

ANNUAL FINANCIAL REPORT

CITY OF PINE ISLAND
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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City of Pine Island, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

CITY OF PINE ISLAND
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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City of Pine Island, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2025

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Friese	Mayor	12/31/2026
Brandi Veith Staloch	Council Member	12/31/2026
Colton Wright	Council Member	12/31/2028
Vernon Pahl	Council Member	12/31/2028
Delana Weis	Council Member	12/31/2026

APPOINTED

Elizabeth Howard	City Administrator
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FINANCIAL SECTION
CITY OF PINE ISLAND
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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INDEPENDENT AUDITOR’S REPORT

Honorable Mayor and City Council
City of Pine Island, Minnesota

Report on the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

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, 2025 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

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, the respective budgetary comparison schedule and related note disclosures, starting on page 76 are presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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.

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 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.



Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



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Minneapolis, Minnesota
April 17, 2026



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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, 2025.

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 explain 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

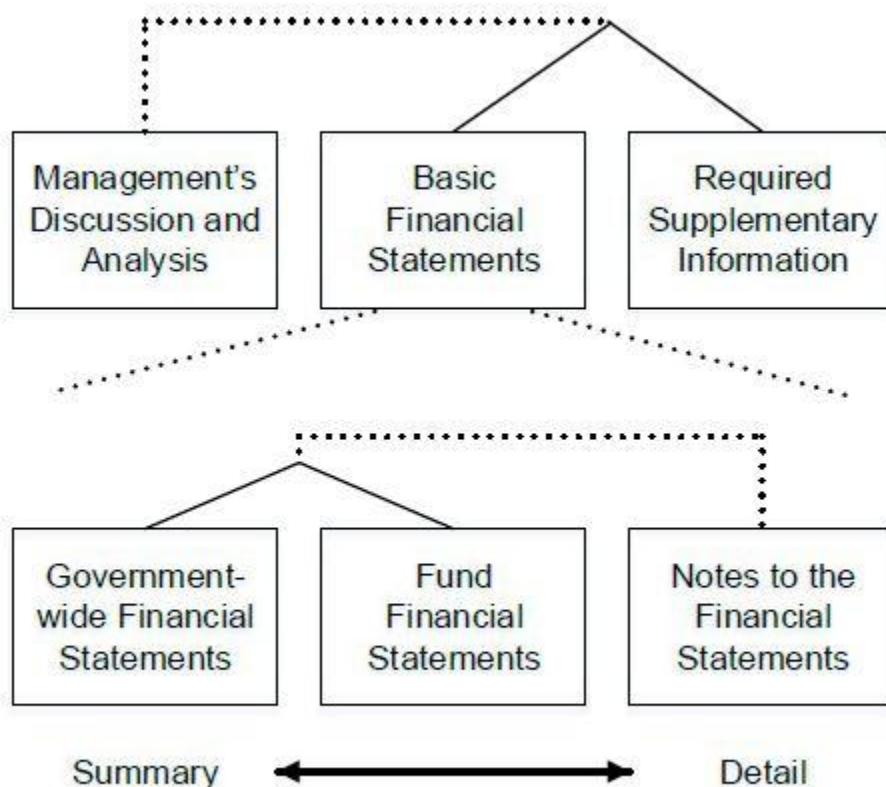


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	Government-wide Statements	Fund Financial 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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Fund Net Position • Statements of Cash Flows
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 the 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, 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 of 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, six of which are Debt Service funds and are presented as one fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund and Capital Equipment 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 40 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 45 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 84 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 as shown below.

The largest portion of the City's net position 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

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position 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. Governmental activities increased and business-type activities decreased during the year. The changes are highlighted below:

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Assets						
Current and other assets	\$ 9,883,161	\$ 8,426,352	\$ 1,456,809	\$ 5,345,154	\$ 5,055,532	\$ 289,622
Capital assets	16,100,212	16,594,086	(493,874)	12,727,667	13,747,121	(1,019,454)
Total Assets	25,983,373	25,020,438	962,935	18,072,821	18,802,653	(729,832)
Deferred Outflows of Resources						
Deferred pension resources	268,715	189,853	78,862	59,317	36,046	23,271
Liabilities						
Long-term liabilities outstanding	7,240,685	8,332,567	(1,091,882)	3,750,746	3,984,673	(233,927)
Other liabilities	633,801	607,571	26,230	135,209	146,010	(10,801)
Total Liabilities	7,874,486	8,940,138	(1,065,652)	3,885,955	4,130,683	(244,728)
Deferred Inflows of Resources						
Deferred pension resources	506,128	298,761	207,367	81,038	83,621	(2,583)
Net Position						
Net investment in capital assets	9,265,219	8,651,566	613,653	9,136,489	9,933,426	(796,937)
Restricted	4,109,458	4,159,101	(49,643)	-	-	-
Unrestricted	4,496,797	3,160,725	1,336,072	5,028,656	4,690,969	337,687
Total Net Position	\$ 17,871,474	\$ 15,971,392	\$ 1,900,082	\$ 14,165,145	\$ 14,624,395	\$ (459,250)
Net Position as a Percent of Total						
Net investment in capital assets	51.8 %	54.2 %		64.5 %	67.9 %	
Restricted	23.0	26.0		-	-	
Unrestricted	25.2	19.8		35.5	32.1	
	100.0 %	100.0 %		100.0 %	100.0 %	

City of Pine Island's Changes in Net Position

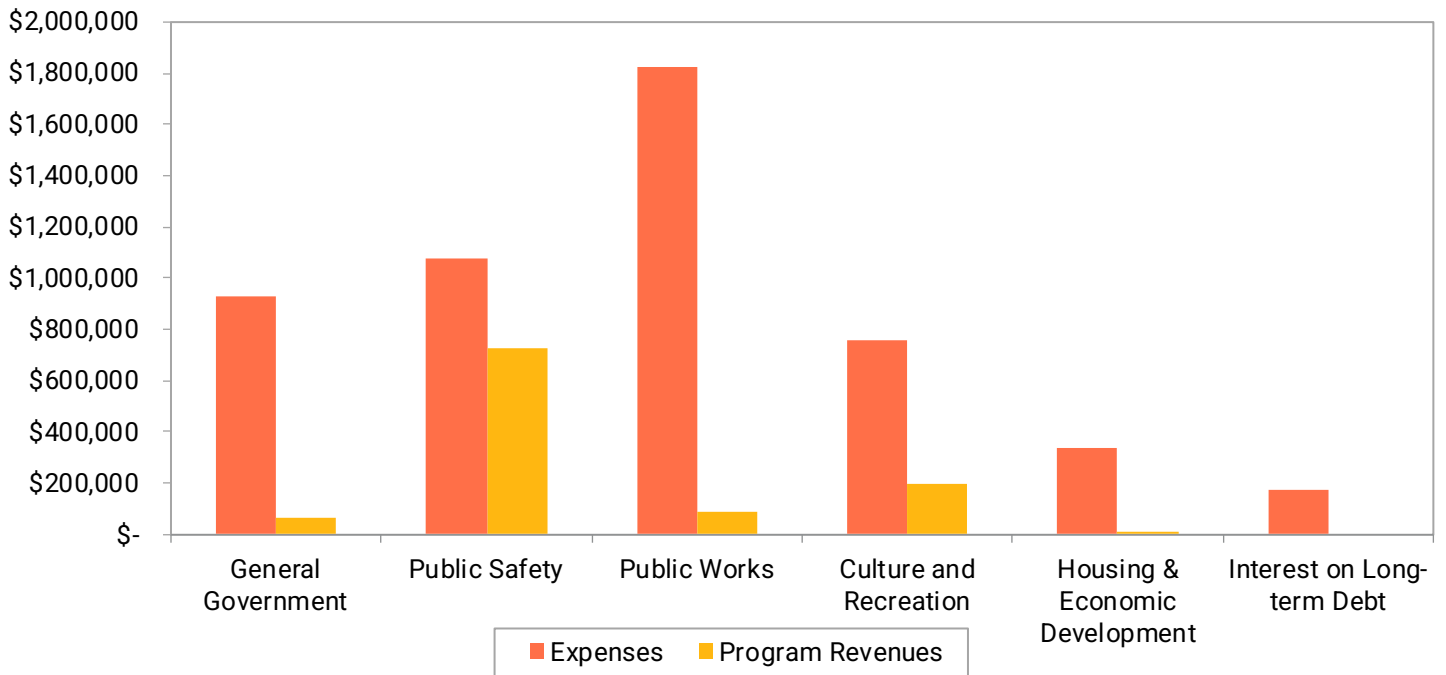
	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 727,174	\$ 581,247	\$ 145,927	\$ 1,991,482	\$ 1,961,004	\$ 30,478
Operating grants and contributions	323,650	433,202	(109,552)	3,395	4,270	(875)
Capital grants and contributions	30,991	32,272	(1,281)	43,949	1,255,704	(1,211,755)
General revenues						
Taxes	4,207,815	3,985,439	222,376	-	-	-
Grants and contributions not restricted to specific programs	745,215	744,528	687	-	-	-
Unrestricted investment earnings	180,225	139,992	40,233	172,003	164,022	7,981
Gain on sale of capital assets	-	1,240,515	(1,240,515)	363,579	14,736	348,843
Total Revenues	<u>6,215,070</u>	<u>7,157,195</u>	<u>(942,125)</u>	<u>2,574,408</u>	<u>3,399,736</u>	<u>(825,328)</u>
Expenses						
General government	925,209	848,824	76,385	-	-	-
Public safety	1,080,287	939,963	140,324	-	-	-
Public works	1,824,066	2,273,781	(449,715)	-	-	-
Culture and recreation	761,115	650,741	110,374	-	-	-
Housing and economic development	334,396	288,090	46,306	-	-	-
Debt service	175,879	193,273	(17,394)	-	-	-
Water	-	-	-	663,041	720,207	(57,166)
Sewer	-	-	-	1,063,617	1,016,959	46,658
Evergreen Place	-	-	-	262,414	280,631	(18,217)
Cemetery	-	-	-	58,811	52,148	6,663
Deputy Register	-	-	-	199,811	176,419	23,392
Total Expenses	<u>5,100,952</u>	<u>5,194,672</u>	<u>(93,720)</u>	<u>2,247,694</u>	<u>2,246,364</u>	<u>1,330</u>
Change in Net Position						
Before Transfers	1,114,118	1,962,523	(848,405)	326,714	1,153,372	(826,658)
Operating Transfers	<u>785,964</u>	<u>(77,075)</u>	<u>863,039</u>	<u>(785,964)</u>	<u>77,075</u>	<u>(863,039)</u>
Increase (Decrease) in Net Position	1,900,082	1,885,448	14,634	(459,250)	1,230,447	(1,689,697)
Net Position, January 1	<u>15,971,392</u>	<u>14,085,944</u>	<u>1,885,448</u>	<u>14,624,395</u>	<u>13,393,948</u>	<u>1,230,447</u>
Net Position, December 31	<u>\$ 17,871,474</u>	<u>\$ 15,971,392</u>	<u>\$ 1,900,082</u>	<u>\$ 14,165,145</u>	<u>\$ 14,624,395</u>	<u>\$ (459,250)</u>

Key elements of this increase are as follows:

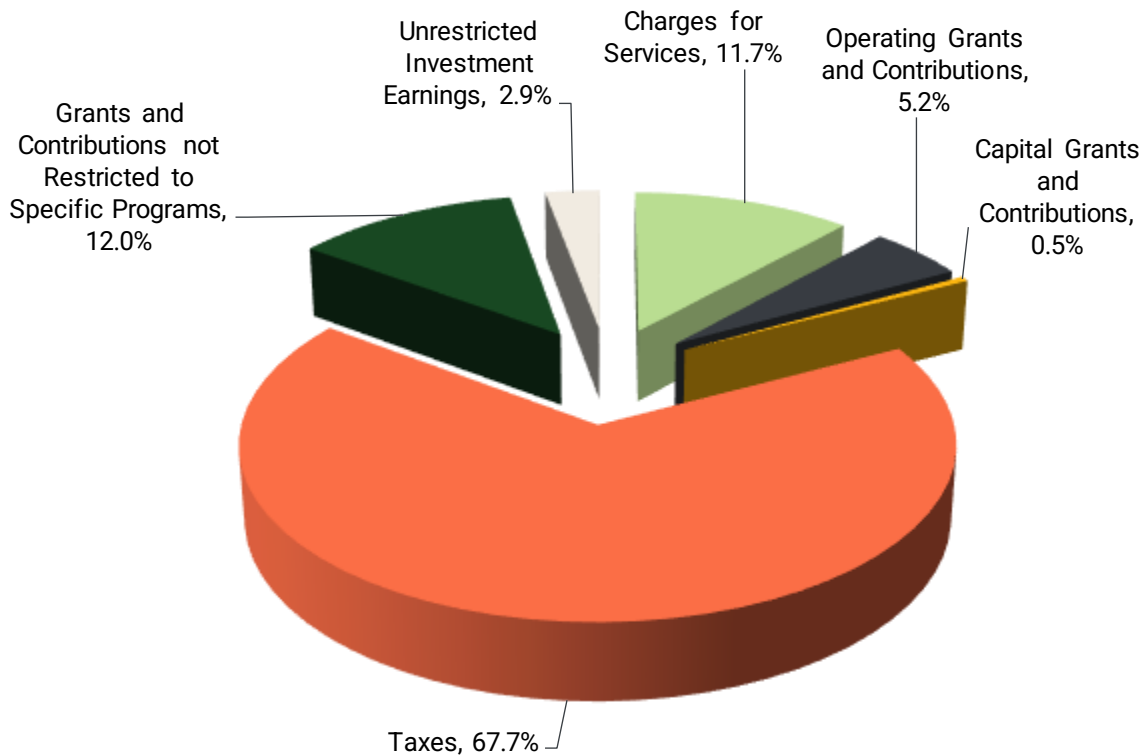
- Increases in charges for services related to development within the city
- Property tax revenue rose in the current year due to an increased levy to meet the city's needs
- Public works expense dropped in the current year due to less road maintenance costs in 2025
- The governmental activities received a large amount of transfers from the business-type activity due to the sale of Evergreen Place

Governmental-type Activities. Governmental-type activities increased the City's net position as seen in the table above.

Expenses and Program Revenues – Gov



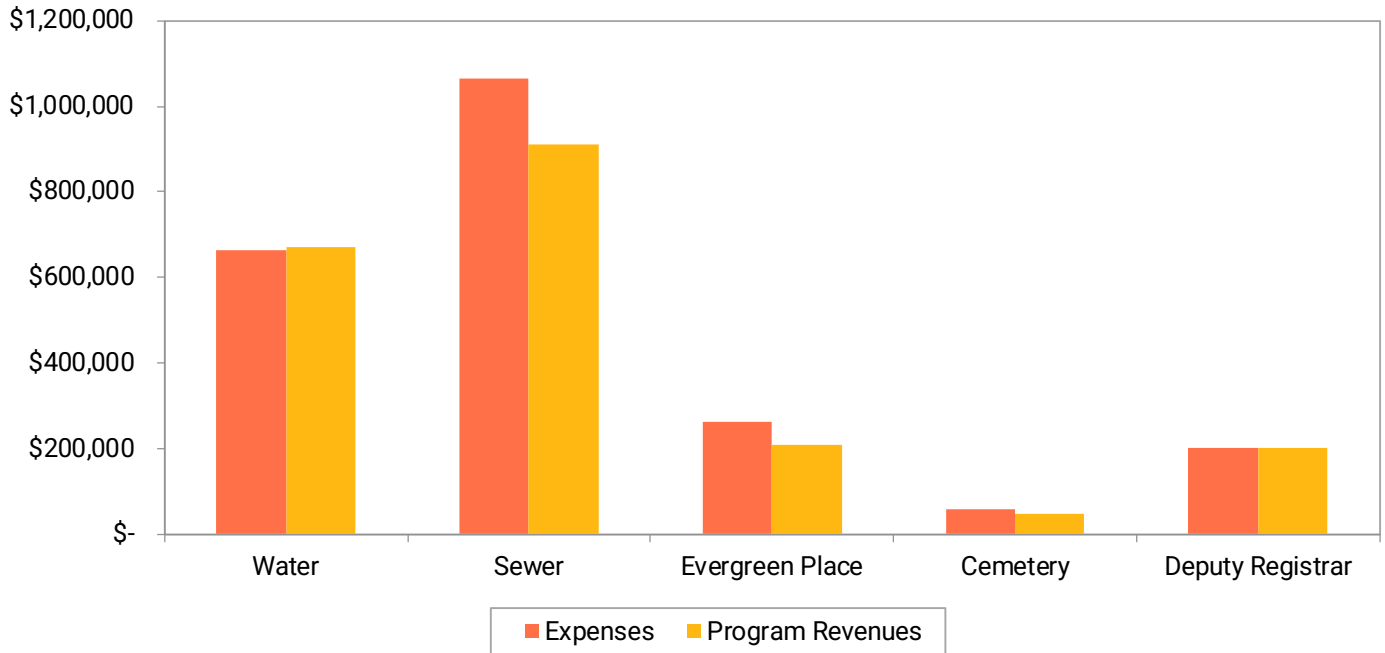
Revenues by Source - Governmental Activities



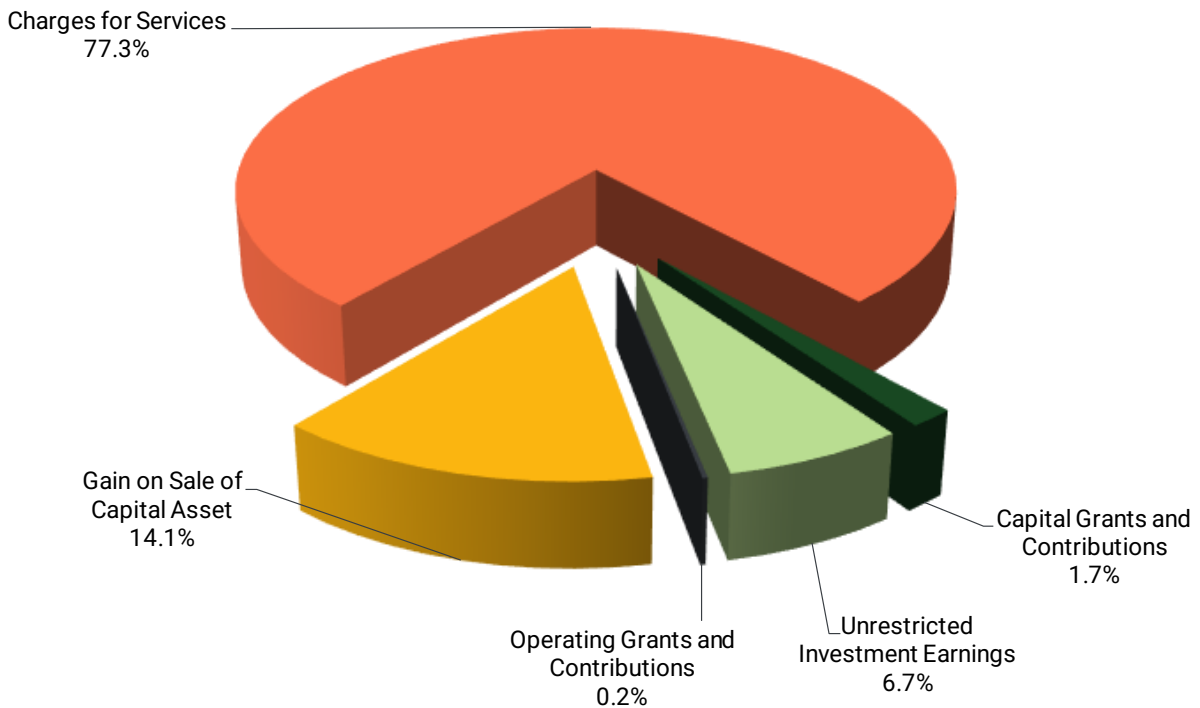
Business-type Activities. Business-type activities decreased the City's net position.

- The main driver of the decrease in business-type activities net position was the sale of Evergreen Place. Once Evergreen Place was sold the proceeds of the sale were transferred out to the General and Capital project funds.

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. The table below outlines the governmental fund balances for the year ending December 31, 2025.

	General Fund	Debt Service Fund	Capital Equipment Fund	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances							
Nonspendable	\$ 16,955	\$ -	\$ -	\$ 2,374	\$ 19,329	\$ 15,415	\$ 3,914
Restricted	14,500	1,999,192	-	703,792	2,717,484	2,941,299	(223,815)
Committed	-	-	-	349,109	349,109	318,371	30,738
Assigned	2,492	-	2,612,446	-	2,614,938	1,714,075	900,863
Unassigned	<u>2,029,642</u>	<u>-</u>	<u>-</u>	<u>(9,892)</u>	<u>2,019,750</u>	<u>1,531,055</u>	<u>488,695</u>
	<u>\$ 2,063,589</u>	<u>\$ 1,999,192</u>	<u>\$ 2,612,446</u>	<u>\$ 1,045,383</u>	<u>\$ 7,720,610</u>	<u>\$ 6,520,215</u>	<u>\$ 1,200,395</u>

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances shown above. Additional information on the City's fund balances can be found in Note 1 of the financial statement notes.

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 is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percentage of total fund expenditures is shown in the chart below along with fund balance as a percentage of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 16,955	\$ 13,535	\$ 3,420
Restricted for	14,500	-	14,500
Assigned for heritage preservation	2,492	2,477	15
Unassigned	<u>2,029,642</u>	<u>1,541,689</u>	<u>487,953</u>
	<u>\$ 2,063,589</u>	<u>\$ 1,557,701</u>	<u>\$ 505,888</u>
General Fund expenditures	\$ 4,147,942	\$ 4,020,829	
Unassigned as a percent of expenditures	48.9%	38.3%	
Total Fund Balance as a percent of expenditures	49.7%	38.7%	

The fund balance of the City's General fund increased during the current fiscal year as shown in the table above.

Other major governmental fund analysis is shown below:

	December 31, 2025	December 31, 2024	Increase (Decrease)
Debt Service fund	\$ 1,999,192	\$ 1,953,869	\$ 45,323
<i>The Debt Service fund increase in fund balance during the year was due to transfers in from the Water and Sewer funds.</i>			
Capital Equipment	\$ 2,612,446	\$ 1,879,725	\$ 732,721
<i>The Capital Equipment fund increase in fund balance during the year was due to the sale proceeds relating to Evergreen.</i>			

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the City's proprietary funds increased or (decreased) as follows:

	Ending Net Position 2025	Ending Net Position 2024	Increase/ (Decrease)
Water	\$ 6,464,966	\$ 6,345,947	\$ 119,019
<i>The increase is primarily attributed to increase in charges for services due to rate changes as well as a transfer in from the General fund.</i>			
Sewer	\$ 7,158,764	\$ 7,220,342	\$ (61,578)
<i>The decrease is primarily attributed to a decrease in capital contributions - special assessments from the prior year</i>			
Evergreen Place	\$ -	\$ 527,368	\$ (527,368)
<i>The decrease is due to selling Evergreen Place and related assets.</i>			

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2025, is shown below in the capital assets table (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 56 of this report.

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

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Land	\$ 1,330,596	\$ 1,315,564	\$ 15,032	\$ 64,136	\$ 64,136	\$ -
Construction in Progress	30,000	-	30,000	-	-	-
Buildings	358,448	342,573	15,875	229,125	639,028	(409,903)
Improvements Other than Buildings	-	-	-	73,564	74,787	(1,223)
Infrastructure	12,660,120	13,162,792	(502,672)	11,506,724	12,014,337	(507,613)
Machinery and Equipment	1,721,048	1,773,157	(52,109)	854,118	954,833	(100,715)
Total	\$ 16,100,212	\$ 16,594,086	\$ (493,874)	\$ 12,727,667	\$ 13,747,121	\$ (1,019,454)

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding consisting of special assessment debt, revenue-related debt and general obligation debt as noted in the table below. 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		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
General Obligation Bonds	\$ 6,418,467	\$ 7,123,682	\$ (705,215)	\$ 54,533	\$ 85,318	\$ (30,785)
General Obligation Tax Increment Bond	229,000	251,000	(22,000)	-	-	-
Finance Purchase Agreement	187,526	227,238	(39,712)	-	-	-
Contract for Deed	-	340,600	(340,600)	-	-	-
General Obligation Revenue Bonds	-	-	-	3,390,000	3,570,000	(180,000)
Premium on Bonds	-	-	-	146,645	158,377	(11,732)
Total	\$ 6,834,993	\$ 7,942,520	\$ (1,107,527)	\$ 3,591,178	\$ 3,813,695	\$ (222,517)

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 58 of this report.

Currently Known Facts, Decisions, or Conditions

- The City of Pine Island continues to see growth and positive changes. This City had 31 building permits pulled in 2025 for new single family units.
- The City continued to invest in street maintenance, completing a large mill & overlay project in the southeast quadrant. This also included replacing and/or repairing damaged catch basins and sewer manholes.
- Sewer and water rates increased in January 2025 and are set to increase 2% for water rates and 4% for sewer rates each year thereafter for 8 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 is also building the water account for a potential new water tower within the next 10 years as we continue to see growth in Pine Island and to repaint the Hillcrest water tower in 2026.
- The license bureau completed its first year of processing driver's license renewals to help bring in additional revenues.
- The City added playground equipment to Custer Park, doubling the equipment's footprint.
- The City continued to replace water meters throughout the City whose were not completed during the 2023 project. This project will hopefully be completed in 2026 as the City still has a handful of water meters to replace, most of which are sod meters or large-scale businesses.
- The City paid the remaining balance of a five-year contract for deed approved in 2024 for 20+ acres of land on the north side of town which is currently used for agriculture. This will open up business and commercial opportunities for the City since the property is paid off.
- The City sold the assisted living facility Evergreen Place. The new owners also purchased the Pine Haven Nursing Home facility.
- The City Council approved the preliminary land use applications for Project Skyway, a large-scale technology campus which includes a 30,000 square foot office building and a 300,000 square foot data center.

Currently Known Facts, Decisions, or Conditions (Continued)

- The 511th Street Bridge was reconstructed. Goodhue County oversaw the project, with the majority of the construction being paid for through state and federal aid dollars. The City paid for engineering costs related to design and inspection.
- The City Council continued to invest in security systems throughout city facilities and property including controlled access and security cameras.
- As the City continues to grow, the City Council is dedicated to continue improving our streets, parks, facilities and amenities.

All of these factors were considered in preparing the City's budget for the 2026 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PINE ISLAND
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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City of Pine Island, Minnesota

Statement of Net Position

December 31, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
Assets				
Cash and temporary investments	\$ 8,016,279	\$ 4,319,442	\$ 12,335,721	\$ 137,202
Restricted cash	32,041	18,300	50,341	-
Receivables				
Taxes	163,305	-	163,305	-
Accounts	151,922	88,972	240,894	-
Notes	52,595	-	52,595	-
Special assessments	796,431	707,631	1,504,062	-
Internal balances	(199,679)	199,679	-	-
Due from other governments	182,992	-	182,992	-
Prepaid items	19,329	11,130	30,459	-
Net pension asset	667,946	-	667,946	-
Capital assets				
Land and construction in progress	1,360,596	64,136	1,424,732	-
Depreciable capital assets, net	14,739,616	12,663,531	27,403,147	-
Total Assets	<u>25,983,373</u>	<u>18,072,821</u>	<u>44,056,194</u>	<u>137,202</u>
Deferred Outflows of Resources				
Deferred pension resources	268,715	59,317	328,032	-
Liabilities				
Accounts payable	59,682	55,296	114,978	96
Accrued salaries payable	24,487	5,051	29,538	-
Accrued interest payable	69,632	56,562	126,194	-
Security deposits payable	-	18,300	18,300	-
Due to other governments	480,000	-	480,000	-
Noncurrent liabilities				
Due within one year				
Long-term liabilities	818,490	233,419	1,051,909	-
Due in more than one year				
Long-term liabilities	6,100,661	3,388,417	9,489,078	-
Net pension liability	321,534	128,910	450,444	-
Total Liabilities	<u>7,874,486</u>	<u>3,885,955</u>	<u>11,760,441</u>	<u>96</u>
Deferred Inflows of Resources				
Deferred pension resources	506,128	81,038	587,166	-
Net Position				
Net investment in capital assets	9,265,219	9,136,489	18,401,708	-
Restricted for				
Debt service	2,723,220	-	2,723,220	-
Fire relief pension	667,946	-	667,946	-
Economic development	74,620	-	74,620	-
Revolving loan	161,954	-	161,954	-
DTED Land O'Lakes	329,308	-	329,308	-
Disaster relief	522	-	522	-
Charitable gambling donations	137,388	-	137,388	-
Community Mural	14,500	-	14,500	-
Unrestricted	4,496,797	5,028,656	9,525,453	137,106
Total Net Position	<u>\$ 17,871,474</u>	<u>\$ 14,165,145</u>	<u>\$ 32,036,619</u>	<u>\$ 137,106</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, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 925,209	\$ 41,562	\$ 26,138	\$ -
Public safety	1,080,287	565,345	163,384	-
Public works	1,824,066	22,648	33,220	30,991
Culture and recreation	761,115	97,219	100,908	-
Housing and economic development	334,396	400	-	-
Interest on long-term debt	175,879	-	-	-
Total Governmental Activities	<u>5,100,952</u>	<u>727,174</u>	<u>323,650</u>	<u>30,991</u>
Business-type Activities				
Water	663,041	647,963	-	24,019
Sewer	1,063,617	889,539	-	19,930
Evergreen Place	262,414	209,254	-	-
Cemetery	58,811	45,090	3,395	-
Deputy Registrar	199,811	199,636	-	-
Total Business-type Activities	<u>2,247,694</u>	<u>1,991,482</u>	<u>3,395</u>	<u>43,949</u>
Total Primary Government	<u>\$ 7,348,646</u>	<u>\$ 2,718,656</u>	<u>\$ 327,045</u>	<u>\$ 74,940</u>
Component Unit				
Economic Development Authority	<u>\$ 262,978</u>	<u>\$ -</u>	<u>\$ 162,114</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

Miscellaneous

Unrestricted investment earnings

Gain on sale of capital assets

Transfers - Internal Activities

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
\$ (857,509)	\$ -	\$ (857,509)	\$ -
(351,558)	-	(351,558)	-
(1,737,207)	-	(1,737,207)	-
(562,988)	-	(562,988)	-
(333,996)	-	(333,996)	-
(175,879)	-	(175,879)	-
<u>(4,019,137)</u>	<u>-</u>	<u>(4,019,137)</u>	<u>-</u>
-	8,941	8,941	-
-	(154,148)	(154,148)	-
-	(53,160)	(53,160)	-
-	(10,326)	(10,326)	-
-	(175)	(175)	-
<u>-</u>	<u>(208,868)</u>	<u>(208,868)</u>	<u>-</u>
<u>(4,019,137)</u>	<u>(208,868)</u>	<u>(4,228,005)</u>	<u>-</u>
-	-	-	(100,864)
3,338,003	-	3,338,003	-
713,594	-	713,594	-
29,228	-	29,228	-
126,990	-	126,990	-
745,215	-	745,215	-
-	-	-	112,806
180,225	172,003	352,228	1,035
-	363,579	363,579	-
785,964	(785,964)	-	-
1,900,082	(459,250)	1,440,832	12,977
<u>15,971,392</u>	<u>14,624,395</u>	<u>30,595,787</u>	<u>124,129</u>
<u>\$ 17,871,474</u>	<u>\$ 14,165,145</u>	<u>\$ 32,036,619</u>	<u>\$ 137,106</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF PINE ISLAND
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Pine Island, Minnesota

Balance Sheet
Governmental Funds
December 31, 2025

	101	300's	250	Other	Total
	General	Debt Service	Capital Equipment	Governmental Funds	Governmental Funds
Assets					
Cash and temporary investments	\$ 1,756,524	\$ 1,996,421	\$ 3,292,125	\$ 971,209	\$ 8,016,279
Restricted cash	-	-	-	32,041	32,041
Receivables					
Taxes	163,305	-	-	-	163,305
Accounts	150,436	-	-	1,486	151,922
Notes	-	-	-	52,595	52,595
Special assessments	-	796,431	-	-	796,431
Due from other funds	9,892	-	-	-	9,892
Due from other governments	182,992	-	-	-	182,992
Prepaid items	16,955	-	-	2,374	19,329
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,280,104</u>	<u>\$ 2,792,852</u>	<u>\$ 3,292,125</u>	<u>\$ 1,059,705</u>	<u>\$ 9,424,786</u>
Liabilities					
Accounts payable	\$ 57,082	\$ -	\$ -	\$ 2,600	\$ 59,682
Accrued salaries payable	22,657	-	-	1,830	24,487
Due to other funds	-	-	199,679	9,892	209,571
Due to other governments	-	-	480,000	-	480,000
Total Liabilities	<u>79,739</u>	<u>-</u>	<u>679,679</u>	<u>14,322</u>	<u>773,740</u>
Deferred Inflows of Resources					
Unavailable revenues - taxes	136,776	-	-	-	136,776
Unavailable revenues - special assessments	-	793,660	-	-	793,660
Total Deferred Inflows of Resources	<u>136,776</u>	<u>793,660</u>	<u>-</u>	<u>-</u>	<u>930,436</u>
Fund Balances					
Nonspendable	16,955	-	-	2,374	19,329
Restricted	14,500	1,999,192	-	703,792	2,717,484
Committed	-	-	-	349,109	349,109
Assigned	2,492	-	2,612,446	-	2,614,938
Unassigned	2,029,642	-	-	(9,892)	2,019,750
Total Fund Balances	<u>2,063,589</u>	<u>1,999,192</u>	<u>2,612,446</u>	<u>1,045,383</u>	<u>7,720,610</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,280,104</u>	<u>\$ 2,792,852</u>	<u>\$ 3,292,125</u>	<u>\$ 1,059,705</u>	<u>\$ 9,424,786</u>

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, 2025

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

Total Fund Balances - Governmental Funds	\$ 7,720,610
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	25,313,221
Less accumulated depreciation	(9,213,009)
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	667,946
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	(6,647,467)
Compensated absences payable	(84,158)
Net pension liability	(321,534)
Finance purchase agreement	(187,526)
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	136,776
Special assessments receivable	793,660
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	268,715
Deferred inflows of pension resources	(506,128)
Governmental funds do not report a liability for accrued interest until due and payable.	(69,632)
Total Net Position - Governmental Activities	\$ 17,871,474

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, 2025

	101	300's	250	Other	Total
	General	Debt Service	Capital Equipment	Governmental Funds	Governmental Funds
Revenues					
Taxes	\$ 3,256,669	\$ 713,594	\$ 54,550	\$ 126,990	\$ 4,151,803
Licenses and permits	217,460	-	-	-	217,460
Intergovernmental	890,130	-	-	99,966	990,096
Charges for services	286,522	-	-	19,631	306,153
Fines and forfeitures	2,846	-	-	688	3,534
Special assessments	5,287	124,540	-	-	129,827
Investment earnings	62,773	8,386	87,906	21,160	180,225
Miscellaneous	229,063	-	-	50,922	279,985
Total Revenues	<u>4,950,750</u>	<u>846,520</u>	<u>142,456</u>	<u>319,357</u>	<u>6,259,083</u>
Expenditures					
Current					
General government	939,120	-	-	-	939,120
Public safety	1,081,534	-	-	46,635	1,128,169
Public works	1,234,049	-	-	48,131	1,282,180
Culture and recreation	255,751	-	-	266,640	522,391
Housing and economic development	112,806	-	-	171,001	283,807
Capital outlay					
General government	-	-	73,010	-	73,010
Public works	31,194	-	15,191	-	46,385
Culture and recreation	113,176	-	83,300	35,141	231,617
Housing and economic development	-	-	-	48,595	48,595
Debt service					
Principal	380,312	705,215	-	22,000	1,107,527
Interest and other	-	162,696	5,955	13,200	181,851
Total Expenditures	<u>4,147,942</u>	<u>867,911</u>	<u>177,456</u>	<u>651,343</u>	<u>5,844,652</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>802,808</u>	<u>(21,391)</u>	<u>(35,000)</u>	<u>(331,986)</u>	<u>414,431</u>
Other Financing Sources (Uses)					
Transfers in	499,469	66,714	1,008,617	248,449	1,823,249
Transfers out	(796,389)	-	(240,896)	-	(1,037,285)
Total Other Financing Sources (Uses)	<u>(296,920)</u>	<u>66,714</u>	<u>767,721</u>	<u>248,449</u>	<u>785,964</u>
Net Change in Fund Balances	505,888	45,323	732,721	(83,537)	1,200,395
Fund Balances, January 1	<u>1,557,701</u>	<u>1,953,869</u>	<u>1,879,725</u>	<u>1,128,920</u>	<u>6,520,215</u>
Fund Balances, December 31	<u>\$ 2,063,589</u>	<u>\$ 1,999,192</u>	<u>\$ 2,612,446</u>	<u>\$ 1,045,383</u>	<u>\$ 7,720,610</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, 2025

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

Net Change in Fund Balances - Governmental Funds	\$ 1,200,395
<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	290,678
Depreciation expense	(784,552)
<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	727,215
Repayments of finance purchase arrangement	39,712
Repayments on contract for deed	340,600
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	5,972
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	140,059
Direct aid contributions	(1,189)
<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	(98,836)
Delinquent taxes	56,012
<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	(15,984)
Change in Net Position - Governmental Activities	\$ 1,900,082

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, 2025

	Business-type Activities - Enterprise Funds				
	601	602	603	Nonmajor Enterprise Funds	Total
	Water	Sewer	Evergreen Place		
Assets					
Current Assets					
Cash and temporary investments	\$ 1,895,820	\$ 2,059,234	\$ -	\$ 364,388	\$ 4,319,442
Cash restricted for security deposits	18,300	-	-	-	18,300
Receivables					
Accounts	34,424	52,899	-	1,649	88,972
Special assessments	22,420	19,883	-	-	42,303
Due from other funds	199,679	-	-	-	199,679
Prepaid items	2,383	4,875	-	3,872	11,130
Total Current Assets	<u>2,173,026</u>	<u>2,136,891</u>	<u>-</u>	<u>369,909</u>	<u>4,679,826</u>
Noncurrent Assets					
Special assessments	381,465	283,863	-	-	665,328
Capital assets					
Land	64,136	-	-	-	64,136
Buildings	253,732	1,119,364	-	169,154	1,542,250
Improvements other than buildings	-	-	-	177,234	177,234
Infrastructure	8,996,657	11,041,629	-	-	20,038,286
Machinery and equipment	890,211	1,595,329	-	40,892	2,526,432
Less accumulated depreciation	(4,239,716)	(7,229,755)	-	(151,200)	(11,620,671)
Total Capital Assets (Net of Accumulated Depreciation)	<u>5,965,020</u>	<u>6,526,567</u>	<u>-</u>	<u>236,080</u>	<u>12,727,667</u>
Total Noncurrent Assets	<u>6,346,485</u>	<u>6,810,430</u>	<u>-</u>	<u>236,080</u>	<u>13,392,995</u>
Total Assets	<u>8,519,511</u>	<u>8,947,321</u>	<u>-</u>	<u>605,989</u>	<u>18,072,821</u>
Deferred Outflows of Resources					
Deferred pension resources	19,663	21,734	-	17,920	59,317
Liabilities					
Current Liabilities					
Accounts payable	18,697	34,908	-	1,691	55,296
Accrued salaries payable	1,863	1,863	-	1,325	5,051
Accrued interest payable	30,007	26,555	-	-	56,562
Security deposits payable	18,300	-	-	-	18,300
Compensated absences - current portion	5,420	5,420	-	5,914	16,754
Bonds payable, current portion	129,715	86,950	-	-	216,665
Total Current Liabilities	<u>204,002</u>	<u>155,696</u>	<u>-</u>	<u>8,930</u>	<u>368,628</u>
Noncurrent Liabilities					
Compensated absences, net of current portion	1,976	1,976	-	9,952	13,904
Net pension liability	42,367	47,481	-	39,062	128,910
Bonds payable	1,799,240	1,575,273	-	-	3,374,513
Total Noncurrent Liabilities	<u>1,843,583</u>	<u>1,624,730</u>	<u>-</u>	<u>49,014</u>	<u>3,517,327</u>
Total Liabilities	<u>2,047,585</u>	<u>1,780,426</u>	<u>-</u>	<u>57,944</u>	<u>3,885,955</u>
Deferred Inflows of Resources					
Deferred pension resources	26,623	29,865	-	24,550	81,038
Net Position					
Net investment in capital assets	4,036,065	4,864,344	-	236,080	9,136,489
Unrestricted	2,428,901	2,294,420	-	305,335	5,028,656
Total Net Position	<u>\$ 6,464,966</u>	<u>\$ 7,158,764</u>	<u>\$ -</u>	<u>\$ 541,415</u>	<u>\$ 14,165,145</u>

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

City of Pine Island, Minnesota
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds				Total
	601	602	603	Nonmajor Enterprise Funds	
	Water	Sewer	Evergreen Place		
Operating Revenues					
Charges for services	\$ 635,661	\$ 889,539	\$ 209,254	\$ 234,098	\$ 1,968,552
Operating Expenses					
Personal services	157,038	165,929	-	180,549	503,516
Supplies	59,972	128,087	-	9,050	197,109
Other services and charges	69,205	220,500	220,567	45,253	555,525
Insurance	5,633	23,383	-	-	29,016
Utilities	23,831	126,201	22,970	8,134	181,136
Depreciation	283,780	341,017	18,877	15,816	659,490
Total Operating Expenses	<u>599,459</u>	<u>1,005,117</u>	<u>262,414</u>	<u>258,802</u>	<u>2,125,792</u>
Operating Income (Loss)	<u>36,202</u>	<u>(115,578)</u>	<u>(53,160)</u>	<u>(24,704)</u>	<u>(157,240)</u>
Nonoperating Revenues (Expenses)					
Interest income	74,040	73,268	7,517	17,178	172,003
Other income	13,112	-	-	14,203	27,315
Interest expense and other	(64,392)	(58,500)	-	-	(122,892)
Gain on sale of capital assets	-	-	363,579	-	363,579
Total Nonoperating Revenues (Expenses)	<u>22,760</u>	<u>14,768</u>	<u>371,096</u>	<u>31,381</u>	<u>440,005</u>
Income (Loss) Before Transfers and contributions	<u>58,962</u>	<u>(100,810)</u>	<u>317,936</u>	<u>6,677</u>	<u>282,765</u>
Capital contributions - special assessments	24,019	19,930	-	-	43,949
Transfers in	147,838	131,102	-	4,000	282,940
Transfers out	<u>(111,800)</u>	<u>(111,800)</u>	<u>(845,304)</u>	<u>-</u>	<u>(1,068,904)</u>
Change in Net Position	119,019	(61,578)	(527,368)	10,677	(459,250)
Net Position, January 1	<u>6,345,947</u>	<u>7,220,342</u>	<u>527,368</u>	<u>530,738</u>	<u>14,624,395</u>
Net Position, December 31	<u>\$ 6,464,966</u>	<u>\$ 7,158,764</u>	<u>\$ -</u>	<u>\$ 541,415</u>	<u>\$ 14,165,145</u>

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

City of Pine Island, Minnesota
Statement of Cash Flows (Continued on the Following Page)
Proprietary Funds
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds				Total
	601	602	603	Nonmajor Enterprise Funds	
	Water	Sewer	Evergreen Place		
Cash Flows from Operating Activities					
Receipts from tenants and users	\$ 654,429	\$ 899,284	\$ 187,916	\$ 246,652	\$ 1,988,281
Payments to suppliers	(146,049)	(475,909)	(245,795)	(62,490)	(930,243)
Payments to employees	(178,424)	(180,968)	-	(178,713)	(538,105)
Fees collected on behalf of state	-	-	-	82,615	82,615
Fees paid to state	-	-	-	(82,615)	(82,615)
Net Cash Provided (Used) by Operating Activities	<u>329,956</u>	<u>242,407</u>	<u>(57,879)</u>	<u>5,449</u>	<u>519,933</u>
Cash Flows from Noncapital and Related Financing Activities					
Transfers from other funds	147,838	131,102	-	4,000	282,940
Transfers to other funds	(111,800)	(111,800)	(845,304)	-	(1,068,904)
Decrease in due from other funds	49,517	-	-	-	49,517
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>85,555</u>	<u>19,302</u>	<u>(845,304)</u>	<u>4,000</u>	<u>(736,447)</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(18,197)	(26,185)	-	-	(44,382)
Capital contributions	33,659	82,881	-	-	116,540
Proceeds from sale of capital assets	-	-	743,617	-	743,617
Principal paid on long-term debt	(126,185)	(84,600)	-	-	(210,785)
Interest paid on long-term debt	(73,776)	(65,424)	-	-	(139,200)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(184,499)</u>	<u>(93,328)</u>	<u>743,617</u>	<u>-</u>	<u>465,790</u>
Cash Flows from Investing Activities					
Interest on investments	74,040	73,268	7,517	17,178	172,003
Net Increase (Decrease) in Cash and Cash Equivalents	305,052	241,649	(152,049)	26,627	421,279
Cash and Cash Equivalents, January 1	<u>1,609,068</u>	<u>1,817,585</u>	<u>152,049</u>	<u>337,761</u>	<u>3,916,463</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,914,120</u>	<u>\$ 2,059,234</u>	<u>\$ -</u>	<u>\$ 364,388</u>	<u>\$ 4,337,742</u>
Reconciliation to Statement of Net Position					
Cash and temporary investments	\$ 1,895,820	\$ 2,059,234	\$ -	\$ 364,388	\$ 4,319,442
Cash restricted for security deposits	<u>18,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,300</u>
Total Cash and Cash Equivalents	<u>\$ 1,914,120</u>	<u>\$ 2,059,234</u>	<u>\$ -</u>	<u>\$ 364,388</u>	<u>\$ 4,337,742</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, 2025

	Business-type Activities - Enterprise Funds				
	601	602	603	Nonmajor Enterprise Funds	Total
	Water	Sewer	Evergreen Place		
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating income (loss)	\$ 36,202	\$ (115,578)	\$ (53,160)	\$ (24,704)	\$ (157,240)
Adjustments to reconcile operating income to net cash provided by operating activities					
Other income related to operations	13,112	-	-	14,203	27,315
Depreciation	283,780	341,017	18,877	15,816	659,490
(Increase) decrease in assets/deferred outflows of resources					
Accounts receivable	(5,604)	(1,107)	-	(1,649)	(8,360)
Special assessments receivable	11,260	10,852	-	-	22,112
Prepaid items	(1,031)	(3,151)	781	(802)	(4,203)
Deferred pension resources	(7,025)	(8,998)	-	(7,248)	(23,271)
Increase (decrease) in liabilities/deferred inflows of resources					
Accounts payable	13,123	25,413	(3,039)	749	36,246
Accrued salaries payable	1,091	1,091	-	6,407	8,589
Security deposits payable	500	-	(21,338)	-	(20,838)
Net pension liability	(3,053)	2,058	-	939	(56)
Compensated absences payable	(9,585)	(9,585)	-	1,902	(17,268)
Deferred pension resources	(2,814)	395	-	(164)	(2,583)
 Net Cash Provided by Operating Activities	 <u>\$ 329,956</u>	 <u>\$ 242,407</u>	 <u>\$ (57,879)</u>	 <u>\$ 5,449</u>	 <u>\$ 519,933</u>
Schedule of Noncash Capital and Related Financing Activities					
Bond premium amortization	<u>\$ 6,218</u>	<u>\$ 5,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,732</u>
Book value of disposal/traded capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316,724</u>	<u>\$ -</u>	<u>\$ 316,724</u>

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

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City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

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 whom 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 are 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.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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 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.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 having received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and having 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. Obligations 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 the 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, or 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 (GICs) 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.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2025:

- Intermediate government mutual funds of \$120,738 are valued using quoted prices in active markets (Level 1 inputs)
- Brokered certificates of deposit of \$220,000 are valued using a matrix pricing model (Level 2 inputs)

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 contacting the League of Minnesota Cities Finance Department at 145 University Avenue West St. Paul, Minnesota, 55103-2044, or by calling (651) 281-1200.

Restricted Cash

Certain resources set aside for security deposits paid by citizens to the Water 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 Frandsen Bank and Trust.

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 2025. 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.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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 is 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.

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 back trending (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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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 assets 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.

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. The City also permits employees to accumulate standard sick leave. Full-time employees who have been employed for ten consecutive years will have 50 percent of accumulated and unused sick leave paid out to them. The City also estimates the amount likely to be used for the employees' remaining years of service and adds to noncurrent liability due within one year. Vacation and compensation pay is accrued in proprietary funds and reported as a liability. The total liability in the enterprise funds is shown in the table below. Compensated absences in the governmental funds at year end is shown in the chart below for governmental and business-type activities.

	Governmental Activities	Business-type Activities	Total
Compensated absences	\$ 84,158	\$ 30,658	\$ 114,816

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.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

	GERP	FRA	Total
City's proportionate share	\$ 5,381	\$ 49,572	\$ 54,953
Proportionate share of State's contribution	(1,667)	-	(1,667)
Total pension expense	<u>\$ 3,714</u>	<u>\$ 49,572</u>	<u>\$ 53,286</u>

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 effective interest 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 assets 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, that 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.

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.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Assigned – Amounts are 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 acquiring capital assets.
- b. Restricted net position - Consists of net position balances that are 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.

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 City Administrator so that a budget may be prepared. Before September 30, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in 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 2025.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2025, expenditures exceeded appropriations in the following funds:

Fund	Final Budget	Actual	Excess of Expenditures Over Appropriations
Major			
General fund	\$ 3,930,994	\$ 4,147,942	\$ 216,948

These excess expenditures were funded by greater than anticipated revenues.

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2025:

Fund	Amount
Nonmajor Capital Projects	
Brewing Company TIF 1-17	\$ 9,892

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

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;

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

- General obligation securities of any state or local government with taxing powers which are rated “A” or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which are 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 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, bank balance, FDIC coverage and pledged collateral are shown in the chart below.

Carrying amount of deposits	\$ 9,241,940
Bank balance	\$ 9,617,892
Covered by FDIC	500,000
Collateralized with securities pledged in City's name	\$ 9,117,892

Investments

As of December 31, 2025, 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	Level 3
Non-pooled Investments at Fair Value						
Mutual Funds - Intermediate Government	N/A	N/A	\$ 120,738	\$ 120,738	\$ -	\$ -
Brokered Certificates of Deposit	N/A	1 to 5 years	220,000	-	220,000	
Pooled Investments at Amortized Costs						
4M Fund	N/A	N/A	2,898,376	-	-	-
Brokered Money Market	N/A	N/A	41,310	-	-	-
Total			\$ 3,280,424	\$ 120,738	\$ 220,000	\$ -

(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.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

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 51 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, 2025, the City had invested 5.0 percent or more of its total investment portfolio in the following issuers: the 4M Fund (88.4) and Bank of China, NY (6.7).
- *Interest Rate Risk.* The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

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

Carrying Amount of Deposits	\$ 9,241,940
Investments	3,280,424
Cash on Hand	<u>900</u>
Total	<u><u>\$ 12,523,264</u></u>
Cash and Investments	
Unrestricted	
Primary government	\$ 12,335,721
Discretely presented component unit	137,202
Restricted cash	
Primary government	<u>50,341</u>
Total	<u><u>\$ 12,523,264</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 6 loans outstanding at year-end totaling \$52,595. The notes have interest rates between 0.0% and 5.0% and maturity dates from 2028 to 2030. They are secured by assets of the businesses.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 1,315,564	\$ 15,032	\$ -	\$ 1,330,596
Construction in progress	-	30,000	-	30,000
Total Capital Assets not Being Depreciated	<u>1,315,564</u>	<u>45,032</u>	<u>-</u>	<u>1,360,596</u>
Capital Assets Being Depreciated				
Land improvements	76,752	-	-	76,752
Buildings	804,606	40,251	-	844,857
Infrastructure	18,788,940	28,555	-	18,817,495
Machinery and equipment	4,036,681	176,840	-	4,213,521
Total Capital Assets Being Depreciated	<u>23,706,979</u>	<u>245,646</u>	<u>-</u>	<u>23,952,625</u>
Less Accumulated Depreciation for				
Land improvements	(76,752)	-	-	(76,752)
Buildings	(462,033)	(24,376)	-	(486,409)
Infrastructure	(5,626,148)	(531,227)	-	(6,157,375)
Machinery and equipment	(2,263,524)	(228,949)	-	(2,492,473)
Total Accumulated Depreciation	<u>(8,428,457)</u>	<u>(784,552)</u>	<u>-</u>	<u>(9,213,009)</u>
Total Capital Assets Being Depreciated, Net	<u>15,278,522</u>	<u>(538,906)</u>	<u>-</u>	<u>14,739,616</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,594,086</u>	<u>\$ (493,874)</u>	<u>\$ -</u>	<u>\$ 16,100,212</u>

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

Governmental Activities	
General government	\$ 3,622
Public safety	73,223
Public works	535,251
Culture and recreation	170,462
Housing and economic development	1,994
Total Depreciation Expense - Governmental Activities	<u>\$ 784,552</u>

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 64,136	\$ -	\$ -	\$ 64,136
Capital Assets Being Depreciated				
Buildings	2,963,078	-	(1,420,828)	1,542,250
Improvements other than buildings	177,234	-	-	177,234
Infrastructure	20,038,286	-	-	20,038,286
Machinery and equipment	2,549,393	20,074	(43,035)	2,526,432
Total Capital Assets Being Depreciated	25,727,991	20,074	(1,463,863)	24,284,202
Less Accumulated Depreciation for				
Buildings	(2,324,050)	(34,244)	1,045,169	(1,313,125)
Improvements other than buildings	(102,447)	(1,223)	-	(103,670)
Infrastructure	(8,023,949)	(507,613)	-	(8,531,562)
Machinery and equipment	(1,594,560)	(116,410)	38,656	(1,672,314)
Total Accumulated Depreciation	(12,045,006)	(659,490)	1,083,825	(11,620,671)
Total Capital Assets Being Depreciated, Net	13,682,985	(639,416)	(380,038)	12,663,531
Business-type Activities Capital Assets, Net	<u>\$ 13,747,121</u>	<u>\$ (639,416)</u>	<u>\$ (380,038)</u>	<u>\$ 12,727,667</u>

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

Business-type Activities	
Water	\$ 283,780
Sewer	341,017
Evergreen Place	18,877
Cemetery	10,469
Deputy Registrar	5,347
Total Depreciation Expense - Business-type Activities	<u>\$ 659,490</u>

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

D. Interfund Transfers

The composition of interfund transfers at December 31, 2025 is as follows:

Fund	Transfer In							Total
	General	Debt Service	Capital Equipment	Nonmajor Governmental	Water	Sewer	Nonmajor Enterprise	
Transfer Out								
General	\$ -	\$ -	\$ 265,000	\$ 248,449	\$ 147,838	\$ 131,102	\$ 4,000	\$ 796,389
Capital Equipment	240,896	-	-	-	-	-	-	240,896
Water	78,443	33,357	-	-	-	-	-	111,800
Sewer	78,443	33,357	-	-	-	-	-	111,800
Evergreen Place	101,687	-	743,617	-	-	-	-	845,304
Total	\$ 499,469	\$ 66,714	\$ 1,008,617	\$ 248,449	\$ 147,838	\$ 131,102	\$ 4,000	\$ 2,106,189

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

The City made one unbudgeted transfer, approved by resolution, from the Capital Equipment fund to the General fund for \$240,896 as reimbursement for the payoff of a contract for deed.

The City sold Evergreen in 2025 and made a transfer to allocate the funds to the General and Capital Equipment funds as approved by Council.

E. Long-term Debt

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.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2014B G.O Crossover Refunding Bonds	\$ 1,565,000	2.00 - 3.00 %	08/04/14	02/01/27	\$ 130,000
2017A G.O. Improvement Bond	1,175,000	1.25 - 3.13	06/20/17	02/01/33	680,000
2018A G.O. Improvement Bond	2,400,000	2.00 - 3.25	05/01/18	02/01/38	1,700,000
2020A G.O. Improvement Bond	1,965,000	2.05	06/01/20	02/01/36	1,498,000
2020B G.O. Refunding Bond	2,017,000	1.25	09/01/20	02/01/28	284,000
2021A G.O. Refunding Bond	2,650,000	1.85	11/03/21	02/01/44	<u>2,181,000</u>
Total General Obligation Improvement Bonds					<u>\$ 6,473,000</u>

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

The annual debt service requirements to maturity for general obligation improvement bonds outstanding at December 31, 2025 are as follows:

<u>Year Ending December 31,</u>	General Obligation Improvement Bonds		
	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 713,335	\$ 142,683	\$ 856,018
2027	574,566	128,840	703,406
2028	523,566	116,230	639,796
2029	509,000	104,194	613,194
2030	518,000	92,102	610,102
2031-2035	2,185,000	285,417	2,470,417
2036-2040	1,035,000	77,533	1,112,533
2041-2044	360,000	13,394	373,394
Total	<u>\$ 6,418,467</u>	<u>\$ 960,393</u>	<u>\$ 7,378,860</u>
<u>Year Ending December 31,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 31,665	\$ 393	\$ 32,058
2027	11,434	121	11,555
2028	11,434	41	11,475
Total	<u>\$ 54,533</u>	<u>\$ 555</u>	<u>\$ 55,088</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.

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O Tax Increment Note, Series 2017B	\$ 329,000	5.50 %	08/01/17	02/01/33	<u>\$ 229,000</u>

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

Annual debt service requirements to maturity for general obligation tax increment bonds outstanding at December 31, 2025 are as follows:

<u>Year Ending December 31,</u>	G.O. Tax Increment Bonds		
	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 24,000	\$ 11,935	\$ 35,935
2027	25,000	10,588	35,588
2028	26,000	9,185	35,185
2029	28,000	7,700	35,700
2030	29,000	6,133	35,133
2031-2033	97,000	8,168	105,168
Total	\$ 229,000	\$ 53,709	\$ 282,709

General Obligation Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future net operating revenues and transfers in from the enterprise funds and are backed by the taxing power of the City. Annual net operating revenues, principal and interest payments, and the percentage of revenue required to cover principal and interest payments are as follows:

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
2023A G.O Improvement and Refunding Bonds	\$ 3,650,000	3.57 %	07/10/23	02/01/39	<u>\$ 3,390,000</u>

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

<u>Year Ending December 31,</u>	Business-type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 185,000	\$ 131,900	\$ 316,900
2027	190,000	124,400	314,400
2028	200,000	116,600	316,600
2029	210,000	108,400	318,400
2030	215,000	99,900	314,900
2031-2035	1,225,000	359,500	1,584,500
2036-2039	1,165,000	95,500	1,260,500
Total	\$ 3,390,000	\$ 1,036,200	\$ 4,426,200

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

Finance Purchase Arrangement

The City entered into a finance purchase arrangement with Bell Bank for the purchase of a Street Sweeper. The details are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Street Sweeper	\$ 282,291	6.75 %	10/15/24	10/15/29	<u>\$ 187,526</u>

The annual requirements to amortize the financed purchase arrangement at December 31, 2025, are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 42,393	\$ 12,658	\$ 55,051
2027	45,255	9,796	55,051
2028	48,308	6,743	55,051
2029	51,570	3,481	55,051
Total	<u>\$ 187,526</u>	<u>\$ 32,678</u>	<u>\$ 220,204</u>

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

	Water	Sewer
Net Operating Revenues	\$ 635,661	\$ 889,539
Principal and Interest	199,961	150,024
Percentage of Revenues	31%	17%

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

During the year ended December 31, 2025, the following changes occurred in long-term liabilities.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 7,123,682	\$ -	\$ (705,215)	\$ 6,418,467	\$ 713,335
General obligation tax increment bonds	251,000	-	(22,000)	229,000	24,000
Total Bonds Payable	<u>7,374,682</u>	<u>-</u>	<u>(727,215)</u>	<u>6,647,467</u>	<u>737,335</u>
Finance purchase obligation	227,238	-	(39,712)	187,526	42,393
Contract for deed	340,600	-	(340,600)	-	-
Compensated absences payable*	68,174	15,984	-	84,158	38,762
Governmental Activities	<u>\$ 8,010,694</u>	<u>\$ 15,984</u>	<u>\$ (1,107,527)</u>	<u>\$ 6,919,151</u>	<u>\$ 818,490</u>
Business-type Activities					
Bonds Payable					
General obligation bonds	\$ 85,318	\$ -	\$ (30,785)	\$ 54,533	\$ 31,665
General obligation revenue bonds	3,570,000	-	(180,000)	3,390,000	185,000
Bond premium	158,377	-	(11,732)	146,645	-
Total Bonds Payable	<u>3,813,695</u>	<u>-</u>	<u>(222,517)</u>	<u>3,591,178</u>	<u>216,665</u>
Compensated absences payable*	42,012	-	(11,354)	30,658	16,754
Business-type Activities	<u>\$ 3,855,707</u>	<u>\$ -</u>	<u>\$ (233,871)</u>	<u>\$ 3,621,836</u>	<u>\$ 233,419</u>

*The change in the compensated absences liability is presented as a net change.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At December 31, 2025, 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	Other Governmental Funds	Total
Nonspendable					
Prepays	\$ 16,955	\$ -	\$ -	\$ 2,374	\$ 19,329
Restricted for					
Debt service	\$ -	\$ 1,999,192	\$ -	\$ -	\$ 1,999,192
Economic development	-	-	-	74,620	74,620
Revolving loan	-	-	-	161,954	161,954
DTED Land O'Lakes	-	-	-	329,308	329,308
Disaster relief	-	-	-	522	522
Charitable gambling donations	-	-	-	137,388	137,388
Community Mural	14,500	-	-	-	14,500
Total Restricted	\$ 14,500	\$ 1,999,192	\$ -	\$ 703,792	\$ 2,717,484
Committed to					
Capital equipment	\$ -	\$ -	\$ -	\$ 86,055	\$ 86,055
Capital projects	-	-	-	14,671	14,671
Library	-	-	-	248,383	248,383
Total Committed	\$ -	\$ -	\$ -	\$ 349,109	\$ 349,109
Assigned to					
Capital equipment	\$ -	\$ -	\$ 2,612,446	\$ -	\$ 2,612,446
Heritage preservation	2,492	-	-	-	2,492
Total Assigned	\$ 2,492	\$ -	\$ 2,612,446	\$ -	\$ 2,614,938
Unassigned	\$ 2,029,642	\$ -	\$ -	\$ (9,892)	\$ 2,019,750

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

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). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employee Plan Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced retirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. Recipients who have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

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

C. Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the City was required to contribute 7.50% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2025, were \$96,200. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2025, the City reported a liability of \$450,444 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 \$10,866.

City's proportionate share of the net pension liability	\$	450,444
State of Minnesota's proportionate share of the net pension liability associated with the City		10,866
Total	\$	461,310

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0136% at the end of the measurement period and 0.0122% for the beginning of the period.

For the year ended December 31, 2025, the City recognized pension expense of \$5,381 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional negative \$1,667 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.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

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

At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 42,917	\$ -
Changes in actuarial assumptions	10,853	103,646
Net difference between projected and actual investment earnings	-	179,236
Changes in proportion	68,210	-
Employer contributions subsequent to the measurement date	51,979	-
Total	\$ 173,959	\$ 282,882

The \$51,979 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2026	\$ (26,107)
2027	(61,285)
2028	(41,490)
2029	(32,020)

E. Long-term Expected Return on Investment

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:

Asset Class	Target Allocation	Long-term Expected Return on Investment
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

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

F. Actuarial Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25% for the General Employees Plan.
- Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2025:

General Employees Fund

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested, terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

G. Discount Rate

The discount rate used to measure the total pension liability in 2025 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current plan members. 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, 2025

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

H. 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 one percentage point lower or one percentage point higher than the current discount rate:

	1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
General Employees Fund	\$ 1,094,058	\$ 450,444	\$ (71,672)

I. 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.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

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, 2024, the plan covered 26 active firefighters and 3 vested terminated firefighters 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 firefighter 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 \$97,839 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2025, which was recorded as 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, 2025 were \$97,839. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At December 31, 2025, the City reported a net pension asset of \$667,946 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2024. 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, 2025

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, 2024	\$ 1,319,882	\$ 1,720,792	\$ (400,910)
Changes for the Year			
Service cost	77,339	-	77,339
Interest	68,104	-	68,104
Difference between expected and actual experience	(41,763)	-	(41,763)
Change in assumptions	(72,513)	-	(72,513)
Change of benefit terms	70,157	-	70,157
Contributions - State and local	-	108,443	(108,443)
Net investment income	-	266,248	(266,248)
Benefit payments	(199,997)	(199,997)	-
Administrative expenses	-	(6,331)	6,331
Total Net Changes	(98,673)	168,363	(267,036)
Ending Balance December 31, 2024	\$ 1,221,209	\$ 1,889,155	\$ (667,946)

For the year ended December 31, 2025, the City recognized pension expense of \$49,572.

At December 31, 2025, 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	\$ 6,530	\$ 90,037
Changes in Actuarial Assumptions	24,011	72,626
Net Difference Between Projected and Actual Earnings on Plan Investments	-	141,621
Contributions to Plan Subsequent to the Measurement Date	123,533	-
Total	\$ 154,074	\$ 304,284

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

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

Deferred outflows of resources totaling \$123,533 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, 2025. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2026	\$ (44,939)
2027	(18,794)
2028	(90,999)
2029	(51,895)
2030	(12,370)
Thereafter	(54,746)

E. Actuarial Assumptions

The total pension liability at December 31, 2025 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at 50 percent at age 50, 20 percent at ages 51-64 and 100 percent at age 65	
Discount rate	6.50%
Expected return on plan assets	6.50%
Inflation	2.50%

Since the prior measurement date, there were no changes in actuarial assumptions.

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	65.00 %	4.52 %
International Equity	-	5.08
Fixed Income	26.00	2.44
Real Estate	-	3.73
Cash	9.00	0.99
 Total	 <u>100.00 %</u>	

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

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

F. Discount Rate

The discount rate used to measure the total pension liability was 6.5 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 to 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.

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 (5.5%)	Current (6.5%)	1 Percent Increase (7.5%)
Defined Benefit Plan	\$ (606,709)	\$ (667,946)	\$ (725,913)

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.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 6: Other Information (Continued)

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 2025 for LGA was \$744,206. This accounted for 15.0 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 it is not aware of any instances of noncompliance that would have a material effect on the financial statements.

Note 7: Discontinued Operations – Disposal of Evergreen Place

Evergreen Place Property was sold in September 2025 for \$743,617, along with related assets. This component previously served as an assisted living facility, which was managed by Pine Haven, Inc. Remaining activity for Evergreen Place was transferred to Capital fund and General fund.

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 2025, the City contributed \$112,806 to the EDA for EDA operations.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PINE ISLAND
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Pine Island, Minnesota
 Required Supplementary Information
 For the Year Ended December 31, 2025

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
6/30/2025	0.0136 %	\$ 450,444	\$ 10,866	\$ 461,310	\$ 1,135,791	39.7 %	90.8 %
6/30/2024	0.0122	450,839	11,658	462,497	1,032,125	43.7	89.1
6/30/2023	0.0120	671,027	18,452	689,479	953,149	70.4	83.1
6/30/2022	0.0119	942,484	27,746	970,230	893,051	105.5	76.7
6/30/2021	0.0111	474,020	14,553	488,573	778,325	60.9	87.0
6/30/2020	0.0111	665,496	20,625	686,121	804,464	82.7	79.1
6/30/2019	0.0107	591,579	18,333	609,912	756,170	78.2	80.2
6/30/2018	0.0105	582,497	19,029	601,526	692,647	84.1	79.5
6/30/2017	0.0100	638,393	8,053	646,446	646,273	98.8	75.9
6/30/2016	0.0103	836,309	-	836,309	2,896,790	28.9	68.9

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)
12/31/2025	\$ 96,200	\$ 96,200	\$ -	\$ 1,282,669	7.50 %
12/31/2024	81,803	81,803	-	1,090,710	7.50
12/31/2023	74,932	74,932	-	999,095	7.50
12/31/2022	67,566	67,566	-	900,877	7.50
12/31/2021	63,858	63,858	-	851,443	7.50
12/31/2020	57,380	57,380	-	765,072	7.50
12/31/2019	59,873	59,873	-	798,307	7.50
12/31/2018	54,908	54,908	-	732,109	7.50
12/31/2017	48,453	48,453	-	646,038	7.50
12/31/2016	46,992	46,992	-	626,565	7.50

City of Pine Island, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2025 - The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members. The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

2024 - The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): Rates of merit and seniority were adjusted, resulting in slightly higher rates. Assumed rates of retirement were adjusted as follows: an increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members. Minor increase in assumed withdrawals for males and females. Lower rates of disability. Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study. Minor changes to form of payment assumptions for male and female retirees. Minor changes to assumptions made with respect to missing participant data.

2023 - The investment return and single discount rates were changed from 6.5 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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 decreased to 2.50 percent for inflation.

City of Pine Island, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - General Employee Retirement Fund (Continued)

Changes in Plan Provisions

2025 - The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%. The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 - The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors were updated to reflect the changes in assumptions.

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

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

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 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 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 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 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.

2016 - There were no changes in plan provisions since the previous valuation.

City of Pine Island, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 77,339	\$ 75,453	\$ 60,497	\$ 53,319	\$ 45,376	\$ 40,511	\$ 39,096	\$ 38,050	\$ 36,221	\$ 33,198
Interest	68,104	65,837	55,645	50,044	47,114	40,368	37,425	34,546	35,866	27,327
Changes of benefit terms	70,157	-	98,848	64,843	77,907	48,900	84,964	-	-	61,511
Differences between expected and actual experience	(41,763)	-	9,194	-	(23,604)	-	(77,025)	-	(28,723)	-
Changes of assumptions	(72,513)	-	(5,171)	-	25,317	-	17,376	-	12,519	(16,614)
Benefit payments, including refunds of employee contributions	(199,997)	-	(79,650)	(57,760)	(34,648)	-	-	(55,144)	(17,500)	(47,590)
Net Change in Total Pension Liability	(98,673)	141,290	139,363	110,446	137,462	129,779	101,836	17,452	38,383	57,832
Total Pension Liability - January 1	1,319,882	1,178,592	1,039,229	928,783	791,321	661,542	559,706	542,254	503,871	446,039
Total Pension Liability - December 31(a)	\$ 1,221,209	\$ 1,319,882	\$ 1,178,592	\$ 1,039,229	\$ 928,783	\$ 791,321	\$ 661,542	\$ 559,706	\$ 542,254	\$ 503,871
Plan Fiduciary Net Position										
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,000	\$ 11,000	\$ 11,000	\$ 26,160
Contributions - State and local	108,443	94,976	87,851	102,289	77,135	54,178	93,518	53,107	54,178	52,518
Net investment income	266,248	268,123	(280,651)	204,595	221,095	156,943	(19,853)	93,733	46,664	1,803
Other additions	-	-	-	577	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(199,997)	-	(79,650)	(57,760)	(34,648)	-	(11,000)	(66,144)	(11,500)	(47,590)
Administrative expense	(6,331)	(6,971)	(9,408)	(7,291)	(8,650)	(5,000)	(4,500)	(3,000)	(3,295)	(3,000)
Net Change in Plan Fiduciary Net Position	168,363	356,128	(281,858)	242,410	254,932	206,121	69,165	88,696	97,047	29,891
Plan Fiduciary Net Position - Beginning of Year	1,720,792	1,364,664	1,646,522	1,404,112	1,149,180	943,059	873,894	785,198	688,151	658,260
Plan Fiduciary Net Position - End of Year (b)	\$ 1,889,155	\$ 1,720,792	\$ 1,364,664	\$ 1,646,522	\$ 1,404,112	\$ 1,149,180	\$ 943,059	\$ 873,894	\$ 785,198	\$ 688,151
Fire Relief's Net Pension Liability (Asset) - End of Year (a-b)	\$ (667,946)	\$ (400,910)	\$ (186,072)	\$ (607,293)	\$ (475,329)	\$ (357,859)	\$ (281,517)	\$ (314,188)	\$ (242,944)	\$ (184,280)
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability (b/a)	154.70%	130.37%	115.79%	158.44%	151.18%	145.22%	142.55%	156.13%	144.80%	136.57%
Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to the Required Supplementary Information - Fire Relief Association:

Benefit Changes: The plan's funded status increased from 130.37% to 154.70% since the prior valuation. This change is primarily due to investment returns being greater than expected. Benefit payments were not present in 2024.

City of Pine Island, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2025

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Statutory Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/25	\$ 97,839	\$ 123,533	\$ (25,694)
12/31/24	83,634	96,895	(13,261)
12/31/23	72,831	85,706	(12,875)
12/31/22	65,351	77,851	(12,500)
12/31/21	59,789	71,789	(12,000)
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)

City of Pine Island, Minnesota
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Revenues			
Taxes	\$ 3,322,914	\$ 3,256,669	\$ (66,245)
Licenses and permits	97,000	217,460	120,460
Intergovernmental	846,817	890,130	43,313
Charges for services	270,019	286,522	16,503
Fines and forfeitures	3,000	2,846	(154)
Special assessments	2,000	5,287	3,287
Interest on investments	504	62,773	62,269
Miscellaneous	23,650	229,063	205,413
Total Revenues	<u>4,565,904</u>	<u>4,950,750</u>	<u>384,846</u>
Expenditures			
Current			
General government	809,277	939,120	(129,843)
Public safety	1,080,085	1,081,534	(1,449)
Public works	1,370,013	1,234,049	135,964
Culture and recreation	333,788	255,751	78,037
Housing and economic development	112,831	112,806	25
Capital outlay	225,000	144,370	80,630
Debt service	-	380,312	(380,312)
Total Expenditures	<u>3,930,994</u>	<u>4,147,942</u>	<u>(216,948)</u>
Excess of Revenues Over Expenditures	<u>634,910</u>	<u>802,808</u>	<u>167,898</u>
Other Financing Sources (Uses)			
Transfers in	161,479	499,469	337,990
Transfers out	(796,389)	(796,389)	-
Total Other Financing Sources (Uses)	<u>(634,910)</u>	<u>(296,920)</u>	<u>337,990</u>
Net Change in Fund Balances	-	505,888	505,888
Fund Balances, January 1	<u>1,557,701</u>	<u>1,557,701</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,557,701</u>	<u>\$ 2,063,589</u>	<u>\$ 505,888</u>

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

City of Pine Island, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - Budgetary Reporting

A. Budgetary Comparison Schedule

The budgetary comparison schedule presents the comparison of the final budget with actual amounts on a departmental level for the General Fund. The departmental level budgets are adopted on a basis consistent with generally accepted accounting principles. The fund balance reports revenues in the period in which it becomes measurable and available.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2025, expenditures exceeded appropriations in the following funds:

Fund	Final Budget	Actual	Excess of Expenditures Over Appropriations
Major General fund	\$ 3,930,994	\$ 4,147,942	\$ 216,948

These excess expenditures were funded by excess revenue greater than anticipated revenues.

C. Summary of Significant Budget Variances

The General fund revenues and expenditures varied significantly from final budget amounts as noted below:

Revenues

- Nonbusiness licenses and permits revenue exceeded final budgeted amounts due to more building permit revenue than anticipated at the time of final budget approval.
- Miscellaneous revenue exceeded final budgeted amounts due to reimbursement – direct costs revenue relating to the New Haven Annexation and Skyway expenses.

Expenditures

- Debt service payments were higher than expected due to the City paying off a contract for deed early.
- Other services and charges expenditures relating to Other General Government were over final budgeted amounts due to expenses relating to engineering fees for the Project Skyway.

D. Budgetary Compliance

There were no budgetary compliance violations for the fiscal year ending December 31, 2025.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF PINE ISLAND
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Pine Island, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2025

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and temporary investments	\$ 896,589	\$ 74,620	\$ 971,209
Restricted cash	32,041	-	32,041
Receivables			
Accounts	1,486	-	1,486
Notes	52,595	-	52,595
Prepaid items	2,374	-	2,374
	<u>2,374</u>	<u>-</u>	<u>2,374</u>
Total Assets	<u>\$ 985,085</u>	<u>\$ 74,620</u>	<u>\$ 1,059,705</u>
Liabilities			
Accounts payable	\$ 2,600	\$ -	\$ 2,600
Accrued salaries payable	1,830	-	1,830
Due to other funds	-	9,892	9,892
Total Liabilities	<u>4,430</u>	<u>9,892</u>	<u>14,322</u>
Fund Balances			
Nonspendable	2,374	-	2,374
Restricted	629,172	74,620	703,792
Committed	349,109	-	349,109
Unassigned	-	(9,892)	(9,892)
Total Fund Balances	<u>980,655</u>	<u>64,728</u>	<u>1,045,383</u>
	<u>\$ 985,085</u>	<u>\$ 74,620</u>	<u>\$ 1,059,705</u>
Total Liabilities and Fund Balances	<u>\$ 985,085</u>	<u>\$ 74,620</u>	<u>\$ 1,059,705</u>

City of Pine Island, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended December 31, 2025

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Tax increment	\$ -	\$ 126,990	\$ 126,990
Intergovernmental	99,966	-	99,966
Charges for services	19,631	-	19,631
Fines and forfeitures	688	-	688
Investment earnings	20,093	1,067	21,160
Miscellaneous	50,922	-	50,922
Total Revenues	<u>191,300</u>	<u>128,057</u>	<u>319,357</u>
Expenditures			
Current			
Public safety	46,635	-	46,635
Public works	48,131	-	48,131
Culture and recreation	266,640	-	266,640
Housing and economic development	1,500	169,501	171,001
Capital outlay			
Culture and recreation	35,141	-	35,141
Housing and economic development	-	48,595	48,595
Debt service			
Principal	-	22,000	22,000
Interest and other	-	13,200	13,200
Total Expenditures	<u>398,047</u>	<u>253,296</u>	<u>651,343</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(206,747)	(125,239)	(331,986)
Other Financing Sources (Uses)			
Transfers in	<u>248,449</u>	<u>-</u>	<u>248,449</u>
Net Change in Fund Balances	41,702	(125,239)	(83,537)
Fund Balances, January 1	<u>938,953</u>	<u>189,967</u>	<u>1,128,920</u>
Fund Balances, December 31	<u>\$ 980,655</u>	<u>\$ 64,728</u>	<u>\$ 1,045,383</u>

City of Pine Island, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2025

	211	245	246	260
	Library	Storm Water Utility	River Flood Monitor	Revolving Loan
Assets				
Cash and temporary investments	\$ 252,299	\$ 85,083	\$ 14,671	\$ 98,045
Restricted cash	-	-	-	32,041
Receivables				
Accounts	514	972	-	-
Notes	-	-	-	31,868
Prepaid items	2,374	-	-	-
	<u>2,374</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 255,187</u>	<u>\$ 86,055</u>	<u>\$ 14,671</u>	<u>\$ 161,954</u>
Liabilities				
Accounts payable	\$ 2,600	\$ -	\$ -	\$ -
Accrued salaries payable	1,830	-	-	-
Total Liabilities	<u>4,430</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	2,374	-	-	-
Restricted	-	-	-	161,954
Committed	248,383	86,055	14,671	-
Total Fund Balances	<u>250,757</u>	<u>86,055</u>	<u>14,671</u>	<u>161,954</u>
	<u>\$ 255,187</u>	<u>\$ 86,055</u>	<u>\$ 14,671</u>	<u>\$ 161,954</u>
Total Liabilities and Fund Balances	<u>\$ 255,187</u>	<u>\$ 86,055</u>	<u>\$ 14,671</u>	<u>\$ 161,954</u>

261 DTED Land O'Lakes	270 Disaster Relief	280 Charitable Gambling Donations	Total
\$ 308,581	\$ 522	\$ 137,388	\$ 896,589
-	-	-	32,041
-	-	-	1,486
20,727	-	-	52,595
-	-	-	2,374
<u>\$ 329,308</u>	<u>\$ 522</u>	<u>\$ 137,388</u>	<u>\$ 985,085</u>
\$ -	\$ -	\$ -	\$ 2,600
-	-	-	1,830
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,430</u>
-	-	-	2,374
329,308	522	137,388	629,172
-	-	-	349,109
<u>329,308</u>	<u>522</u>	<u>137,388</u>	<u>980,655</u>
<u>\$ 329,308</u>	<u>\$ 522</u>	<u>\$ 137,388</u>	<u>\$ 985,085</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, 2025

	211	245	246	260
	Library	Storm Water Utility	River Flood Monitor	Revolving Loan
Revenues				
Intergovernmental	\$ 99,966	\$ -	\$ -	\$ -
Charges for services	565	19,066	-	-
Fines and forfeitures	688	-	-	-
Investment earnings	11,182	2,931	94	1,859
Miscellaneous	1,004	-	-	-
Total Revenues	<u>113,405</u>	<u>21,997</u>	<u>94</u>	<u>1,859</u>
Expenditures				
Current				
Public safety	-	-	2,801	-
Public works	-	48,131	-	-
Culture and recreation	266,640	-	-	-
Housing and economic development	-	-	-	1,500
Capital outlay				
Culture and recreation	35,141	-	-	-
Total Expenditures	<u>301,781</u>	<u>48,131</u>	<u>2,801</u>	<u>1,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(188,376)	(26,134)	(2,707)	359
Other Financing Sources				
Transfers in	192,749	48,500	7,200	-
Net Change in Fund Balances	4,373	22,366	4,493	359
Fund Balances, January 1	<u>246,384</u>	<u>63,689</u>	<u>10,178</u>	<u>161,595</u>
Fund Balances, December 31	<u>\$ 250,757</u>	<u>\$ 86,055</u>	<u>\$ 14,671</u>	<u>\$ 161,954</u>

261 DTED Land O'Lakes	270 Disaster Relief	280 Charitable Gambling Donations	Total
\$ -	\$ -	\$ -	\$ 99,966
-	-	-	19,631
-	-	-	688
2,979	3	1,045	20,093
-	-	49,918	50,922
<u>2,979</u>	<u>3</u>	<u>50,963</u>	<u>191,300</u>
-	-	43,834	46,635
-	-	-	48,131
-	-	-	266,640
-	-	-	1,500
-	-	-	35,141
-	-	<u>43,834</u>	<u>398,047</u>
2,979	3	7,129	(206,747)
-	-	-	248,449
2,979	3	7,129	41,702
<u>326,329</u>	<u>519</u>	<u>130,259</u>	<u>938,953</u>
<u>\$ 329,308</u>	<u>\$ 522</u>	<u>\$ 137,388</u>	<u>\$ 980,655</u>

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, 2025

	<u>Budgeted Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 105,619	\$ 99,966	\$ (5,653)
Charges for services	450	565	115
Fines and forfeitures	500	688	188
Investment earnings	100	11,182	11,082
Miscellaneous	3,060	1,004	(2,056)
Total Revenues	<u>109,729</u>	<u>113,405</u>	<u>3,676</u>
Expenditures			
Current			
Culture and recreation			
Personal services	224,763	233,420	(8,657)
Supplies	4,950	4,030	920
Other services and charges	31,965	29,190	2,775
Capital outlay			
Culture and recreation	40,800	35,141	5,659
Total Expenditures	<u>302,478</u>	<u>301,781</u>	<u>697</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(192,749)	(188,376)	4,373
Other Financing Sources			
Transfers in	<u>192,749</u>	<u>192,749</u>	<u>-</u>
Net Change in Fund Balances	-	4,373	4,373
Fund Balances, January 1	<u>246,384</u>	<u>246,384</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 246,384</u>	<u>\$ 250,757</u>	<u>\$ 4,373</u>

City of Pine Island, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2025

	382	392	393	
	Brewing Company TIF 1-17	Wazuweeta Woods TIF 1-10	Downtown Development TIF 1-9	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets				
Cash and temporary investments	\$ -	\$ -	\$ 74,620	\$ 74,620
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities				
Due to other funds	\$ 9,892	\$ -	\$ -	\$ 9,892
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances				
Restricted	-	-	74,620	74,620
Unassigned	(9,892)	-	-	(9,892)
Total Fund Balances	<u>(9,892)</u>	<u> </u>	<u>74,620</u>	<u>64,728</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,620</u>	<u>\$ 74,620</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, 2025

	382 Brewing Company TIF 1-17	392 Wazuweeta Woods TIF 1-10	393 Downtown Development TIF 1-9	Total
Revenues				
Tax increment	\$ 16,750	\$ 35,086	\$ 75,154	\$ 126,990
Investment earnings	-	771	296	1,067
Total Revenues	<u>16,750</u>	<u>35,857</u>	<u>75,450</u>	<u>128,057</u>
Expenditures				
Current				
Housing and economic development	933	167,635	933	169,501
Capital outlay				
Housing and economic development	15,075	-	33,520	48,595
Debt service				
Principal	-	-	22,000	22,000
Interest and other	-	-	13,200	13,200
Total Expenditures	<u>16,008</u>	<u>167,635</u>	<u>69,653</u>	<u>253,296</u>
Net Change in Fund Balances	742	(131,778)	5,797	(125,239)
Fund Balances, January 1	<u>(10,634)</u>	<u>131,778</u>	<u>68,823</u>	<u>189,967</u>
Fund Balances, December 31	<u>\$ (9,892)</u>	<u>\$ -</u>	<u>\$ 74,620</u>	<u>\$ 64,728</u>

City of Pine Island, Minnesota
 Nonmajor Proprietary Funds
 Combining Statement of Net Position
 December 31, 2025

	Business-type Activities - Enterprise Funds		
	604	871	
	Cemetery	Deputy Registrar	Total
Assets			
Current Assets			
Cash and temporary investments	\$ 359,411	\$ 4,977	\$ 364,388
Receivables			
Accounts	-	1,649	1,649
Prepaid items	-	3,872	3,872
Total Current Assets	<u>359,411</u>	<u>10,498</u>	<u>369,909</u>
Noncurrent Assets			
Capital assets			
Buildings	15,500	153,654	169,154
Improvements other than buildings	177,234	-	177,234
Machinery and equipment	31,346	9,546	40,892
Less accumulated depreciation	<u>(132,687)</u>	<u>(18,513)</u>	<u>(151,200)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>91,393</u>	<u>144,687</u>	<u>236,080</u>
Total Assets	<u>450,804</u>	<u>155,185</u>	<u>605,989</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>-</u>	<u>17,920</u>	<u>17,920</u>
Liabilities			
Current Liabilities			
Accounts payable	1,138	553	1,691
Accrued salaries payable	80	1,245	1,325
Compensated absences payable	-	5,914	5,914
Total Current Liabilities	<u>1,218</u>	<u>7,712</u>	<u>8,930</u>
Noncurrent Liabilities			
Compensated absences, net of current portion	-	9,952	9,952
Net pension liability	<u>-</u>	<u>39,062</u>	<u>39,062</u>
Total Noncurrent Liabilities	<u>-</u>	<u>49,014</u>	<u>49,014</u>
Total Liabilities	<u>1,218</u>	<u>56,726</u>	<u>57,944</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>-</u>	<u>24,550</u>	<u>24,550</u>
Net Position			
Investment in capital assets	91,393	144,687	236,080
Unrestricted	<u>358,193</u>	<u>(52,858)</u>	<u>305,335</u>
Total Net Position	<u>\$ 449,586</u>	<u>\$ 91,829</u>	<u>\$ 541,415</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, 2025

	Business-type Activities - Enterprise Funds		
	604	871	Total
	Cemetery	Deputy Registrar	
Operating Revenues			
Charges for services	\$ 45,090	\$ 189,008	\$ 234,098
Operating Expenses			
Personal services	11,433	169,116	180,549
Supplies	6,915	2,135	9,050
Other services and charges	26,883	18,370	45,253
Utilities	3,111	5,023	8,134
Depreciation	10,469	5,347	15,816
Total Operating Expenses	<u>58,811</u>	<u>199,991</u>	<u>258,802</u>
Operating Income (Loss)	<u>(13,721)</u>	<u>(10,983)</u>	<u>(24,704)</u>
Nonoperating Revenues			
Interest income	17,108	70	17,178
Other income	3,395	10,808	14,203
Total Nonoperating Revenues	<u>20,503</u>	<u>10,878</u>	<u>31,381</u>
Income (Loss) Before Transfers	6,782	(105)	6,677
Transfers In	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Change in Net Position	10,782	(105)	10,677
Net Position, January 1	<u>438,804</u>	<u>91,934</u>	<u>530,738</u>
Net Position, December 31	<u>\$ 449,586</u>	<u>\$ 91,829</u>	<u>\$ 541,415</u>

City of Pine Island, Minnesota
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds		
	604	871	
	Cemetery	Deputy Registrar	Total
Cash Flows from Operating Activities			
Receipts from users	\$ 48,485	\$ 198,167	\$ 246,652
Payments to suppliers	(35,441)	(27,049)	(62,490)
Payments to employees	(11,403)	(167,310)	(178,713)
Fees collected on behalf of State of Minnesota	-	82,615	82,615
Fees paid to State of Minnesota	-	(82,615)	(82,615)
Net Cash Provided (Used)			
By Operating Activities	<u>1,641</u>	<u>3,808</u>	<u>5,449</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>17,108</u>	<u>70</u>	<u>17,178</u>
Net Increase (decrease) in Cash and Cash Equivalents	22,749	3,878	26,627
Cash and Cash Equivalents, January 1	<u>336,662</u>	<u>1,099</u>	<u>337,761</u>
Cash and Cash Equivalents, December 31	<u>\$ 359,411</u>	<u>\$ 4,977</u>	<u>\$ 364,388</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ (13,721)	\$ (10,983)	\$ (24,704)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Other income related to operations	3,395	10,808	14,203
Depreciation	10,469	5,347	15,816
(Increase) decrease in assets			
Accounts receivable	-	(1,649)	(1,649)
Prepaid items	330	(1,132)	(802)
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	-	(7,248)	(7,248)
Increase (decrease) in liabilities/deferred inflows of resources			
Accounts payable	1,138	(389)	749
Accrued salaries payable	30	6,377	6,407
Net pension liability	-	939	939
Compensated absences payable	-	1,902	1,902
Deferred pension resources	-	(164)	(164)
Net Cash Provided by Operating Activities	<u>\$ 1,641</u>	<u>\$ 3,808</u>	<u>\$ 5,449</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, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Revenues			
Taxes			
Property	\$ 3,287,914	\$ 3,227,441	\$ (60,473)
Franchise	35,000	29,228	(5,772)
Total taxes	<u>3,322,914</u>	<u>3,256,669</u>	<u>(66,245)</u>
Licenses and permits			
Business	14,500	26,269	11,769
Nonbusiness	82,500	191,191	108,691
Total licenses and permits	<u>97,000</u>	<u>217,460</u>	<u>120,460</u>
Intergovernmental			
Federal			
Other federal aids	10,000	-	(10,000)
State			
Local government aid	744,206	744,206	-
Agricultural market value credit	800	1,009	209
Fire state aid	83,634	97,839	14,205
Small cities assistance program	-	33,220	33,220
Other	8,177	13,856	5,679
Total state	<u>836,817</u>	<u>890,130</u>	<u>53,313</u>
Total intergovernmental	<u>846,817</u>	<u>890,130</u>	<u>43,313</u>
Charges for services			
General government	11,325	15,573	4,248
Public safety	195,794	182,992	(12,802)
Public works	2,900	3,432	532
Culture and recreation	60,000	84,525	24,525
Total charges for services	<u>270,019</u>	<u>286,522</u>	<u>16,503</u>
Fines and forfeitures	3,000	2,846	(154)
Special assessments	2,000	5,287	3,287
Investment earnings	504	62,773	62,269
Miscellaneous			
Other	23,650	229,063	205,413
Total Revenues	<u>4,565,904</u>	<u>4,950,750</u>	<u>384,846</u>
Expenditures			
Current			
General government			
Mayor and council			
Personal services	20,000	21,026	(1,026)
Supplies	2,000	258	1,742
Other services and charges	19,405	4,920	14,485
Total mayor and council	<u>41,405</u>	<u>26,204</u>	<u>15,201</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, 2025

	<u>Budgeted Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Expenditures (Continued)			
Current (continued)			
General government (continued)			
Elections			
Personal services	\$ -	\$ (552)	\$ 552
Other services and charges	500	-	500
Total elections	<u>500</u>	<u>(552)</u>	<u>1,052</u>
Other general government			
Personal services	484,315	485,942	(1,627)
Supplies	8,200	4,105	4,095
Other services and charges	274,857	423,421	(148,564)
Total other general government	<u>767,372</u>	<u>913,468</u>	<u>(146,096)</u>
Total general government	<u>809,277</u>	<u>939,120</u>	<u>(129,843)</u>
Public safety			
Police			
Contracted services	466,667	465,389	1,278
Fire protection			
Personal services	126,486	108,750	17,736
2% fire aid	83,634	97,839	(14,205)
Supplies	25,545	13,034	12,511
Other services and charges	88,075	90,861	(2,786)
Total fire protection	<u>323,740</u>	<u>310,484</u>	<u>13,256</u>
Rural fire fighting			
Personal services	87,319	84,753	2,566
Supplies	25,100	12,406	12,694
Other services and charges	83,375	92,148	(8,773)
Total rural fire fighting	<u>195,794</u>	<u>189,307</u>	<u>6,487</u>
Inspections			
Supplies	50	-	50
Other services and charges	72,500	102,610	(30,110)
Total inspections	<u>72,550</u>	<u>102,610</u>	<u>(30,060)</u>
Public safety (continued)			
Civil defense			
Personal services	6,909	6,818	91
Supplies	5,500	21	5,479
Other services and charges	8,250	6,880	1,370
Total civil defense	<u>20,659</u>	<u>13,719</u>	<u>6,940</u>
Animal control			
Supplies	275	25	250
Other services and charges	400	-	400
Total animal control	<u>675</u>	<u>25</u>	<u>650</u>
Total public safety	<u>1,080,085</u>	<u>1,081,534</u>	<u>(1,449)</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, 2025

	<u>Budgeted Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Expenditures (Continued)			
Current (continued)			
Public works			
Streets and alleys			
Personal services	\$ 529,083	\$ 485,160	\$ 43,923
Supplies	133,300	120,201	13,099
Other services and charges	640,930	561,730	79,200
Total streets and alleys	<u>1,303,313</u>	<u>1,167,091</u>	<u>136,222</u>
Street lighting			
Supplies	3,000	1,751	1,249
Other services and charges	60,600	63,882	(3,282)
Total street lighting	<u>63,600</u>	<u>65,633</u>	<u>(2,033)</u>
Weed control			
Supplies	50	-	50
Other services and charges	3,050	1,325	1,725
Total weed control	<u>3,100</u>	<u>1,325</u>	<u>1,775</u>
Total public works	<u>1,370,013</u>	<u>1,234,049</u>	<u>135,964</u>
Culture and recreation			
Swimming pool			
Personal services	91,496	67,353	24,143
Supplies	19,050	13,516	5,534
Other services and charges	68,700	36,757	31,943
Total swimming pool	<u>179,246</u>	<u>117,626</u>	<u>61,620</u>
Parks			
Personal services	67,992	71,328	(3,336)
Supplies	23,200	11,538	11,662
Other services and charges	63,350	55,259	8,091
Total parks	<u>154,542</u>	<u>138,125</u>	<u>16,417</u>
Total culture and recreation	<u>333,788</u>	<u>255,751</u>	<u>78,037</u>
Housing and economic development			
Supplies	25	-	25
Other services and charges	112,806	112,806	-
Total housing and economic development	<u>112,831</u>	<u>112,806</u>	<u>25</u>
Total current	<u>3,705,994</u>	<u>3,623,260</u>	<u>82,734</u>
Capital outlay			
Public safety	10,000	-	10,000
Public works	100,000	31,194	68,806
Culture and recreation	115,000	113,176	1,824
Total capital outlay	<u>225,000</u>	<u>144,370</u>	<u>80,630</u>
Debt service			
Principal	-	380,312	(380,312)
Total Expenditures	<u>3,930,994</u>	<u>4,147,942</u>	<u>(216,948)</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, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Excess of Revenues Over Expenditures	\$ 634,910	\$ 802,808	\$ 167,898
Other Financing Sources (Uses)			
Transfers in	161,479	499,469	337,990
Transfers out	(796,389)	(796,389)	-
Total Other Financing Sources (Uses)	(634,910)	(296,920)	337,990
Net Change in Fund Balances	-	505,888	505,888
Fund Balances, January 1	1,557,701	1,557,701	-
Fund Balances, December 31	\$ 1,557,701	\$ 2,063,589	\$ 505,888

City of Pine Island, Minnesota

Debt Service Funds

Combining Balance Sheet

December 31, 2025

	308 2018A G.O. Improvement Bonds	312 2017A G.O. Improvement Bonds	313 2020A G.O. Improvement Bonds	314 2020B G.O. Refunding Bonds
Assets				
Cash and temporary investments	\$ 186,142	\$ 230,332	\$ 316,940	\$ 650,332
Receivables				
Special assessments	-	116,509	247,747	203,567
Total Assets	<u>\$ 186,142</u>	<u>\$ 346,841</u>	<u>\$ 564,687</u>	<u>\$ 853,899</u>
Deferred Inflows of Resources				
Unavailable revenues - special assessments	\$ -	\$ 116,439	\$ 247,253	\$ 203,567
Fund Balances				
Restricted	<u>186,142</u>	<u>230,402</u>	<u>317,434</u>	<u>650,332</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 186,142</u>	<u>\$ 346,841</u>	<u>\$ 564,687</u>	<u>\$ 853,899</u>

315 2021A G.O. Refunding Bonds	323 2014B Crossover Refunding	Total
\$ 331,947	\$ 280,728	\$ 1,996,421
<u>228,608</u>	<u>-</u>	<u>796,431</u>
<u><u>\$ 560,555</u></u>	<u><u>\$ 280,728</u></u>	<u><u>\$ 2,792,852</u></u>
\$ 226,401	\$ -	\$ 793,660
<u>334,154</u>	<u>280,728</u>	<u>1,999,192</u>
<u><u>\$ 560,555</u></u>	<u><u>\$ 280,728</u></u>	<u><u>\$ 2,792,852</u></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, 2025

	308 2018A G.O. Improvement Bonds	312 2017A G.O. Improvement Bonds	313 2020A G.O. Improvement Bonds	314 2020B G.O. Refunding Bonds
Revenues				
Property taxes	\$ 165,368	\$ 66,674	\$ 91,836	\$ 142,574
Special assessments	-	21,289	49,833	19,588
Investment earnings	485	1,047	1,407	2,905
Total Revenues	<u>165,853</u>	<u>89,010</u>	<u>143,076</u>	<u>165,067</u>
Expenditures				
Debt service				
Principal	105,000	75,000	120,000	178,215
Interest and other	55,364	21,720	31,939	4,856
Total Expenditures	<u>160,364</u>	<u>96,720</u>	<u>151,939</u>	<u>183,071</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,489	(7,710)	(8,863)	(18,004)
Other Financing Sources (Uses)				
Transfers in	-	-	-	57,658
Net Change in Fund Balances	5,489	(7,710)	(8,863)	39,654
Fund Balances, January 1	<u>180,653</u>	<u>238,112</u>	<u>326,297</u>	<u>610,678</u>
Fund Balances, December 31	<u>\$ 186,142</u>	<u>\$ 230,402</u>	<u>\$ 317,434</u>	<u>\$ 650,332</u>

315 2021A G.O. Refunding Bonds	323 2014B Crossover Refunding	Total
\$ 183,853	\$ 63,289	\$ 713,594
33,830	-	124,540
1,121	1,421	8,386
<u>218,804</u>	<u>64,710</u>	<u>846,520</u>
162,000	65,000	705,215
42,647	6,170	162,696
<u>204,647</u>	<u>71,170</u>	<u>867,911</u>
14,157	(6,460)	(21,391)
-	9,056	66,714
14,157	2,596	45,323
<u>319,997</u>	<u>278,132</u>	<u>1,953,869</u>
<u>\$ 334,154</u>	<u>\$ 280,728</u>	<u>\$ 1,999,192</u>

City of Pine Island, Minnesota
 Economic Development Authority
 (Discretely Presented Component Unit)
 Balance Sheet
 December 31, 2025

	255 Economic Development Authority <hr style="border: 0.5px solid black;"/>
Assets	
Cash and temporary investments	<u>\$ 137,202</u>
Liabilities	
Accounts payable	\$ 96
Fund balances	
Assigned for economic development	<u>\$ 137,106</u>
Total Liabilities and Fund Balances	<u><u>\$ 137,202</u></u>

City of Pine Island, Minnesota
 Economic Development Authority
 (Discretely Presented Component Unit)
 Statement of Revenues, Expenditures and
 Changes in Fund Balance/Net Position
 For the Year Ended December 31, 2025

	255 Economic Development Authority <hr/>
Revenues	
Intergovernmental	\$ 162,114
Interest on investments	1,035
Miscellaneous	112,806
Total Revenues	<hr/> 275,955
Expenditures	
Current	
Economic development	<hr/> 262,978
Net change in Fund Balances/Net Position	12,977
Fund Balance/Net Position, January 1	<hr/> 124,129
Fund Balance/Net Position, December 31	<hr/> <hr/> <u>\$ 137,106</u>

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, 2025

	<u>Budgeted Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ -	\$ 162,114	\$ 162,114
Interest on investments	100	1,035	935
Miscellaneous	112,806	112,806	-
Total Revenues	<u>112,906</u>	<u>275,955</u>	<u>163,049</u>
Expenditures			
Current			
Economic development			
Supplies	1,370	725	645
Other services and charges	111,536	262,253	(150,717)
Total Expenditures	<u>112,906</u>	<u>262,978</u>	<u>(150,072)</u>
Net Change in Fund Balances	-	12,977	12,977
Fund Balances, January 1	<u>124,129</u>	<u>124,129</u>	-
Fund Balances, December 31	<u>\$ 124,129</u>	<u>\$ 137,106</u>	<u>\$ 12,977</u>

OTHER REQUIRED REPORT

CITY OF PINE ISLAND
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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**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, 2025, and the related notes to the financial statements that collectively comprise the City’s basic financial statements, and have issued our report thereon dated April 17, 2026.

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
Minneapolis, Minnesota
April 17, 2026