

CITY OF PIERZ, MINNESOTA
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2020

SCHLENNER WENNER & CO.
Certified Public Accountants
& Business Consultants

**CITY OF PIERZ, MINNESOTA
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INTRODUCTORY SECTION

**CITY OF PIERZ, MINNESOTA
CITY COUNCIL AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2020**

CITY COUNCIL

Term Expires

Dave Fischer	Mayor	December 31, 2022
Jacqueline Ballou	Council Member	December 31, 2024
Don Bujalski	Council Member	December 31, 2022
Lynn Egan	Council Member	December 31, 2022

CITY OFFICIALS

Kyle Bednar	City Clerk	December 31, 2024
Linda Sczublewski	Treasurer	December 31, 2022

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Pierz, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the City of Pierz, Minnesota 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 the financial reporting provisions of the State of Minnesota's Office of the State Auditor, as described in Note 1.C. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1.C. of the financial statements, the financial statements are prepared by the City of Pierz, Minnesota, on the basis of the financial reporting provisions prescribed by the State of Minnesota's Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Minnesota.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1.C. and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Pierz, Minnesota as of December 31, 2020, or the changes in financial position, or cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the City of Pierz, Minnesota, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the financial reporting provisions of the State of Minnesota's Office of the State Auditor described in Note 1.C.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section, budgetary comparison schedules, combining and individual nonmajor funds financial statements, schedules of indebtedness, accounts receivable, and accounts payable and contingent liabilities have 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 them.

Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, we have also issued our report dated March 25, 2021, on our consideration of the City of Pierz's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65. The purpose of the report is to determine if the City has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

March 25, 2021

BASIC FINANCIAL STATEMENTS

CITY OF PIERZ, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General Fund	Fire Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash, Cash Equivalents, and Time Deposits	\$ 958,436	\$ 143,599	\$ 276,651	\$ 1,378,686
CASH FUND BALANCES				
Restricted	-	-	205,909	205,909
Assigned	295,056	143,599	74,633	513,288
Unassigned	663,380	-	(3,891)	659,489
TOTAL CASH FUND BALANCES	\$ 958,436	\$ 143,599	\$ 276,651	\$ 1,378,686

CITY OF PIERZ, MINNESOTA
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Fire Fund	Nonmajor Governmental Funds	Total Governmental Funds
RECEIPTS				
Property Taxes	\$ 234,829	\$ 47,864	\$ 23,063	\$ 305,756
Tax Increment Financing	-	-	24,064	24,064
Special Assessments	-	-	65,855	65,855
Rents and Royalties	28,731	-	-	28,731
Licenses, Permits, and Fees	32,967	-	-	32,967
Intergovernmental	467,733	73,002	104,572	645,307
Charges for Services	15,331	42,360	-	57,691
Fines	18,245	-	-	18,245
Loan Repayments	-	-	30,125	30,125
Investment Income	19,356	1,036	1,950	22,342
Contributions	3,565	3,000	-	6,565
Miscellaneous	24,591	498	19,616	44,705
TOTAL RECEIPTS	845,348	167,760	269,245	1,282,353
DISBURSEMENTS				
Current:				
General Government:				
City Clerk	122,813	-	-	122,813
Council	35,428	-	-	35,428
General Government	67,149	-	1,835	68,984
Total General Government	225,390	-	1,835	227,225
Public Safety:				
Police	220,546	-	-	220,546
Fire	2,472	160,249	-	162,721
Other Public Safety	15,821	-	10,568	26,389
Total Public Safety	238,839	160,249	10,568	409,656
Public Works	123,123	-	-	123,123
Library	14,594	-	-	14,594
Economic Development	-	-	102,651	102,651
Capital Outlay	696,223	6,351	34,631	737,205
Debt Service:				
Principal	-	-	44,875	44,875
Interest and Other Charges	-	-	2,879	2,879
TOTAL DISBURSEMENTS	1,298,169	166,600	197,439	1,662,208
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(452,821)	1,160	71,806	(379,855)
OTHER FINANCING SOURCES (USES)				
Transfers In	15,066	94	40,191	55,351
Transfers Out	-	-	(62,065)	(62,065)
TOTAL OTHER FINANCING SOURCES (USES)	15,066	94	(21,874)	(6,714)
NET CHANGE IN CASH FUND BALANCES	(437,755)	1,254	49,932	(386,569)
CASH FUND BALANCES - BEGINNING	1,396,191	142,345	226,719	1,765,255
CASH FUND BALANCES - ENDING	\$ 958,436	\$ 143,599	\$ 276,651	\$ 1,378,686

See accompanying notes.

CITY OF PIERZ, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
PROPRIETARY FUNDS
DECEMBER 31, 2020

	Electric Fund	Golf Course Fund	Nonmajor		Totals
			Storm Water Fund	Solid Waste Fund	
ASSETS					
Current Assets					
Cash, Cash Equivalents, and Time Deposits	\$ 1,684,447	\$ 176,394	\$ 15,671	\$ 160,337	\$ 2,036,849
Noncurrent Assets					
Advances to Other Funds	<u>195,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195,351</u>
TOTAL ASSETS	<u>\$ 1,879,798</u>	<u>\$ 176,394</u>	<u>\$ 15,671</u>	<u>\$ 160,337</u>	<u>\$ 2,232,200</u>
LIABILITIES					
Noncurrent Liabilities					
Advances from Other Funds	\$ -	\$ 195,351	\$ -	\$ -	\$ 195,351
NET CASH ASSETS					
Unrestricted	<u>1,879,798</u>	<u>(18,957)</u>	<u>15,671</u>	<u>160,337</u>	<u>2,036,849</u>
TOTAL LIABILITIES AND NET CASH ASSETS	<u>\$ 1,879,798</u>	<u>\$ (18,957)</u>	<u>\$ 15,671</u>	<u>\$ 160,337</u>	<u>\$ 2,036,849</u>

CITY OF PIERZ, MINNESOTA
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET CASH ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Electric Fund	Golf Course Fund	Nonmajor		Totals
			Storm Water Fund	Solid Waste Fund	
OPERATING RECEIPTS					
Charges for Services	\$ 1,040,209	\$ 331,635	\$ 44,688	\$ 80,742	\$ 1,497,274
Cost of Sales or Charges	(851,741)	(32,914)	-	(70,138)	(954,793)
Other Operating Receipts	12,920	11,079	-	1,010	25,009
NET OPERATING RECEIPTS	201,388	309,800	44,688	11,614	567,490
OPERATING DISBURSEMENTS					
Personnel Services	49,137	221,683	-	10,398	281,218
Professional Services	67,962	5,542	390	-	73,894
Utilities	-	2,968	-	-	2,968
Repairs and Maintenance	892	10,432	-	-	11,324
Materials and Supplies	20,717	24,279	88	5,539	50,623
Insurance	4,599	14,610	-	-	19,209
Other	7,910	18,942	213	2,191	29,256
TOTAL OPERATING DISBURSEMENTS	151,217	298,456	691	18,128	468,492
NET OPERATING INCOME (LOSS)	50,171	11,344	43,997	(6,514)	98,998
NONOPERATING RECEIPTS (DISBURSEMENTS)					
Property Taxes	-	20,138	-	-	20,138
Intergovernmental	-	-	-	4,868	4,868
Investment Income	33,003	1,410	-	1,352	35,765
Interest and Other Charges	-	-	(2,388)	-	(2,388)
TOTAL NONOPERATING RECEIPTS (DISBURSEMENTS)	33,003	21,548	(2,388)	6,220	58,383
NET CHANGE IN NET CASH ASSETS BEFORE OTHER DISBURSEMENTS AND TRANSFERS	83,174	32,892	41,609	(294)	157,381
OTHER DISBURSEMENTS AND TRANSFERS					
Capital Outlay	-	(58,572)	-	-	(58,572)
Debt Principal	-	-	(37,000)	-	(37,000)
Operating Transfers In	-	6,714	-	-	6,714
TOTAL OTHER DISBURSEMENTS AND TRANSFERS	-	(51,858)	(37,000)	-	(88,858)
CHANGE IN NET CASH ASSETS	83,174	(18,966)	4,609	(294)	68,523
NET CASH ASSETS - BEGINNING OF YEAR	1,796,624	9	11,062	160,631	1,968,326
NET CASH ASSETS - END OF YEAR	\$ 1,879,798	\$ (18,957)	\$ 15,671	\$ 160,337	\$ 2,036,849

CITY OF PIERZ, MINNESOTA
STATEMENT OF CASH FLOWS – CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Electric Fund	Golf Course Fund	Nonmajor		Totals
			Storm Water Fund	Solid Waste Fund	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	\$ 1,040,209	\$ 331,635	\$ 44,688	\$ 80,742	\$ 1,497,274
Cash Paid to Suppliers	(953,821)	(109,687)	(691)	(77,868)	(1,142,067)
Cash Paid to Employees	(49,137)	(221,683)	-	(10,398)	(281,218)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	37,251	265	43,997	(7,524)	73,989
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Taxes and Intergovernmental	-	20,138	-	4,868	25,006
Other Receipts from Customers	12,920	11,079	-	1,010	25,009
Net Operating Subsidies and Transfers from Other Funds	-	6,714	-	-	6,714
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	12,920	37,931	-	5,878	56,729
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of Capital Assets	-	(58,572)	-	-	(58,572)
Payments on Bond Principal	-	-	(37,000)	-	(37,000)
Cash Paid for Interest	-	-	(2,388)	-	(2,388)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(58,572)	(39,388)	-	(97,960)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment Income	33,003	1,410	-	1,352	35,765
Net Change in Cash, Cash Equivalents, and Time Deposits	83,174	(18,966)	4,609	(294)	68,523
Cash, Cash Equivalents, and Time Deposits - Beginning of Year	1,601,273	195,360	11,062	160,631	1,968,326
Cash, Cash Equivalents, and Time Deposits - End of Year	\$ 1,684,447	\$ 176,394	\$ 15,671	\$ 160,337	\$ 2,036,849

**CITY OF PIERZ, MINNESOTA
FIDUCIARY FUND
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS

	Custodial Fund RPSWD Billing Services
ASSETS	
Cash, Cash Equivalents, and Time Deposits	\$ 77,277
NET CASH ASSETS	
Held for Other Entities	\$ 77,277

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET CASH ASSETS

	Custodial Fund RPSWD Billing Services
RECEIPTS	
Charges for Services	\$ 845,518
DISBURSEMENTS	
Other Services and Charges	833,945
CHANGE IN NET CASH ASSETS	11,573
NET CASH ASSETS - BEGINNING	65,704
NET CASH ASSETS - ENDING	\$ 77,277

CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pierz, Minnesota (the City), complies with accounting practices prescribed or permitted by the *Reporting and Publishing Requirements for City Financial Statements for Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting* prescribed by the State of Minnesota's Office of the State Auditor. See Note 1.C. for additional information.

The City has a mayor-council form of government that is governed by an elected mayor and three-member council. The City provides the following services: electricity, storm water, recreation, public improvements, public safety, planning and zoning, and general administrative services.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity is comprised of the primary governmental unit of the City of Pierz, Minnesota.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has one blended component unit: the Pierz Economic Development Authority.

The Pierz Economic Development Authority was established in 2006 as a legal entity under Minnesota Statutes. Its purpose is to promote and provide incentives for economic development. The Authority is governed by six commissioners: the Mayor, a Council member, the City's treasurer, two at-large members and the City's Administrator.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

1.B. BASIS OF PRESENTATION

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, receipts and disbursements. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, receipts or disbursements of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, receipts or disbursements of that individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

The City reports the following major governmental funds:

General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Fire Fund is a special revenue fund used to account for the proceeds of specific revenue sources that are legally restricted to disbursements for public safety purposes.

The City reports the following major proprietary funds:

Electric Fund accounts for business-like activities related to providing electric services to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

Golf Course Fund accounts for business-like activities related to operating a municipal golf course for the use by the general public. These activities are financed primarily by member charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

Additionally, the City reports the following nonmajor governmental and proprietary fund types:

Robert/Park Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds account for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City other than debt service payments made by Proprietary Funds. Ad valorem taxes, special assessments and tax increment financing are used for the payment of principal and interest on the City's judgment.

Storm Water Fund accounts for business-like activities related to the storm water system provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

Solid Waste Fund accounts for business-like activities related to the solid waste system provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Fund accounts for assets held by the City for other parties. These assets cannot be used to finance the City's own operating programs.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements have been prepared on the regulatory (cash) basis of accounting as described in the Minnesota's Office of the State Auditor's *Reporting and Publishing Requirements for City Audited Financial Statements for Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting*. Under this regulatory (cash) basis of accounting:

CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

- In the governmental and proprietary fund statements, receipts are recognized when received rather than when measurable and available, and disbursements are recognized when paid rather than when the obligation is incurred. These statements do not give effect to receivables, payables, accrued expenses and inventories and, accordingly, are not presented in accordance with accounting principles generally accepted in the United States of America.

The basis differs from accounting principles generally accepted in the United States of America primarily because the City has not reported a management discussion and analysis letter, government-wide statement of net position and government-wide statement of activities, and the City does not recognize governmental receipts and disbursements in accordance with the modified accrual basis of accounting or proprietary receipts and disbursements in accordance with the accrual basis of accounting.

1.D. USE OF ESTIMATES

The preparation of financial statements in conformity with the regulatory (cash) basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingencies related to these balances the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.E. ASSETS, LIABILITIES, AND EQUITY

Cash, Cash Equivalents, and Time Deposits

For purposes of the Statements of Balances Arising from Cash Transactions and the proprietary funds Statement of Cash Flows, “cash, cash equivalents, and time deposits” includes all demand accounts and certificates of deposit. Certificates of deposit are stated at cost, which approximates fair value.

See Note 2.A. for additional information related to Cash, Cash Equivalents, and Time Deposits.

Noncurrent Liabilities

Long-term debt is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as disbursements in governmental funds. In proprietary funds, debt proceeds and payment of principal and interest are reported as other receipts and disbursements. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period.

Equity Classifications

Governmental Funds

In the governmental fund financial statements, governmental funds report cash fund balances as either nonspendable, restricted, committed, assigned, or unassigned. When the City incurs an disbursement for which it may use either restricted or unrestricted cash fund balances, it uses restricted cash fund balances first unless unrestricted cash fund balances will have to be returned because they were not used. When the City incurs a disbursement for purposes for which amounts in any unrestricted cash fund balance classification could be used, it uses cash fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. There are no nonspendable fund balances at December 31, 2020.

Restricted – That portion of cash fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, AND EQUITY (Continued)

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City Council, which is the 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. There are no committed cash fund balances at December 31, 2020.

Assigned – Amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Amounts can be assigned by the City Treasurer, City Clerk or City Administrator.

Unassigned – This classification represents cash fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The City does not have a minimum fund balance policy for its governmental funds.

See Note 2.E. for additional disclosures.

Proprietary Funds

In the proprietary fund financial statements, net position is displayed in two components:

Restricted Cash Assets – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted Cash Assets – All other net position that do not meet the definition of “restricted.”

It is the City’s policy to consider restricted cash assets to its depletion before unrestricted cash assets are applied.

1.F. RECEIPTS AND DISBURSEMENTS

Property Tax

Under State law, municipalities are limited in their ability to levy a property tax. The City levies its property tax for the subsequent year during the month of December. Morrison County is the collecting agency for the levy and remits the collections to the City. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected.

December 31 is the last day the City can certify a tax levy to the County for collection the following year. The County creates the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County also collects all special assessments, except for certain prepayments paid directly to the City. The County collects all taxes and assessments, except as noted above. The County mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15 and the balance by October 15. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

Receipts and Disbursements

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods and/or services in connection with a proprietary fund’s principal ongoing operations. Operating disbursements for proprietary funds include the cost of sales and services and administrative expense. All receipts and disbursements not meeting this definition are reported as nonoperating items which include receipts and disbursements related to capital and related to financing, noncapital financing, or investing activities.

**CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. RECEIPTS AND DISBURSEMENTS (Continued)

Disbursements

In the fund financial statements, disbursements are classified as follows:

Governmental Funds - By Character	Current (further classified by Function)
	Capital Outlay
	Debt Service
Proprietary Funds - By Operating and Nonoperating	

In the fund financial statements, governmental and proprietary funds report disbursements of financial resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. See additional information at Note 2.D.

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, receipts, and disbursements.

2.A. CASH, CASH EQUIVALENTS, AND TIME DEPOSITS

Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The City complies with such laws.

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;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;
- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

**CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. CASH, CASH EQUIVALENTS, AND TIME DEPOSITS (Continued)

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

At December 31, 2020, the City’s time deposits consist of various certificates of deposit at a local bank with a stated interest rate of 1.25 percent, and such time deposits mature on June 11, 2021.

At December 31, 2020, the City’s deposits, including certificates of deposit, were not exposed to custodial credit risk. The City’s deposits were sufficiently covered by federal depository insurance or by collateral held by the City’s agent in the City’s name.

The following is a summary of total cash, cash equivalents, and time deposits at December 31, 2020:

Cash in Checking Account	\$	1,992,812
Certificates of Deposit		<u>1,500,000</u>
 Total Cash, Cash Equivalents, and Time Deposits	 \$	 <u><u>3,492,812</u></u>

2.B. LOANS RECEIVABLE

Small Cities Development Program

The City received a federal grant for the rehabilitation of residential and commercial properties. Commercial property owners have two mortgages, with one of equal amount deferred. The City has \$141,702 of loan awards with monthly payments required. These loans carry an interest rate of 1.00 percent. At December 31, 2020, the loan balance is \$56,117. Deferred commercial and residential properties have a repayment requirement if the property is sold before the deferment period expires, and thus have no monthly loan payments required.

Minnesota Investment Fund Loan

A loan in the amount of \$300,000 was made to a local business effective March 2019. Terms call for monthly principal and interest payments of approximately \$2,760 with an interest rate of 2.00 percent and will mature in 10 years. At December 31, 2020, the principal balance is \$249,391.

2.C. NONCURRENT LIABILITIES

The reporting entity’s long-term debt is segregated between the amounts to be repaid from governmental funds and amounts to be repaid from proprietary funds.

There are a number of limitations and restrictions contained in the general obligation bond indentures.

CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES (Continued)

As of December 31, 2020, the long-term debt of the financial reporting entity consists of the following:

Governmental Funds

General Obligation Bonds/Notes Payable					
Issue Date	Original Amount	Annual Principal Payment	Interest Rate(s)	Maturity Date	Remaining Amount
Jun-13	\$ 246,000	\$22,000-27,000	2.45%	Feb-24	\$ 105,000
Mar-19	\$ 231,248	\$1,656-2,760	0.00%	Mar-29	196,467
Total Long-Term Debt					\$ 301,467
Debt Due Within One Year					46,531
Debt Due After One Year					<u>\$ 254,936</u>

Proprietary Funds

General Obligation Notes					
Issue Date	Original Amount	Annual Principal Payment	Interest Rate(s)	Maturity Date	Remaining Amount
Dec-12	\$ 317,000	\$30,000-39,000	2.50%	Feb-22	<u>\$ 77,000</u>
Total Long-Term Debt					\$ 77,000
Debt Due Within One Year					38,000
Debt Due After One Year					<u>\$ 39,000</u>

All bonds are direct obligations of the City and pledge the full faith and credit of the City.

Changes in Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the year ended December 31, 2020:

Type of Debt	Balance 1/1/2020	Additions	Deductions	Balance 12/31/2020	Amounts Due Within One Year
<i>Governmental Funds:</i>					
General Obligation Bonds	\$ 130,000	\$ -	\$ (25,000)	\$ 105,000	\$ 25,000
Note Payable	216,342	-	(19,875)	196,467	21,531
Total Governmental Funds	<u>\$ 346,342</u>	<u>\$ -</u>	<u>\$ (44,875)</u>	<u>\$ 301,467</u>	<u>\$ 46,531</u>
<i>Proprietary Funds:</i>					
General Obligation Notes	<u>\$ 114,000</u>	<u>\$ -</u>	<u>\$ (37,000)</u>	<u>\$ 77,000</u>	<u>\$ 38,000</u>

Governmental Fund debt is typically funded through Debt Service Funds, Robert/Park Fund, and MIF Loan Fund. Proprietary Fund debt is funded through the Storm Water Fund.

**CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES (Continued)

Annual Debt Service Requirements

At December 31, 2020, the estimated annual debt service requirements to maturity, including principal and interest, are as follows:

Years Ending December 31,	Governmental Funds		
	Principal	Interest	Total
2021	\$ 46,531	\$ 2,266	\$ 49,410
2022	45,876	1,642	47,141
2023	46,875	993	47,517
2024	46,875	331	47,868
2025	19,875	-	47,206
2026-2029	95,435	-	115,311
Total	<u>\$ 301,467</u>	<u>\$ 5,232</u>	<u>\$ 354,453</u>
Years Ending December 31,	Proprietary Funds		
	Principal	Interest	Total
2021	\$ 38,000	\$ 1,451	\$ 39,388
2022	39,000	488	39,488
Total	<u>\$ 77,000</u>	<u>\$ 1,939</u>	<u>\$ 78,876</u>

Interest and fiscal charges expense totals \$2,879 in the Statement of Receipts, Disbursements and Changes in Cash Fund Balances. Interest expense totals \$2,388 in the Statement of Receipts, Disbursements and Changes in Net Cash Assets.

2.D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2020:

Transfers Out	Transfers In					Total
	Major Funds			Nonmajor Funds		
	General	Fire	Golf Course	Other Governmental		
<u>Nonmajor Funds</u>						
Debt Service	\$ 2,692	\$ 1	\$ -	\$ -	\$ 2,691	\$ 2,692
COVID-19	59,373	15,065	94	6,714	37,500	59,373
	<u>\$ 62,065</u>	<u>\$ 15,066</u>	<u>\$ 94</u>	<u>\$ 6,714</u>	<u>\$ 40,191</u>	<u>\$ 62,065</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. INTERFUND TRANSACTIONS AND BALANCES (Continued)

Interfund balances consist of the following at December 31, 2020:

Long-Term Advances		Amount	Reason
Advances To Fund	Advances From Fund		
Golf Course Fund	Electric Fund	\$ 195,351	Land purchase

Interfund balances are to be repaid as cash flows become available.

2.E. CASH FUND BALANCES

At December 31, 2020, governmental cash fund balances consist of the following:

General Fund		
Assigned	\$	295,056
Unassigned		<u>663,380</u>
Total General Fund Balance	\$	<u>958,436</u>
Fire Fund		
Assigned for Capital Projects	\$	<u>143,599</u>
Nonmajor Governmental Funds		
Restricted for Red's Auto	\$	3,705
Restricted for Meadow Ponds		1,010
Restricted for Roach Rental Townhouse		14,263
Restricted for Essentia Health		2,611
Restricted for MIF Loan Fund		25,948
Restricted for Small Cities Development Grant Fund		97,115
Restricted for EDA Fund		61,257
Assigned for Capital Projects		74,633
Unassigned		<u>(3,891)</u>
Total Nonmajor Governmental Funds Balance	\$	<u>276,651</u>

Deficit cash fund balances in individual funds at December 31, 2020 consist of the following:

Funds	Fund Deficit
Major Proprietary Fund	
Golf Course	\$ <u>(18,957)</u>
Nonmajor Debt Service Fund	
RTO	\$ <u>(3,891)</u>

CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.E. CASH FUND BALANCES (Continued)

These cash fund deficits are expected to be recovered through future assessments, tax levies, or transfers.

Golf Course has a negative cash fund balance of \$18,957 resulting from unbudgeted costs for capital improvements in 2020. All negative balances have been eliminated by interfund borrowings.

RTO (TIF 1-11) has a negative cash fund balance of \$3,891 resulting from costs incurred prior to the receipt of funding in the TIF district. It is anticipated that once funding is received, there will be a positive cash balance.

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Plan Description

All full-time and certain part-time employees of the City of Pierz are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (accounted for in the General Employees Fund), and the Public Employees Police and Fire Retirement Plan (accounted for in the Police and Fire Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the Police and Fire Plan.

PERA provides retirement benefits as well as disability benefits to members and survivor benefits upon death of eligible members. Benefits are established by State Statute. Benefits for members of the General Employees Plan vest after five years of credited service. Benefits for the Police and Fire Plan vest on a prorated basis from 50 percent after 10 years up to 100 percent after 20 years. The defined benefit retirement plan benefits are based on a member's highest average salary for any 5 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 for each of the first 10 years of service and 1.7 percent for each additional year. The rates are 2.2 percent and 2.7 percent, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service, and 2.7 percent for Basic members. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

For all General Employee Plan members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Method 2 provides for unreduced retirement benefits at age 65 for members first hired prior to July 1, 1989 or age 66 (the age for unreduced Social Security benefits), for those first hired on or after that date. Early retirement may begin at age 55 with an actuarial reduction (about six percent per year) for members retiring prior to full retirement age.

Normal retirement age is 55 for Police and Fire plan members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement with an actuarial reduction in the member's benefit.

A full unreduced pension is earned when Police and Fire plan members meet the following conditions: age 55 and vested or age plus years of service total at least 90 if first hired prior to July 1, 1989.

CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service before retirement benefits begin.

The benefit provisions stated in the preceding paragraphs of this section are current provisions and apply to active plan participants.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees and Police and Fire plans. That report may be obtained on the PERA's website at www.mnpera.org/about/financial/.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The City of Pierz makes annual contributions to the pension plans equal to the amount required by State Statutes. General Employees Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.5 percent, respectively, of their annual covered salary in 2020. Police and Fire Plan members were required to contribute 11.8 percent of their annual covered salary beginning January 1, 2020. In 2020, the City of Pierz was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members, 7.5 percent for Coordinated Plan members, and 17.70 percent for Police and Fire Plan members.

The City of Pierz's contributions to the General Employees Fund for the years ending December 31, 2020, 2019, and 2018 were \$20,678, \$18,520, and \$18,072 respectively. The City of Pierz's contributions to the Police and Fire Fund for the years ending December 31, 2020, 2019, and 2018 were \$24,611, \$23,024, and \$21,929 respectively.

NOTE 4 OTHER NOTES

4.A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two 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.

4.B. RISKS AND UNCERTAINTIES

Public Health Emergency

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including geographical area in which the City operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the City, to date, the City has not experienced any significant negative effects on its operations.

**CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 OTHER NOTES (Continued)

4.C. COMMITMENTS

Pay-as-You-Go Tax Increment Financing

The City has entered into Pay-as-You-Go developer agreements to finance various tax increment projects. Such projects are financed with the developers of the projects. These notes are not general obligations of the City as they are payable only to the extent of future tax increments received. As such, these obligations do not appear on the City’s financial statements. At December 31, 2020, outstanding Pay-as-You-Go debt approximates \$348,400 including accrued interest of \$88,945. Amounts carry interest rates of 0.00% to 9.00% and are due over various payment terms. All payments are contingent upon collection of tax increment and are not due if such collections are not made by the City.

Contracts

The City has an executed agreement with Minnesota Power to provide for electricity supply for a term extending to December 31, 2024. The contract will continue to be in force until a 3-year cancellation notice has been issued by either party, but not before December 31, 2021. Rates are adjusted annually on July 1. Total expense for the year ended December 31, 2020 is \$851,741, which approximates future annual expenses anticipated through the term of the contract.

The City has an executed agreement with Pierz Sanitation to provide for garbage and recycling services for a term extending to October 31, 2024. Total expense for the year ended December 31, 2020 is \$70,138, which approximates future annual expenses anticipated through the term of the contract.

4.D. TAX INCREMENT FINANCING DISTRICTS

The City occasionally enters into tax increment financing arrangements with local businesses, for the purpose of stimulating economic growth within the City. Eligibility for businesses seeking tax abatements of this nature is determined in accordance with the applicable Minnesota Statutes, and such arrangements generally include a commitment by the local business to use the abated funds for financing a development or redevelopment project. Any tax increment generated by the district and not retained by the City for administrative costs is returned to the business to finance the debt incurred for the related improvements.

The following is a summary of the City’s current tax increment financing districts:

	<u>District #1-3</u>	<u>District #1-9</u>
Business/Project Name	Red's Auto Project	Roach Housing Project
Purpose	Redevelopment	Redevelopment
Authorizing MN Statute	469.174	469.174
Year Established	1997	2010
Duration of District	Through 2024	Through 2037
Original Base Net Tax Capacity	<u>\$ 1,641</u>	<u>\$ 1,350</u>
Current Net Tax Capacity	<u>\$ 6,496</u>	<u>\$ 15,975</u>
Captured Net Tax Capacity	<u>\$ 4,855</u>	<u>\$ 14,625</u>
Abated in Current Year	<u>\$ 2,967</u>	<u>\$ 6,627</u>
Total Bonds/Notes Issued	<u>\$ 47,000</u>	<u>\$ 120,000</u>
Balance at 12/31/20	<u>\$ 47,000</u>	<u>\$ 68,962</u>

**CITY OF PIERZ, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 4 OTHER NOTES (Continued)

4.D. TAX INCREMENT FINANCING DISTRICTS (Continued)

	<u>District #1-10</u>	<u>District #1-11</u>
Business/Project Name	Essentia Health Project	RTO
Purpose	Economic Develop.	Redevelopment
Authorizing MN Statute	469.174	469.174
Year Established	2016	2019
Duration of District	Through 2025	Through 2046
Original Base Net Tax Capacity	<u>\$ 2,886</u>	<u>\$ 1,353</u>
Current Net Tax Capacity	<u>\$ 7,338</u>	<u>\$ 3,768</u>
Captured Net Tax Capacity	<u>\$ 4,452</u>	<u>\$ 2,415</u>
Abated in Current Year	<u>\$ 2,691</u>	<u>\$ -</u>
Total Bonds/Notes Issued	<u>\$ 71,000</u>	<u>\$ 75,000</u>
Balance at 12/31/20	<u>\$ 68,493</u>	<u>\$ 75,000</u>

Following is additional information specific to various of the Districts listed previously:

- District #1-3 – This is a “pay-as-you-go” district. Increment generated has not been sufficient to make any principal payments.
- District #1-9 – This is a “pay-as-you-go” district.
- District #1-10 – This is a “pay-as-you-go” district.
- District #1-11 – This is a “pay-as-you-go” district.

4.E. SUBSEQUENT EVENTS

Subsequent to year end and prior to issuance of these financial statements, the City entered into the following transactions:

The City entered into a contract for engineering services relating to their 3rd Avenue North project totaling \$267,000.

The City approved the issuance of the Health Care Facilities Revenue Note, Series 2021 totaling \$2,962,000 to provide financial assistance to a private-sector entity for the acquisition and construction of commercial facilities deemed to be in the public interest. These bonds will be secured by the property of the private-sector entity and are payable solely from the revenues of the private-sector entity. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity secured by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

In 2021, the City will be receiving federal funding totaling \$448,534 in conjunction with the City’s Loop Trail Segment 2 Project.

SUPPLEMENTARY INFORMATION

CITY OF PIERZ, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
RECEIPTS				
Taxes				
Property Taxes	\$ 231,100	\$ 231,100	\$ 234,829	\$ 3,729
Special Assessments	500	500	-	(500)
Licenses and Permits	29,000	29,000	32,967	3,967
Intergovernmental Receipts				
State Revenue				
Local Government Aid	448,913	448,913	449,619	706
Market Value Credit	-	-	156	156
PERA Aid	812	812	-	(812)
Other State Grants and Aids	5,000	5,000	7,958	2,958
Other Local Grants	-	-	10,000	10,000
Total Intergovernmental Receipts	454,725	454,725	467,733	13,008
Charges for Services				
General Government	11,500	11,500	12,690	1,190
Streets and Highways	5,000	5,000	2,641	(2,359)
Other Service Charges	22,728	22,728	28,731	6,003
Total Charges for Services	39,228	39,228	44,062	4,834
Fines and Forfeitures	5,000	5,000	18,245	13,245
Miscellaneous Receipts				
Investment Earnings	36,452	36,452	19,356	(17,096)
Refunds and Reimbursements	-	-	10,720	10,720
Contributions and Donations	800	800	3,565	2,765
Other Miscellaneous	9,630	9,630	13,871	4,241
Total Miscellaneous Receipts	46,882	46,882	47,512	630
TOTAL RECEIPTS	806,435	806,435	845,348	38,913
DISBURSEMENTS				
General Government				
Mayor and Council	34,730	34,880	35,428	548
Administration and Finance	143,251	157,317	122,813	(34,504)
Other General Government	92,702	93,795	67,149	(26,646)
Capital Outlay	10,600	10,600	11,012	412
Total General Government	281,283	296,592	236,402	(60,190)

CITY OF PIERZ, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Over Under
Public Safety				
Police				
Current	\$ 195,282	\$ 203,012	\$ 220,546	\$ 17,534
Capital Outlay	14,768	16,768	3,623	(13,145)
Fire				
Current	5,500	5,500	2,472	(3,028)
Other Public Safety				
Current	10,000	11,500	15,821	4,321
Total Public Safety	225,550	236,780	242,462	5,682
Public Works				
Street Maintenance and Storm Sewers	114,841	112,162	123,123	10,961
Capital Outlay - Street Construction	149,000	151,000	679,843	528,843
Capital Outlay - Other	33,300	50,000	1,745	(48,255)
Total Public Works	297,141	313,162	804,711	491,549
Culture and Recreation				
Libraries				
Current	15,088	15,088	14,594	(494)
Parks and Recreation				
Capital Outlay	1,500	1,500	-	(1,500)
Total Culture and Recreation	16,588	16,588	14,594	(1,994)
TOTAL DISBURSEMENTS	820,562	863,122	1,298,169	435,047
DEFICIENCY OF RECEIPTS UNDER DISBURSEMENTS	(14,127)	(56,687)	(452,821)	(396,134)
OTHER FINANCING SOURCES				
Transfers				
From Other Funds	-	-	15,066	15,066
NET CHANGE IN CASH FUND BALANCE	\$ (14,127)	\$ (56,687)	(437,755)	\$ (381,068)
CASH FUND BALANCE - BEGINNING			1,396,191	
CASH FUND BALANCE - ENDING			\$ 958,436	

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

Note 1 – Disbursements in Excess of Budget

Actual disbursements in the General Fund of \$1,298,169 exceeded the final budgeted disbursements by \$435,047 excluding transfers for the current year. This is primarily due to unbudgeted costs for 2020 street improvement projects and Coronavirus Relief Fund disbursements which were fully paid by the Coronavirus Relief Fund Federal Grant.

**CITY OF PIERZ, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – FIRE FUND
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>	Budgetary Basis	Over Under
RECEIPTS				
Taxes				
Property Taxes	\$ 48,410	\$ 48,410	\$ 47,864	\$ (546)
Intergovernmental Receipts				
State Revenue				
Police and Fire Aid	50,000	50,000	54,982	4,982
Other State Grants and Aids	6,000	6,000	13,020	7,020
Local Revenue				
Other Local Grants	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Total Intergovernmental Receipts	56,000	56,000	73,002	17,002
Charges for Services				
Police and Fire Contracts	43,000	43,000	42,360	(640)
Miscellaneous Receipts				
Investment Earnings	3,093	3,093	1,036	(2,057)
Contributions and Donations	-	-	3,000	3,000
Other Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>498</u>	<u>(2,502)</u>
Total Miscellaneous Revenue	<u>6,093</u>	<u>6,093</u>	<u>4,534</u>	<u>(1,559)</u>
TOTAL RECEIPTS	153,503	153,503	167,760	14,257
DISBURSEMENTS				
Public Safety				
Fire				
Current	176,996	158,496	160,249	1,753
Capital Outlay	<u>21,250</u>	<u>21,250</u>	<u>6,351</u>	<u>(14,899)</u>
Total Public Safety	<u>198,246</u>	<u>179,746</u>	<u>166,600</u>	<u>(13,146)</u>
TOTAL DISBURSEMENTS	<u>198,246</u>	<u>179,746</u>	<u>166,600</u>	<u>(13,146)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(44,743)	(26,243)	1,160	27,403
OTHER FINANCING SOURCES (USES)				
Transfers				
From Other Funds	<u>15,000</u>	<u>15,000</u>	<u>94</u>	<u>(14,906)</u>
NET CHANGE IN CASH FUND BALANCE	<u>\$ (29,743)</u>	<u>\$ (11,243)</u>	1,254	<u>\$ 12,497</u>
CASH FUND BALANCE - BEGINNING			<u>142,345</u>	
CASH FUND BALANCE - ENDING			<u>\$ 143,599</u>	

CITY OF PIERZ, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
ALL NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Robert/Park Fund	Total Nonmajor Debt Service Funds	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash, Cash Equivalents, and Time Deposits	<u>\$ 74,633</u>	<u>\$ 17,698</u>	<u>\$ 184,320</u>	<u>\$ 276,651</u>
CASH FUND BALANCES				
Restricted	-	21,589	184,320	205,909
Assigned	74,633	-	-	74,633
Unassigned	<u>-</u>	<u>(3,891)</u>	<u>-</u>	<u>(3,891)</u>
TOTAL CASH FUND BALANCES	<u>\$ 74,633</u>	<u>\$ 17,698</u>	<u>\$ 184,320</u>	<u>\$ 276,651</u>

CITY OF PIERZ, MINNESOTA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Robert/Park Fund	Total Nonmajor Debt Service Funds	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
RECEIPTS				
Property Taxes	\$ 23,063	\$ -	\$ -	\$ 23,063
Tax Increment Financing	-	24,064	-	24,064
Special Assessments	65,855	-	-	65,855
Intergovernmental	-	-	104,572	104,572
Loan Repayments	-	-	30,125	30,125
Investment Income	491	-	1,459	1,950
Miscellaneous	-	-	19,616	19,616
TOTAL RECEIPTS	<u>89,409</u>	<u>24,064</u>	<u>155,772</u>	<u>269,245</u>
DISBURSEMENTS				
Current:				
General Government	-	1,835	-	1,835
Other Public Safety	-	-	10,568	10,568
Economic Development	-	10,151	92,500	102,651
Capital Outlay	-	-	34,631	34,631
Debt Service:				
Principal	25,000	-	19,875	44,875
Interest and Other Charges	2,879	-	-	2,879
TOTAL DISBURSEMENTS	<u>27,879</u>	<u>11,986</u>	<u>157,574</u>	<u>197,439</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	61,530	12,078	(1,802)	71,806
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	40,191	40,191
Transfers Out	-	(2,692)	(59,373)	(62,065)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(2,692)</u>	<u>(19,182)</u>	<u>(21,874)</u>
NET CHANGE IN CASH FUND BALANCES	61,530	9,386	(20,984)	49,932
CASH FUND BALANCES - BEGINNING	<u>13,103</u>	<u>8,312</u>	<u>205,304</u>	<u>226,719</u>
CASH FUND BALANCES - ENDING	<u>\$ 74,633</u>	<u>\$ 17,698</u>	<u>\$ 184,320</u>	<u>\$ 276,651</u>

CITY OF PIERZ, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Red's Auto (TIF 1-3)	Cassie Street (TIF 1-5)	Meadow Ponds (TIF 1-6)	Roach Rental Townhouse (TIF 1-9)	Essentia Health (TIF 1-10)	RTO (TIF 1- 11)	Total Nonmajor Debt Service Funds
ASSETS							
Cash, Cash Equivalents, and Time Deposits	\$ 3,705	\$ -	\$ 1,010	\$ 14,263	\$ 2,611	\$ (3,891)	\$ 17,698
CASH FUND BALANCES							
Restricted	3,705	-	1,010	14,263	2,611	-	21,589
Unassigned	-	-	-	-	-	(3,891)	(3,891)
TOTAL CASH FUND BALANCES	\$ 3,705	\$ -	\$ 1,010	\$ 14,263	\$ 2,611	\$ (3,891)	\$ 17,698

CITY OF PIERZ, MINNESOTA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES
NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Red's Auto (TIF 1-3)	Cassie Street (TIF 1-5)	Meadow Ponds (TIF 1-6)	Roach Rental Townhouse (TIF 1-9)	Essentia Health (TIF 1-10)	RTO (TIF 1- 11)	Total Nonmajor Debt Service Funds
RECEIPTS							
Tax Increment Financing	\$ 3,297	\$ -	\$ -	\$ 14,787	\$ 5,980	\$ -	\$ 24,064
DISBURSEMENTS							
Current:							
General Government	529	-	-	529	527	250	1,835
Economic Development	2,967	557	-	6,627	-	-	10,151
TOTAL DISBURSEMENTS	<u>3,496</u>	<u>557</u>	<u>-</u>	<u>7,156</u>	<u>527</u>	<u>250</u>	<u>11,986</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(199)	(557)	-	7,631	5,453	(250)	12,078
OTHER FINANCING USES							
Transfers Out	-	(1)	-	-	(2,691)	-	(2,692)
NET CHANGE IN CASH FUND BALANCES	(199)	(558)	-	7,631	2,762	(250)	9,386
CASH FUND BALANCES - BEGINNING	<u>3,904</u>	<u>558</u>	<u>1,010</u>	<u>6,632</u>	<u>(151)</u>	<u>(3,641)</u>	<u>8,312</u>
CASH FUND BALANCES - ENDING	<u>\$ 3,705</u>	<u>\$ -</u>	<u>\$ 1,010</u>	<u>\$ 14,263</u>	<u>\$ 2,611</u>	<u>\$ (3,891)</u>	<u>\$ 17,698</u>

**CITY OF PIERZ, MINNESOTA
 COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
 NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
 DECEMBER 31, 2020**

	EDA Fund	MIF Loan Fund	Small Cities Development Grant Fund	COVID-19 Fund	Total Nonmajor Special Revenue Funds
ASSETS					
Cash, Cash Equivalents, and Time Deposits	<u>\$ 61,257</u>	<u>\$ 25,948</u>	<u>\$ 97,115</u>	<u>\$ -</u>	<u>\$ 184,320</u>
CASH FUND BALANCES					
Restricted	<u>\$ 61,257</u>	<u>\$ 25,948</u>	<u>\$ 97,115</u>	<u>\$ -</u>	<u>\$ 184,320</u>

CITY OF PIERZ, MINNESOTA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	EDA Fund	MIF Loan Fund	Small Cities Development Grant Fund	COVID-19 Fund	Total Nonmajor Special Revenue Funds
RECEIPTS					
Intergovernmental	\$ -	\$ -	\$ -	\$ 104,572	\$ 104,572
Loan Repayments	-	30,125	-	-	30,125
Investment Income	489	-	970	-	1,459
Miscellaneous	-	5,761	13,855	-	19,616
TOTAL RECEIPTS	<u>489</u>	<u>35,886</u>	<u>14,825</u>	<u>104,572</u>	<u>155,772</u>
DISBURSEMENTS					
Current:					
Other Public Safety	-	-	-	10,568	10,568
Economic Development	-	-	92,500	-	92,500
Capital Outlay	-	-	-	34,631	34,631
Debt Service:					
Principal	-	19,875	-	-	19,875
TOTAL DISBURSEMENTS	<u>-</u>	<u>19,875</u>	<u>92,500</u>	<u>45,199</u>	<u>157,574</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	489	16,011	(77,675)	59,373	(1,802)
OTHER FINANCING SOURCES (USES)					
Transfers In	2,691	-	37,500	-	40,191
Transfers Out	-	-	-	(59,373)	(59,373)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,691</u>	<u>-</u>	<u>37,500</u>	<u>(59,373)</u>	<u>(19,182)</u>
NET CHANGE IN CASH FUND BALANCES	3,180	16,011	(40,175)	-	(20,984)
CASH FUND BALANCES - BEGINNING	<u>58,077</u>	<u>9,937</u>	<u>137,290</u>	<u>-</u>	<u>205,304</u>
CASH FUND BALANCES - ENDING	<u>\$ 61,257</u>	<u>\$ 25,948</u>	<u>\$ 97,115</u>	<u>\$ -</u>	<u>\$ 184,320</u>

**CITY OF PIERZ, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

	Issue Dates	Interest Rates	Maturity Dates	Initial Authorized Issue	Outstanding Balance 01/01/20	Issued	Paid	Outstanding Balance 12/31/20	Principal Due Within One Year
GOVERNMENTAL INDEBTEDNESS									
2013A General Obligation Improvement Bonds	6/1/2013	2.45%	2/1/2024	\$ 246,000	\$ 130,000	\$ -	\$ 25,000	\$ 105,000	\$ 25,000
MIF Loan - Notes Payable	3/1/2019	0.00%	3/1/2029	<u>231,248</u>	<u>216,342</u>	<u>-</u>	<u>19,875</u>	<u>196,467</u>	<u>21,531</u>
TOTAL GOVERNMENTAL DEBTS				477,248	346,342	-	44,875	301,467	46,531
PROPRIETARY INDEBTEDNESS									
2012A General Obligation Refunding Note	12/3/2012	2.50%	2/1/2022	<u>317,000</u>	<u>114,000</u>	<u>-</u>	<u>37,000</u>	<u>77,000</u>	<u>38,000</u>
TOTAL INDEBTEDNESS				<u>\$ 794,248</u>	<u>\$ 460,342</u>	<u>\$ -</u>	<u>\$ 81,875</u>	<u>\$ 378,467</u>	<u>\$ 84,531</u>

**CITY OF PIERZ, MINNESOTA
SCHEDULE OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2020
(UNAUDITED)**

<u>Fund</u>	<u>Item and Purpose</u>	<u>Amount</u>
General	Accounts Receivable - Franchise Fees	\$ 963
General	RPSWD	553
Fire	Paid Fire Calls - 2020	190
Electric	Electric Service Work	1,440
General	Property Taxes	1,241
Fire	Property Taxes	258
Robert/Park	Property Taxes	125
Golf Course	Property Taxes	109
Red's Auto (TIF 1-3)	Property Taxes	3,297
Robert/Park	Special Assessments	276
Electric	Customer Charges	105,903
Storm Water	Customer Charges	3,895
Mosquito Spraying	Customer Charges	1,129
Solid Waste	Customer Charges	<u>12,227</u>
		<u>\$ 131,606</u>

CITY OF PIERZ, MINNESOTA
SCHEDULE OF ACCOUNTS PAYABLE AND CONTINGENT LIABILITIES
DECEMBER 31, 2020
(UNAUDITED)

<u>Fund</u>	<u>Vendor</u>	<u>Item and Purpose</u>	<u>Amount</u>	
General	Calvin Tschida	Communications/Cell Phone	\$ 240	
	Centerpoint Energy	Heating	706	
	Chuck's Welding and Truck Repair	Repairs and Maintenance	39	
	Colonial Life Insurance	Insurance	414	
	Czech Auto Body and Towing	Repairs and Maintenance	1,905	
	Dales Farm Repair	Repairs and Maintenance	691	
	Design Electronics, Radio Shack	Operating Supplies	170	
	Design Electronics, Radio Shack	Professional Services	200	
	Fortmann's Lock and Key	Communications/ Cell Phone	25	
	Fully Promoted	Operating Supplies	227	
	Grace Heschke	Professional Services	325	
	Hartmann's	Operating Supplies	194	
	Hartmann's	Repairs and Maintenance	102	
	Hartmann's	Small Tools & Equipment	11	
	Inspection Services of Central MN	Professional Services	6,635	
	Jovanovich, Kadlec, & Athmann	Professional Services	4,769	
	Knife River	Professional Services	11,543	
	League of MN Cities	Training	95	
	Midco	Communications	258	
	Morrison County Attorney	Professional Services	13	
	Morrison County Auditor	Professional Services	12	
	Morrison County Public Works	Operating Supplies/Salt & Sand	2,134	
	Morrison County Recorder	Professional Services	322	
	Morrison County Sheriff's Dept.	Professional Services	473	
	MN Dept. of Labor and Industry	Professional Services	69	
	Napa Central MN	Repairs	50	
	Paul Hennessy	Communications/Cell Phone	40	
	Pierz Sanitation, Inc.	Professional Services	59	
	Red's Auto	Fuel	391	
	RPSWD	Water/Sewer	622	
	Saehr Backhoe and Gravel	Operating Supplies	230	
	Saehr Backhoe and Gravel	Professional Services	2,253	
	Shred-N-Go	Operating Supplies	101	
	Sterling Water Culligan	Beverages	175	
	T&M Shooting Sport	Training	2,068	
	Tri-Tech Forensics, Inc.	Operating Supplies	146	
	Uline	Office Furnishing	360	
	Verizon Wireless	Communications	185	
	Wex	Fuel	438	
			<hr/>	\$ 38,690
	Fire	Centerpoint Energy	Heating	331
		Design Electronics, Radio Shack	Communications	220
		Galls, LLC	Uniforms	808
Heiman, Inc.		Operating Supplies	1,068	
Midco		Communications	165	
Napa Central MN		Repairs and Maintenance	31	
PRAFPA		Refunds and Reimbursements	7,165	
RPSWD		Water/Sewer	131	
Verizon	Communications	301		
		<hr/>	10,220	

CITY OF PIERZ, MINNESOTA
SCHEDULE OF ACCOUNTS PAYABLE AND CONTINGENT LIABILITIES (Continued)
DECEMBER 31, 2020
(UNAUDITED)

<u>Fund</u>	<u>Vendor</u>	<u>Item and Purpose</u>	<u>Amount</u>	
Electric	Gopher State One Call	Professional Services	\$ 5	
	Joann Priller	UR Receipts	87	
	Joy Fussy	UR Receipts	85	
	MN Dept. of Revenue	Sales Tax	5,295	
	MN Power	Merchandise for Resale	71,687	
	MN Power	Professional Services	2,643	
	S.E.H.	Engineering	2,640	
	USIC Locating Services, LLC	Professional Services	<u>46</u>	
			\$	82,488
Fiduciary	RPSWD	Water/Sewer	<u>77,277</u>	77,277
Golf Course	Becker Screen Printing and Design	Uniforms	31	
	Bob's Lumber and Supply	Miscellaneous Supplies	45	
	Fully Promoted	Operating Supplies	227	
	Hartman's, Inc.	Operating Supplies	33	
	Mary Caughey	Communications/Cell Phone	40	
	Midco	Communications	151	
	MN Dept. of Revenue	Sales Tax	72	
	RPSWD	Water/Sewer	30	
	Uline	Office Furnishing	106	
	Verizon Wireless	Communications	52	
Zach Baert	Communications/Cell Phone	<u>347</u>		
				1,134
Red's Auto (TIF 1-3)	Red's Auto	TIF Reimbursement	<u>2,967</u>	2,967
Meadow Ponds (TIF 1-6)	Morrison County	TIF Repayment	<u>1,010</u>	1,010
Roach Rental Townhouse (TIF 1-9)	Pierz Townhomes, LLC	TIF Reimbursement	<u>6,654</u>	6,654
Solid Waste	MN Dept. of Revenue	Sales Tax	551	
	Morrison County Auditor	Professional Services	1,865	
	Pierz Sanitation, Inc.	Professional Services	<u>3,803</u>	
				<u>6,219</u>
			<u>\$</u>	<u>226,659</u>

OTHER REQUIRED REPORTS

**INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council
City of Pierz, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of each major fund and the aggregate remaining fund information of the City of Pierz, Minnesota 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 March 25, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Pierz 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 Minnesota Statute § 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 for the information and use of those charged with governance and management of the City of Pierz and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.



SCHLENNER WENNER & CO.
St. Cloud, Minnesota
March 25, 2021