplementary Information  
For the Year Ended December 31, 2020

**Notes to the Required Supplementary Information - General Employees Fund (Continued)**

Changes in Plan Provisions

2020 - 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 - 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 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2017 - The State's special funding contribution increased from \$6 million to \$16 million.

2016 - No changes noted

2015 - 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.

City of Pine Island, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2020

**Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios**

	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>						
Service cost	\$ 40,511	\$ 39,096	\$ 38,050	\$ 36,221	\$ 33,198	\$ 32,309
Interest	40,368	37,425	34,546	35,866	27,327	25,857
Changes of benefit terms	48,900	84,964	-	-	61,511	-
Differences between expected and actual experience	-	(77,025)	-	(28,723)	-	-
Changes of assumptions	-	17,376	-	12,519	(16,614)	-
Benefit payments, including refunds of employee contributions	-	-	(55,144)	(17,500)	(47,590)	(21,533)
<b>Net Change in Total Pension Liability</b>	<u>129,779</u>	<u>101,836</u>	<u>17,452</u>	<u>38,383</u>	<u>57,832</u>	<u>36,633</u>
<b>Total Pension Liability - January 1, 2020</b>	<u>661,542</u>	<u>559,706</u>	<u>542,254</u>	<u>503,871</u>	<u>446,039</u>	<u>409,406</u>
<b>Total Pension Liability - December 31, 2020 (a)</b>	<u>\$ 791,321</u>	<u>\$ 661,542</u>	<u>\$ 559,706</u>	<u>\$ 542,254</u>	<u>\$ 503,871</u>	<u>\$ 446,039</u>
<b>Plan Fiduciary Net Position</b>						
Contributions - employer	\$ -	\$ 11,000	\$ 11,000	\$ 11,000	\$ 26,160	\$ 23,160
Contributions - state	54,178	93,518	53,107	52,518	53,107	49,973
Net investment income	156,943	(19,853)	93,733	49,359	4,358	50,049
Benefit payments, including refunds of employee contributions	-	(11,000)	(66,144)	(11,500)	(47,590)	(21,533)
Administrative expense	(5,000)	(4,500)	(3,000)	(3,295)	(3,000)	(3,321)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>206,121</u>	<u>69,165</u>	<u>88,696</u>	<u>98,082</u>	<u>33,035</u>	<u>98,328</u>
<b>Plan Fiduciary Net Position - Beginning of Year</b>	<u>943,059</u>	<u>873,894</u>	<u>785,198</u>	<u>688,151</u>	<u>658,260</u>	<u>559,932</u>
<b>Plan Fiduciary Net Position - End of Year (b)</b>	<u>\$ 1,149,180</u>	<u>\$ 943,059</u>	<u>\$ 873,894</u>	<u>\$ 786,233</u>	<u>\$ 691,295</u>	<u>\$ 658,260</u>
<b>Fire Relief's Net Pension Liability (Asset) - End of Year (a-b)</b>	<u>\$ (357,859)</u>	<u>\$ (281,517)</u>	<u>\$ (314,188)</u>	<u>\$ (243,979)</u>	<u>\$ (187,424)</u>	<u>\$ (212,221)</u>
<b>Plan Fiduciary Net Position As a Percentage of the Total Pension Liability (b/a)</b>	145.22%	142.55%	156.13%	144.99%	137.20%	147.58%
<b>Covered-employee Payroll</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll</b>	N/A	N/A	N/A	N/A	N/A	N/A

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

**Notes to the Required Supplementary Information - Fire Relief Association:**

*Benefit Changes:* Benefit payments were not present in 2020.

*Changes of Assumptions:* The expected investment rate of return and discount rate remained at 5.75%. The mortality assumptions were updated from the rates used in the July 1, 2017 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation. The inflation assumption remained at 2.50%

City of Pine Island, Minnesota  
 Required Supplementary Information (Continued)  
 For the Year Ended December 31, 2020

**Schedule of Employer's Fire Relief Association Contributions**

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/20	\$ 57,135	\$ 68,635	\$ (11,500)
12/31/19	54,178	65,178	(11,000)
12/31/18	52,518	63,518	(11,000)
12/31/17	53,107	64,107	(11,000)
12/31/16	51,483	62,483	(11,000)
12/31/15	49,963	55,963	(6,000)



COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF PINE ISLAND  
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

City of Pine Island, Minnesota  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 December 31, 2020

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>			
Cash and temporary investments	\$ 544,515	\$ 109,869	\$ 654,384
Restricted cash	40,822	-	40,822
Receivables			
Notes	85,134	-	85,134
	<u>670,471</u>	<u>109,869</u>	<u>780,340</u>
<b>Total Assets</b>	<b><u>\$ 670,471</u></b>	<b><u>\$ 109,869</u></b>	<b><u>\$ 780,340</u></b>
<b>Liabilities</b>			
Accounts payable	\$ 417	\$ -	\$ 417
Accrued salaries payable	3,356	-	3,356
<b>Total Liabilities</b>	<u>3,773</u>	<u>-</u>	<u>3,773</u>
<b>Fund Balances</b>			
Restricted	472,923	159,492	632,415
Committed	162,622	-	162,622
Assigned	31,673	12,258	43,931
Unassigned	(520)	(61,881)	(62,401)
<b>Total Fund Balances</b>	<u>666,698</u>	<u>109,869</u>	<u>776,567</u>
	<u>\$ 670,471</u>	<u>\$ 109,869</u>	<u>\$ 780,340</u>
<b>Total Liabilities and     Fund Balances</b>	<b><u>\$ 670,471</u></b>	<b><u>\$ 109,869</u></b>	<b><u>\$ 780,340</u></b>

City of Pine Island, Minnesota  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 For the Year Ended December 31, 2020

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Tax increment	\$ -	\$ 108,662	\$ 108,662
Intergovernmental	104,361	40,000	144,361
Charges for services	407	-	407
Fines and forfeitures	719	-	719
Interest on investments	7,042	497	7,539
Miscellaneous	33,165	-	33,165
Total Revenues	<u>145,694</u>	<u>149,159</u>	<u>294,853</u>
Expenditures			
Current			
Public safety	38,657	-	38,657
Culture and recreation	175,816	-	175,816
Housing and economic development	2,082	38,652	40,734
Capital outlay			
Culture and recreation	29,205	165,105	194,310
Housing and economic development	-	41,016	41,016
Debt service			
Interest and other	-	18,095	18,095
Total Expenditures	<u>245,760</u>	<u>262,868</u>	<u>508,628</u>
Deficiency of Revenues Under Expenditures	<u>(100,066)</u>	<u>(113,709)</u>	<u>(213,775)</u>
Other Financing Sources (Uses)			
Transfers in	<u>131,228</u>	<u>-</u>	<u>131,228</u>
Net Change in Fund Balances	31,162	(113,709)	(82,547)
Fund Balances, January 1	<u>635,536</u>	<u>223,578</u>	<u>859,114</u>
Fund Balances, December 31	<u>\$ 666,698</u>	<u>\$ 109,869</u>	<u>\$ 776,567</u>

City of Pine Island, Minnesota  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 December 31, 2020

	<b>211</b>	<b>246</b>	<b>260</b>	<b>261</b>
	Library	River Flood Monitor	Revolving Loan	DTED Land O'Lakes
<b>Assets</b>				
Cash and temporary investments	\$ 166,395	\$ (520)	\$ 102,513	\$ 243,940
Restricted cash	-	-	40,822	-
Receivables				
Notes	-	-	15,493	69,641
<b>Total Assets</b>	<b><u>\$ 166,395</u></b>	<b><u>\$ (520)</u></b>	<b><u>\$ 158,828</u></b>	<b><u>\$ 313,581</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 417	\$ -	\$ -	\$ -
Accrued salaries payable	3,356	-	-	-
<b>Total Liabilities</b>	<b><u>3,773</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund Balances</b>				
Restricted	-	-	158,828	313,581
Committed	162,622	-	-	-
Assigned	-	-	-	-
Unassigned	-	(520)	-	-
<b>Total Fund Balances</b>	<b><u>162,622</u></b>	<b><u>(520)</u></b>	<b><u>158,828</u></b>	<b><u>313,581</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 166,395</u></b>	<b><u>\$ (520)</u></b>	<b><u>\$ 158,828</u></b>	<b><u>\$ 313,581</u></b>

<b>270</b>	<b>280</b>	
Disaster Relief	Charitable Gambling Donations	Total
\$ 514	\$ 31,673	\$ 544,515
-	-	40,822
-	-	85,134
<u>\$ 514</u>	<u>\$ 31,673</u>	<u>\$ 670,471</u>
\$ -	\$ -	\$ 417
-	-	3,356
-	-	3,773
514	-	472,923
-	-	162,622
-	31,673	31,673
-	-	(520)
<u>514</u>	<u>31,673</u>	<u>666,698</u>
<u>\$ 514</u>	<u>\$ 31,673</u>	<u>\$ 670,471</u>

City of Pine Island, Minnesota  
 Nonmajor Special Revenue Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 For the Year Ended December 31, 2020

	<b>211</b>	<b>246</b>	<b>260</b>	<b>261</b>
	Library	River Flood Monitor	Revolving Loan	DTED Land O'Lakes
<b>Revenues</b>				
Intergovernmental	\$ 89,361	\$ -	\$ -	\$ 15,000
Charges for services	407	-	-	-
Fines and forfeitures	719	-	-	-
Interest on investments	1,021	-	1,420	4,502
Miscellaneous	3,165	-	-	-
Total Revenues	<u>94,673</u>	<u>-</u>	<u>1,420</u>	<u>19,502</u>
<b>Expenditures</b>				
<b>Current</b>				
Public safety	-	7,272	-	-
Culture and recreation	175,816	-	-	-
Housing and economic development	-	-	-	2,082
<b>Capital outlay</b>				
Culture and recreation	29,205	-	-	-
Total Expenditures	<u>205,021</u>	<u>7,272</u>	<u>-</u>	<u>2,082</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(110,348)	(7,272)	1,420	17,420
<b>Other Financing Sources</b>				
Transfers in	<u>131,228</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	20,880	(7,272)	1,420	17,420
Fund Balances, January 1	<u>141,742</u>	<u>6,752</u>	<u>157,408</u>	<u>296,161</u>
Fund Balances, December 31	<u><u>\$ 162,622</u></u>	<u><u>\$ (520)</u></u>	<u><u>\$ 158,828</u></u>	<u><u>\$ 313,581</u></u>

<b>270</b>	<b>280</b>	
Disaster Relief	Charitable Gambling Donations	Total
\$ -	\$ -	\$ 104,361
-	-	407
-	-	719
-	99	7,042
-	30,000	33,165
-	30,099	145,694
-	31,385	38,657
-	-	175,816
-	-	2,082
-	-	29,205
-	31,385	245,760
-	(1,286)	(100,066)
-	-	131,228
-	(1,286)	31,162
514	32,959	635,536
<u>\$ 514</u>	<u>\$ 31,673</u>	<u>\$ 666,698</u>

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



City of Pine Island, Minnesota  
Library Fund  
Budgeted Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
For the Year Ended December 31, 2020  
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020			Variance with Final Budget	2019
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
<b>Revenues</b>					
Intergovernmental	\$ 77,089	\$ 77,089	\$ 89,361	\$ 12,272	\$ 72,576
Charges for services	450	450	407	(43)	1,103
Fines and forfeitures	-	-	719	719	3,051
Interest on investments	101	101	1,021	920	1,310
Miscellaneous	3,060	3,060	3,165	105	5,019
Total Revenues	<u>80,700</u>	<u>80,700</u>	<u>94,673</u>	<u>13,973</u>	<u>83,059</u>
<b>Expenditures</b>					
<b>Current</b>					
Culture and recreation					
Personal services	150,665	150,665	147,109	3,556	125,869
Supplies	4,150	4,150	3,890	260	3,453
Other services and charges	20,390	20,390	24,817	(4,427)	18,361
<b>Capital outlay</b>					
Culture and recreation	36,723	36,723	29,205	7,518	40,049
Total Expenditures	<u>211,928</u>	<u>211,928</u>	<u>205,021</u>	<u>6,907</u>	<u>187,732</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(131,228)	(131,228)	(110,348)	20,880	(104,673)
<b>Other Financing Sources</b>					
Transfers in	131,228	131,228	131,228	-	105,121
Net Change in Fund Balances	-	-	20,880	20,880	448
Fund Balances, January 1	141,742	141,742	141,742	-	141,294
Fund Balances, December 31	<u>\$ 141,742</u>	<u>\$ 141,742</u>	<u>\$ 162,622</u>	<u>\$ 20,880</u>	<u>\$ 141,742</u>

City of Pine Island, Minnesota  
 Nonmajor Capital Projects Funds  
 Combining Balance Sheet  
 December 31, 2020

	<b>382</b>	<b>392</b>	<b>393</b>
	Brewing Company TIF 1-17	Wazuweeta Woods TIF 1-10	Downtown Development TIF 1-9
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Assets			
Cash and temporary investments	<u>\$ (9,701)</u>	<u>\$ 96,029</u>	<u>\$ 52,413</u>
Fund Balances			
Restricted	\$ -	\$ 96,029	\$ 52,413
Assigned	-	-	-
Unassigned	<u>(9,701)</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>(9,701)</u>	<u>96,029</u>	<u>52,413</u>

<b>396</b> Farm Country Co. TIF 1-13	<b>436</b> 5th Street SW	<b>440</b> 2018 Pool Project	Total
<u>\$ 11,050</u>	<u>\$ 12,258</u>	<u>\$ (52,180)</u>	<u>\$ 109,869</u>
\$ 11,050	\$ -	\$ -	\$ 159,492
-	12,258	-	12,258
-	-	(52,180)	(61,881)
<u>11,050</u>	<u>12,258</u>	<u>(52,180)</u>	<u>109,869</u>

City of Pine Island, Minnesota  
 Nonmajor Capital Projects Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 For the Year Ended December 31, 2020

	<b>382</b> Brewing Company TIF 1-17	<b>392</b> Wazuweeta Woods TIF 1-10	<b>393</b> Downtown Development TIF 1-9
<b>Revenues</b>			
Tax increment	\$ -	\$ 29,861	\$ 53,355
Intergovernmental	-	-	-
Interest on investments	-	299	163
Total Revenues	<u>-</u>	<u>30,160</u>	<u>53,518</u>
<b>Expenditures</b>			
Current			
Housing and economic development	9,701	3,433	933
Capital outlay			
Culture and recreation	-	-	-
Housing and economic development	-	26,876	14,140
Debt service			
Interest and other	-	-	18,095
Total Expenditures	<u>9,701</u>	<u>30,309</u>	<u>33,168</u>
Net Change in Fund Balances	(9,701)	(149)	20,350
Fund Balances, January 1	<u>-</u>	<u>96,178</u>	<u>32,063</u>
Fund Balances, December 31	<u>\$ (9,701)</u>	<u>\$ 96,029</u>	<u>\$ 52,413</u>

<b>396</b> Farm Country Co. TIF 1-13	<b>436</b> 5th Street SW	<b>440</b> 2018 Pool Project	Total
\$ 25,446	\$ -	\$ -	\$ 108,662
-	40,000	-	40,000
35	-	-	497
<u>25,481</u>	<u>40,000</u>	<u>-</u>	<u>149,159</u>
24,585	-	-	38,652
-	-	165,105	165,105
-	-	-	41,016
-	-	-	18,095
<u>24,585</u>	<u>-</u>	<u>165,105</u>	<u>262,868</u>
896	40,000	(165,105)	(113,709)
<u>10,154</u>	<u>(27,742)</u>	<u>112,925</u>	<u>223,578</u>
<u>\$ 11,050</u>	<u>\$ 12,258</u>	<u>\$ (52,180)</u>	<u>\$ 109,869</u>

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of Pine Island, Minnesota  
 Nonmajor Proprietary Funds  
 Combining Statement of Net Position  
 December 31, 2020

	Business-type Activities - Enterprise Funds		
	604 Cemetery	871 Deputy Registrar	Total
Assets			
Current Assets			
Cash and temporary investments	\$ 330,272	\$ 198,106	\$ 528,378
Receivables			
Accounts	-	87	87
Total Current Assets	<u>330,272</u>	<u>198,193</u>	<u>528,465</u>
Noncurrent Assets			
Capital assets			
Buildings	15,500	-	15,500
Improvements other than buildings	177,234	-	177,234
Machinery and equipment	30,051	-	30,051
Less accumulated depreciation	(111,693)	-	(111,693)
Total Noncurrent Assets	<u>111,092</u>	<u>-</u>	<u>111,092</u>
Total Assets	<u>441,364</u>	<u>198,193</u>	<u>639,557</u>
Deferred Outflows of Resources			
Deferred pension resources	-	4,267	4,267
Liabilities			
Current Liabilities			
Accounts payable	-	86	86
Accrued salaries payable	-	1,374	1,374
Compensated absences payable	-	573	573
Total Current Liabilities	<u>-</u>	<u>2,033</u>	<u>2,033</u>
Noncurrent Liabilities			
Net pension liability	-	34,035	34,035
Total Liabilities	<u>-</u>	<u>36,068</u>	<u>36,068</u>
Deferred Inflows of Resources			
Deferred pension resources	-	1,441	1,441
Net Position			
Investment in capital assets	111,092	-	111,092
Unrestricted	<u>330,272</u>	<u>164,951</u>	<u>495,223</u>
Total Net Position	<u>\$ 441,364</u>	<u>\$ 164,951</u>	<u>\$ 606,315</u>

City of Pine Island, Minnesota  
 Nonmajor Proprietary Funds  
 Combining Statement of Revenues, Expenses  
 and Changes in Net Position  
 For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds		
	<b>604</b>	<b>871</b>	Total
	Cemetery	Deputy Registrar	
Operating Revenues			
Charges for services	\$ 34,665	\$ 77,026	\$ 111,691
Operating Expenses			
Personal services	7,515	57,266	64,781
Supplies	4,061	1,794	5,855
Other services and charges	10,729	1,311	12,040
Utilities	99	1,221	1,320
Depreciation	8,377	-	8,377
Total Operating Expenses	<u>30,781</u>	<u>61,592</u>	<u>92,373</u>
Operating Income	<u>3,884</u>	<u>15,434</u>	<u>19,318</u>
Nonoperating Revenues			
Intergovernmental	1,600	-	1,600
Interest income	17,982	1,973	19,955
Other income	625	115	740
Total Nonoperating Revenues	<u>20,207</u>	<u>2,088</u>	<u>22,295</u>
Income Before Transfers	24,091	17,522	41,613
Transfers In	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Change in Net Position	28,091	17,522	45,613
Net Position, January 1	<u>413,273</u>	<u>147,429</u>	<u>560,702</u>
Net Position, December 31	<u><u>\$ 441,364</u></u>	<u><u>\$ 164,951</u></u>	<u><u>\$ 606,315</u></u>



City of Pine Island, Minnesota  
 Nonmajor Proprietary Funds  
 Combining Statement of Cash Flows  
 For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds		
	604	871	Total
	Cemetery	Deputy Registrar	
Cash Flows from Operating Activities			
Receipts from users	\$ 36,890	\$ 77,054	\$ 113,944
Payments to suppliers	(14,963)	(4,311)	(19,274)
Payments to employees	(7,584)	(56,377)	(63,961)
Fees collected on behalf of State of Minnesota	-	44,877	44,877
Fees paid to State of Minnesota	-	(44,877)	(44,877)
Net Cash Provided by Operating Activities	<u>14,343</u>	<u>16,366</u>	<u>30,709</u>
Cash Flows from Noncapital and Related Financing Activities			
Transfers from other funds	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Cash Flows from Investing Activities			
Interest on investments	<u>17,982</u>	<u>1,973</u>	<u>19,955</u>
Net Increase in Cash and Cash Equivalents	36,325	18,339	54,664
Cash and Cash Equivalents, January 1	<u>293,947</u>	<u>179,767</u>	<u>473,714</u>
Cash and Cash Equivalents, December 31	<u>\$ 330,272</u>	<u>\$ 198,106</u>	<u>\$ 528,378</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 3,884	\$ 15,434	\$ 19,318
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Other income related to operations	2,225	115	2,340
Depreciation	8,377	-	8,377
(Increase) decrease in assets			
Accounts receivable	-	(87)	(87)
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	-	(566)	(566)
Increase (decrease) in liabilities/deferred inflows of resources			
Accounts payable	(74)	15	(59)
Accrued salaries payable	(69)	511	442
Net pension liability	-	4,591	4,591
Compensated absences payable	-	384	384
Deferred pension resources	-	(4,031)	(4,031)
Net Cash Provided (Used) by Operating Activities	<u>\$ 14,343</u>	<u>\$ 16,366</u>	<u>\$ 30,709</u>

City of Pine Island, Minnesota  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual (Continued on the Following Pages)  
 For the Year Ended December 31, 2020  
 (With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020			Variance with Final Budget	2019
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Revenues					
Taxes					
Property	\$ 1,804,010	\$ 1,804,010	\$ 1,782,086	\$ (21,924)	\$ 1,598,893
Franchise	30,000	30,000	39,950	9,950	40,770
Total taxes	<u>1,834,010</u>	<u>1,834,010</u>	<u>1,822,036</u>	<u>(11,974)</u>	<u>1,639,663</u>
Licenses and permits					
Business	13,800	13,800	8,355	(5,445)	15,315
Nonbusiness	57,500	57,500	82,728	25,228	51,671
Total licenses and permits	<u>71,300</u>	<u>71,300</u>	<u>91,083</u>	<u>19,783</u>	<u>66,986</u>
Intergovernmental					
Federal	10,000	10,000	202,531	192,531	-
State					
Local government aid	642,990	642,990	644,483	1,493	613,835
Agricultural market value credit	-	-	1,033	1,033	967
Fire state aid	52,000	52,000	57,135	5,135	54,178
Small cities assistance program	-	-	3,000	3,000	-
Other	8,177	8,177	35,789	27,612	9,567
County	-	-	1,634	1,634	2,953
Total intergovernmental	<u>713,167</u>	<u>713,167</u>	<u>945,605</u>	<u>232,438</u>	<u>681,500</u>
Charges for services					
General government	18,100	18,100	11,595	(6,505)	15,569
Public safety	140,000	140,000	131,566	(8,434)	135,573
Public works	400	400	-	(400)	-
Culture and recreation	38,500	38,500	-	(38,500)	54,521
Total charges for services	<u>197,000</u>	<u>197,000</u>	<u>143,161</u>	<u>(53,839)</u>	<u>205,663</u>
Fines and forfeitures	3,500	3,500	2,433	(1,067)	2,211
Interest income	18,000	18,000	39,811	21,811	2,234
Special assessments	2,000	2,000	-	(2,000)	-
Miscellaneous					
Other	20,650	20,650	24,708	4,058	33,069
Total Revenues	<u>2,859,627</u>	<u>2,859,627</u>	<u>3,068,837</u>	<u>209,210</u>	<u>2,631,326</u>
Expenditures					
Current					
General government					
Mayor and Council					
Personal services	12,142	12,142	12,209	(67)	11,152
Supplies	100	100	35,177	(35,077)	30
Other services and charges	12,600	12,600	1,239	11,361	889
Total Mayor and Council	<u>24,842</u>	<u>24,842</u>	<u>48,625</u>	<u>(23,783)</u>	<u>12,071</u>

City of Pine Island, Minnesota  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual (Continued)  
 For the Year Ended December 31, 2020  
 (With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Elections					
Personal services	\$ 4,029	\$ 4,029	\$ 5,216	\$ (1,187)	\$ -
Supplies	950	950	3,009	(2,059)	3,399
Other services and charges	150	150	1,189	(1,039)	23
Total elections	<u>5,129</u>	<u>5,129</u>	<u>9,414</u>	<u>(4,285)</u>	<u>3,422</u>
Other general government					
Personal services	258,825	258,825	302,007	(43,182)	283,372
Supplies	4,600	4,600	18,983	(14,383)	4,357
Other services and charges	159,050	159,050	240,733	(81,683)	213,251
Total other general government	<u>422,475</u>	<u>422,475</u>	<u>561,723</u>	<u>(139,248)</u>	<u>500,980</u>
Total general government	<u>452,446</u>	<u>452,446</u>	<u>619,762</u>	<u>(167,316)</u>	<u>516,473</u>
Public safety					
Police					
Other services and charges	1,700	1,700	1,259	441	1,432
Contracted services	332,238	332,238	332,238	-	332,238
Total police	<u>333,938</u>	<u>333,938</u>	<u>333,497</u>	<u>441</u>	<u>333,670</u>
Fire protection					
Personal services	99,455	99,455	101,822	(2,367)	92,410
2% fire aid	52,000	52,000	57,135	(5,135)	54,178
Supplies	18,550	18,550	44,727	(26,177)	16,496
Other services and charges	69,256	69,256	62,829	6,427	74,502
Total fire protection	<u>239,261</u>	<u>239,261</u>	<u>266,513</u>	<u>(27,252)</u>	<u>237,586</u>
Rural fire fighting					
Personal services	67,681	67,681	57,182	10,499	63,631
Supplies	18,550	18,550	11,957	6,593	17,419
Other services and charges	67,956	67,956	62,319	5,637	58,219
Total rural fire fighting	<u>154,187</u>	<u>154,187</u>	<u>131,458</u>	<u>22,729</u>	<u>139,269</u>
Inspections					
Personal services	500	500	-	500	-
Supplies	50	50	-	50	74
Other services and charges	37,100	37,100	49,411	(12,311)	57,846
Total inspections	<u>37,650</u>	<u>37,650</u>	<u>49,411</u>	<u>(11,761)</u>	<u>57,920</u>

City of Pine Island, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued)  
For the Year Ended December 31, 2020  
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety (continued)					
Civil defense					
Personal services	\$ 6,406	\$ 6,406	\$ 6,232	\$ 174	\$ 4,917
Supplies	4,500	4,500	2,177	2,323	2,839
Other services and charges	6,300	6,300	1,291	5,009	2,802
Total civil defense	<u>17,206</u>	<u>17,206</u>	<u>9,700</u>	<u>7,506</u>	<u>10,558</u>
Animal control					
Supplies	275	275	211	64	224
Other services and charges	600	600	-	600	-
Total animal control	<u>875</u>	<u>875</u>	<u>211</u>	<u>664</u>	<u>224</u>
Total public safety	<u>783,117</u>	<u>783,117</u>	<u>790,790</u>	<u>(7,673)</u>	<u>779,227</u>
Public works					
Streets and alleys					
Personal services	452,208	452,208	389,225	62,983	409,534
Supplies	113,200	113,200	96,286	16,914	142,572
Other services and charges	456,018	456,018	405,292	50,726	357,709
Total streets and alleys	<u>1,021,426</u>	<u>1,021,426</u>	<u>890,803</u>	<u>130,623</u>	<u>909,815</u>
Street lighting					
Supplies	3,000	3,000	350	2,650	656
Other services and charges	54,000	54,000	51,179	2,821	57,097
Total street lighting	<u>57,000</u>	<u>57,000</u>	<u>51,529</u>	<u>5,471</u>	<u>57,753</u>
Storm sewer					
Supplies	32,000	32,000	28,501	3,499	5,960
Other services and charges	16,500	16,500	13,068	3,432	-
Total storm sewer	<u>48,500</u>	<u>48,500</u>	<u>41,569</u>	<u>6,931</u>	<u>5,960</u>
Weed control					
Supplies	50	50	-	50	-
Other services and charges	5,550	5,550	2,010	3,540	2,825
Total weed control	<u>5,600</u>	<u>5,600</u>	<u>2,010</u>	<u>3,590</u>	<u>2,825</u>
Total public works	<u>1,132,526</u>	<u>1,132,526</u>	<u>985,911</u>	<u>146,615</u>	<u>976,353</u>

City of Pine Island, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued)  
For the Year Ended December 31, 2020  
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Culture and recreation					
Swimming pool					
Personal services	\$ 58,402	\$ 58,402	\$ 3,036	\$ 55,366	\$ 62,110
Supplies	9,850	9,850	3,599	6,251	8,820
Other services and charges	45,450	45,450	41,727	3,723	28,899
Total swimming pool	<u>113,702</u>	<u>113,702</u>	<u>48,362</u>	<u>65,340</u>	<u>99,829</u>
Parks					
Personal services	10,365	10,365	7,035	3,330	11,748
Supplies	19,500	19,500	16,008	3,492	17,768
Other services and charges	64,750	64,750	67,427	(2,677)	38,518
Total parks	<u>94,615</u>	<u>94,615</u>	<u>90,470</u>	<u>4,145</u>	<u>68,034</u>
Total culture and recreation	<u>208,317</u>	<u>208,317</u>	<u>138,832</u>	<u>69,485</u>	<u>167,863</u>
Housing and economic development					
Supplies	25	25	-	25	-
Other services and charges	96,187	96,187	96,187	-	86,050
Total housing and economic development	<u>96,212</u>	<u>96,212</u>	<u>96,187</u>	<u>25</u>	<u>86,050</u>
Total current	<u>2,672,618</u>	<u>2,672,618</u>	<u>2,631,482</u>	<u>41,136</u>	<u>2,525,966</u>
Capital outlay					
Public safety	30,843	30,843	30,593	250	-
Public works	-	-	1,626	(1,626)	-
Housing and economic development	-	-	-	-	250
Total capital outlay	<u>30,843</u>	<u>30,843</u>	<u>32,219</u>	<u>(1,376)</u>	<u>250</u>
Total Expenditures	<u>2,703,461</u>	<u>2,703,461</u>	<u>2,663,701</u>	<u>39,760</u>	<u>2,526,216</u>
Excess of Revenues					
Over Expenditures	<u>156,166</u>	<u>156,166</u>	<u>405,136</u>	<u>248,970</u>	<u>105,110</u>
Other Financing Sources (Uses)					
Transfers in	129,062	129,062	129,062	-	132,299
Sale of capital assets	-	-	7,737	7,737	-
Transfers out	(285,228)	(285,228)	(310,228)	(25,000)	(263,871)
Total Other Financing Sources (Uses)	<u>(156,166)</u>	<u>(156,166)</u>	<u>(173,429)</u>	<u>(17,263)</u>	<u>(131,572)</u>
Net Change in Fund Balances	-	-	231,707	231,707	(26,462)
Fund Balances, January 1	<u>1,019,982</u>	<u>1,019,982</u>	<u>1,019,982</u>	-	<u>1,046,444</u>
Fund Balances, December 31	<u>\$ 1,019,982</u>	<u>\$ 1,019,982</u>	<u>\$ 1,251,689</u>	<u>\$ 231,707</u>	<u>\$ 1,019,982</u>

City of Pine Island, Minnesota  
Debt Service Funds  
Combining Balance Sheet  
December 31, 2020

	<b>308</b> 2018A G.O. Improvement Bonds	<b>312</b> 2017A G.O. Improvement Bonds	<b>313</b> 2020A G.O. Improvement Bonds	<b>314</b> 2020B G.O. Refunding Bonds	<b>319</b> 2010 G.O. Improvement Bonds
<b>Assets</b>					
Cash and temporary investments	\$ 146,086	\$ 210,635	\$ 170,172	\$ 405,488	\$ -
Receivables					
Accounts	-	-	-	32	-
Special assessments	-	225,174	463,224	309,962	-
	<u>146,086</u>	<u>435,809</u>	<u>633,396</u>	<u>715,482</u>	<u>-</u>
<b>Total Assets</b>	<b><u>\$ 146,086</u></b>	<b><u>\$ 435,809</u></b>	<b><u>\$ 633,396</u></b>	<b><u>\$ 715,482</u></b>	<b><u>\$ -</u></b>
<b>Liabilities</b>					
Accounts payables	\$ 500	\$ 500	\$ -	\$ 500	\$ -
<b>Deferred Inflows of Resources</b>					
Unavailable revenues - special assessments	-	224,627	463,224	308,858	-
<b>Fund Balances</b>					
Restricted	<u>145,586</u>	<u>210,682</u>	<u>170,172</u>	<u>406,124</u>	<u>-</u>
	<u>146,086</u>	<u>435,809</u>	<u>633,396</u>	<u>715,482</u>	<u>-</u>
<b>Total Liabilities, Deferred Inflows of     Resources, and Fund Balances</b>	<b><u>\$ 146,086</u></b>	<b><u>\$ 435,809</u></b>	<b><u>\$ 633,396</u></b>	<b><u>\$ 715,482</u></b>	<b><u>\$ -</u></b>

<b>321</b> 2012B Project & Refunding Bond	<b>322</b> 2014A White Pines Bond	<b>323</b> 2014B Crossover Refunding	<b>324</b> 2015A Improvement Bonds	Total
\$ -	\$ 269,293	\$ 378,294	\$ 284,593	\$ 1,864,561
-	-	-	-	32
-	156,476	35,963	178,583	1,369,382
<u>\$ -</u>	<u>\$ 425,769</u>	<u>\$ 414,257</u>	<u>\$ 463,176</u>	<u>\$ 3,233,975</u>
\$ -	\$ 500	\$ 500	\$ -	\$ 2,500
-	156,476	35,552	178,583	1,367,320
-	268,793	378,205	284,593	1,864,155
<u>\$ -</u>	<u>\$ 425,769</u>	<u>\$ 414,257</u>	<u>\$ 463,176</u>	<u>\$ 3,233,975</u>

City of Pine Island, Minnesota  
Debt Service Funds  
Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
For the Year Ended December 31, 2020

	<b>308</b>	<b>312</b>	<b>313</b>	<b>314</b>	<b>319</b>
	2018A G.O.	2017A G.O.	2020A G.O.	2020B G.O.	2010 G.O.
	Improvement	Improvement	Improvement	Refunding	Improvement
	Bonds	Bonds	Bonds	Bonds	Bonds
Revenues					
Property taxes	\$ 162,844	\$ 64,208	\$ -	\$ 130,206	\$ 33,436
Special assessments	-	43,319	142,390	26,332	7,336
Interest on investments	456	658	532	1,266	-
Miscellaneous	-	-	-	6,484	-
Total Revenues	<u>163,300</u>	<u>108,185</u>	<u>142,922</u>	<u>164,288</u>	<u>40,772</u>
Expenditures					
Housing and economic development	-	3,798	-	-	-
Debt service					
Principal	95,000	70,000	-	-	445,000
Interest and other	68,339	27,339	-	26,366	16,122
Total Expenditures	<u>163,339</u>	<u>101,137</u>	<u>-</u>	<u>26,366</u>	<u>461,122</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(39)</u>	<u>7,048</u>	<u>142,922</u>	<u>137,922</u>	<u>(420,350)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	241,962	-
Refunding bonds issued	-	-	-	26,240	336,172
Bonds issued	-	-	27,250	-	-
Payment to refunding bond escrow agent	-	-	-	-	-
Transfers out	-	-	-	-	(43,419)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>27,250</u>	<u>268,202</u>	<u>292,753</u>
Net Change in Fund Balances	(39)	7,048	170,172	406,124	(127,597)
Fund Balances, January 1	<u>145,625</u>	<u>203,634</u>	<u>-</u>	<u>-</u>	<u>127,597</u>
Fund Balances, December 31	<u>\$ 145,586</u>	<u>\$ 210,682</u>	<u>\$ 170,172</u>	<u>\$ 406,124</u>	<u>\$ -</u>



<b>321</b> 2012B Project & Refunding Bond	<b>322</b> 2014A White Pines Bond	<b>323</b> 2014B Crossover Refunding	<b>324</b> 2015A Improvement Bonds	Total
\$ 96,771	\$ 115,405	\$ 147,628	\$ 65,838	\$ 816,336
20,615	12,199	25,902	22,049	300,142
-	840	1,180	889	5,821
6,953	-	-	-	13,437
<u>124,339</u>	<u>128,444</u>	<u>174,710</u>	<u>88,776</u>	<u>1,135,736</u>
-	-	-	-	3,798
267,828	55,000	160,000	75,000	1,167,828
41,288	74,451	25,695	21,798	301,398
<u>309,116</u>	<u>129,451</u>	<u>185,695</u>	<u>96,798</u>	<u>1,473,024</u>
<u>(184,777)</u>	<u>(1,007)</u>	<u>(10,985)</u>	<u>(8,022)</u>	<u>(337,288)</u>
102,691	-	9,056	-	353,709
1,329,145	-	-	-	1,691,557
-	-	-	-	27,250
(1,524,557)	-	-	-	(1,524,557)
(198,543)	-	-	-	(241,962)
<u>(291,264)</u>	<u>-</u>	<u>9,056</u>	<u>-</u>	<u>305,997</u>
(476,041)	(1,007)	(1,929)	(8,022)	(31,291)
<u>476,041</u>	<u>269,800</u>	<u>380,134</u>	<u>292,615</u>	<u>1,895,446</u>
<u>\$ -</u>	<u>\$ 268,793</u>	<u>\$ 378,205</u>	<u>\$ 284,593</u>	<u>\$ 1,864,155</u>

City of Pine Island, Minnesota  
 Economic Development Authority  
 (Discretely Presented Component Unit)  
 Balance Sheet  
 December 31, 2020

	<b>255</b> Economic Development Authority <hr/>
Assets	
Cash and temporary investments	\$ 96,776 <hr/>
Liabilities	
Accounts payable	\$ 812
Net position	
Assigned for economic development	95,964 <hr/>
Total Liabilities and Fund Balances	\$ 96,776 <hr/>

City of Pine Island, Minnesota  
Economic Development Authority  
(Discretely Presented Component Unit)  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended December 31, 2020

	<b>255</b> Economic Development Authority
Revenues	
Intergovernmental	\$ 147,384
Interest on investments	288
Miscellaneous	3,250
Total Revenues	150,922
Expenditures	
Current	
Housing and economic development	132,760
Net Change in Fund Balances	18,162
Fund Balances, January 1	77,802
Fund Balances, December 31	\$ 95,964
Amounts reported for the Economic Development Authority in the statement of activities are different because	
Net Change in Fund Balance Reported Above	\$ 18,162
Long-term pension activity is not reported in governmental funds. Pension expense	39,460
Change in Net Position - Economic Development Authority	\$ 57,622

City of Pine Island, Minnesota  
Economic Development Authority Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 96,187	\$ 96,187	147,384	\$ 51,197
Interest on investments	100	100	288	188
Miscellaneous	6,000	6,000	3,250	(2,750)
Total Revenues	<u>102,287</u>	<u>102,287</u>	<u>150,922</u>	<u>48,635</u>
Expenditures				
Current				
Economic development				
Personal services	1,334	1,334	1,090	244
Supplies	1,050	1,050	752	298
Other services and charges	99,546	99,546	130,918	(31,372)
Total Expenditures	<u>101,930</u>	<u>101,930</u>	<u>132,760</u>	<u>(30,830)</u>
Net Change in Fund Balances	357	357	18,162	17,805
Fund Balances, January 1	<u>77,802</u>	<u>77,802</u>	<u>77,802</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 78,159</u></u>	<u><u>\$ 78,159</u></u>	<u><u>\$ 95,964</u></u>	<u><u>\$ 17,805</u></u>

City of Pine Island, Minnesota  
 Summary Financial Report  
 Revenues and Expenditures For General Operations  
 Governmental Funds  
 For the Years Ended December 31, 2020 and 2019

	Total		Percent Increase (Decrease)
	2020	2019	
Revenues			
Taxes	\$ 2,801,584	\$ 2,555,740	9.62 %
Licenses and permits	91,083	66,986	35.97
Intergovernmental	1,089,966	754,076	44.54
Charges for services	143,568	206,766	(30.56)
Fines and forfeitures	3,152	5,262	(40.10)
Special assessments	300,142	198,206	51.43
Investment earnings	57,593	36,357	58.41
Miscellaneous	71,310	55,530	28.42
	<u>\$ 4,558,398</u>	<u>\$ 3,878,923</u>	17.52 %
Total Revenues	<u>\$ 4,558,398</u>	<u>\$ 3,878,923</u>	17.52 %
Per Capita	\$ 1,303	\$ 1,134	14.86 %
Expenditures			
Current			
General government	\$ 619,762	\$ 516,473	20.00 %
Public safety	829,447	799,773	3.71
Public works	1,052,865	978,961	7.55
Culture and recreation	314,648	318,769	(1.29)
Housing and economic development	140,719	116,073	21.23
Capital outlay			
Public safety	30,593	682,489	(95.52)
Public works	1,893,850	61,622	2,973.33
Culture and recreation	211,720	1,002,954	(78.89)
Housing and economic development	41,016	26,557	54.45
Debt service			
Principal	1,167,828	799,587	46.05
Interest and other charges	353,033	322,382	9.51
	<u>\$ 6,655,481</u>	<u>\$ 5,625,640</u>	18.31 %
Total Expenditures	<u>\$ 6,655,481</u>	<u>\$ 5,625,640</u>	18.31 %
Per Capita	\$ 1,902	\$ 1,645	15.64 %
Total Long-term Indebtedness	\$ 10,875,557	\$ 9,911,385	9.73 %
Per Capita	3,108	2,898	7.25
General Fund Balance - December 31	\$ 1,251,689	\$ 1,019,982	22.72 %
Per Capita	358	298	19.95

The purpose of this report is to provide a summary of financial information concerning the City of Pine Island to interested citizens. The complete financial statements may be examined at City Hall, 250 South Main Street, Post Office Box 1000, Pine Island, Minnesota 55963. Questions about this report should be directed to Elizabeth Howard, City Administrator at (507) 356-4591.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

OTHER REQUIRED REPORT

CITY OF PINE ISLAND  
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

THIS PAGE IS LEFT  
BLANK INTENTIONALLY





INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council  
City of Pine Island, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, 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 Island, Minnesota (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 17, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Pine Island failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters

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

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
May 17, 2021