

Annual Financial Report

City of Pine Island

Pine Island, Minnesota

For the Year Ended
December 31, 2019

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Annual Financial Report
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INTRODUCTORY SECTION

CITY OF PINE ISLAND
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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City of Pine Island, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2019

ELECTED

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

APPOINTED

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

FOR THE YEAR ENDED
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Pine Island, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Pine Island, Minnesota (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Standards

As described in Note 8 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 84, Fiduciary Activities, for the year ended December 31, 2019. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

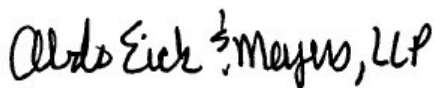
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions, the related note disclosures, and the Schedule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

Other Information

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

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

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



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 6, 2020

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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, 2019.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$23,669,384 (*net position*). Of this amount, \$3,817,257 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$440,936. This increase is due to governmental activities increasing \$339,205 and business-type activities increasing \$101,731.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,580,656, a decrease of \$1,513,945 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,017,557 or 40.3 percent of total General fund expenditures. The City has a policy to build and maintain a General fund working capital balance of 35 percent of expenditures.
- The City's total debt decreased \$927,000 during the current fiscal year, which is due to regularly scheduled debt service payments.

Overview of the Financial Statements

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

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

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

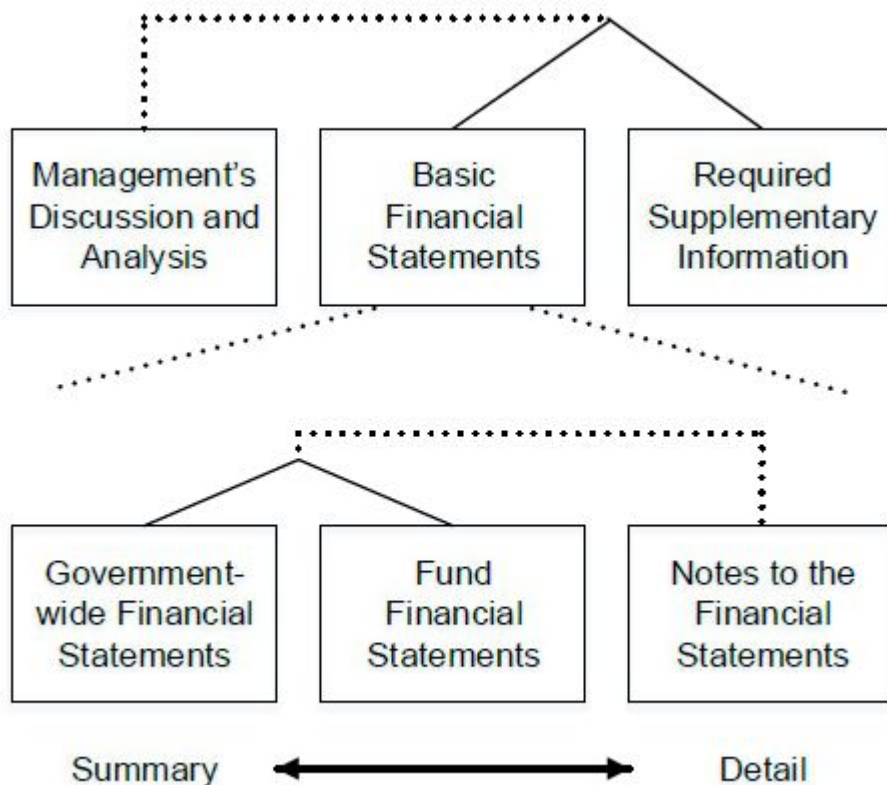


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • 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 year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

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

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

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

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

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

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

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

The City maintains several individual governmental funds, seven of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances (deficits) for the General fund, Debt Service fund, Capital Equipment fund, and the 2018 Pool Project, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$23,669,384 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$16,879,045 or 71.3 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Pine Island's Summary of Net position

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Assets						
Current and other assets	\$ 5,169,290	\$ 6,931,104	\$ (1,761,814)	\$ 3,885,492	\$ 3,394,837	\$ 490,655
Capital assets	15,720,576	14,531,884	1,188,692	11,661,544	12,167,677	(506,133)
Total Assets	<u>20,889,866</u>	<u>21,462,988</u>	<u>(573,122)</u>	<u>15,547,036</u>	<u>15,562,514</u>	<u>(15,478)</u>
Deferred Outflows of Resources						
Deferred pension resources	182,222	163,639	18,583	17,080	23,856	(6,776)
Liabilities						
Long-term liabilities outstanding	10,337,165	11,145,520	(808,355)	844,325	956,213	(111,888)
Other liabilities	324,984	414,928	(89,944)	1,253,663	1,257,509	(3,846)
Total Liabilities	<u>10,662,149</u>	<u>11,560,448</u>	<u>(898,299)</u>	<u>2,097,988</u>	<u>2,213,722</u>	<u>(115,734)</u>
Deferred Inflows of Resources						
Deferred pension resources	181,428	176,873	4,555	25,255	33,506	(8,251)
Net Position						
Net investment in capital assets	6,345,516	5,439,943	905,573	10,533,529	10,791,799	(258,270)
Restricted for						
Debt service	2,373,852	2,047,466	326,386	-	-	-
Economic development	138,395	152,334	(13,939)	-	-	-
River flood monitor	6,752	10,206	(3,454)	-	-	-
Revolving loan	157,408	156,148	1,260	-	-	-
DTED Land o'lakes	296,161	288,086	8,075	-	-	-
Disaster relief	514	14	500	-	-	-
Charitable gambling donations	-	46,155	(46,155)	-	-	-
Unrestricted	909,913	1,748,954	(839,041)	2,907,344	2,547,343	360,001
Total Net Position	<u>\$ 10,228,511</u>	<u>\$ 9,889,306</u>	<u>\$ 339,205</u>	<u>\$ 13,440,873</u>	<u>\$ 13,339,142</u>	<u>\$ 101,731</u>

An additional portion of the City's net position (\$2,973,082) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$3,817,257) may be used to meet the City's ongoing obligations to citizens and creditors.

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

Statement of Activities. The total change in net position was an increase of \$440,936. Governmental-type activities increased \$339,205 and business-type activities increased \$101,731 during the year. The changes are highlighted below:

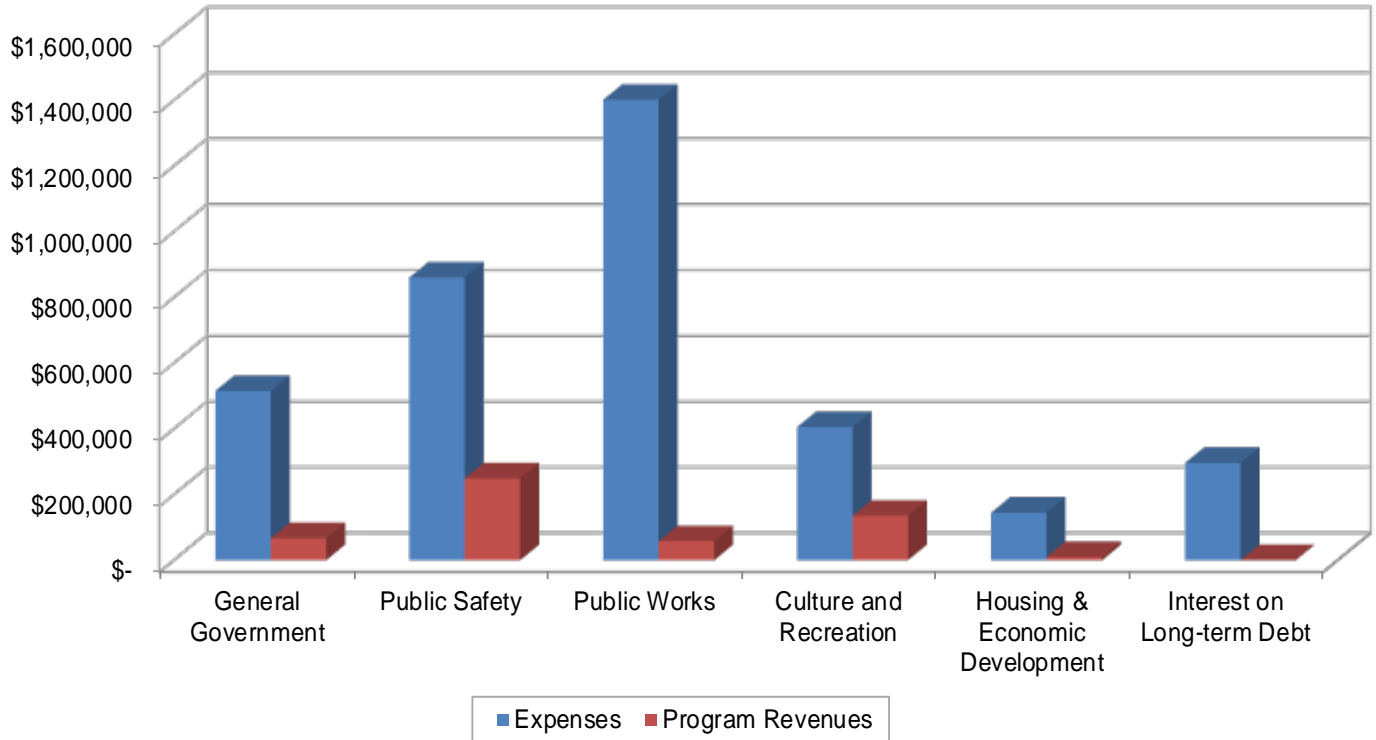
City of Pine Island's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 289,596	\$ 257,613	\$ 31,983	\$ 1,721,649	\$ 1,625,721	\$ 95,928
Operating grants and contributions	170,830	147,062	23,768	530	100	430
Capital grants and contributions	57,368	63,207	(5,839)	-	512	(512)
General revenues						
Taxes	2,558,190	2,471,121	87,069	-	-	-
Grants and contributions not restricted to specific programs	616,012	615,522	490	-	-	-
Unrestricted investment earnings	36,357	40,425	(4,068)	114,988	32,366	82,622
Gain on sale of capital assets	-	-	-	-	-	-
Total Revenues	<u>3,728,353</u>	<u>3,594,950</u>	<u>133,403</u>	<u>1,837,167</u>	<u>1,658,699</u>	<u>178,468</u>
Expenses						
General government	514,791	392,573	122,218	-	-	-
Public safety	860,190	779,137	81,053	-	-	-
Public works	1,400,885	1,264,216	136,669	-	-	-
Culture and recreation	405,294	356,112	49,182	-	-	-
Housing and economic development	144,665	140,283	4,382	-	-	-
Debt service	296,095	326,805	(30,710)	-	-	-
Water	-	-	-	386,142	405,233	(19,091)
Sewer	-	-	-	787,390	740,094	47,296
Evergreen Place	-	-	-	231,918	235,587	(3,669)
Cemetery	-	-	-	34,468	29,294	5,174
Deputy Register	-	-	-	62,746	51,642	11,104
Total Expenses	<u>3,621,920</u>	<u>3,259,126</u>	<u>362,794</u>	<u>1,502,664</u>	<u>1,461,850</u>	<u>40,814</u>
Change in Net Position						
Before Transfers	106,433	335,824	(229,391)	334,503	196,849	137,654
Operating Transfers	232,772	219,140	13,632	(232,772)	(219,140)	(13,632)
Capital Transfers	-	(595,505)	595,505	-	595,505	(595,505)
Increase (Decrease) in Net Position	339,205	(40,541)	379,746	101,731	573,214	(471,483)
Net Position, January 1 as	<u>9,889,306</u>	<u>9,929,847</u>	<u>(40,541)</u>	<u>13,339,142</u>	<u>12,765,928</u>	<u>573,214</u>
Net Position, December 31	<u>\$ 10,228,511</u>	<u>\$ 9,889,306</u>	<u>\$ 339,205</u>	<u>\$ 13,440,873</u>	<u>\$ 13,339,142</u>	<u>\$ 101,731</u>

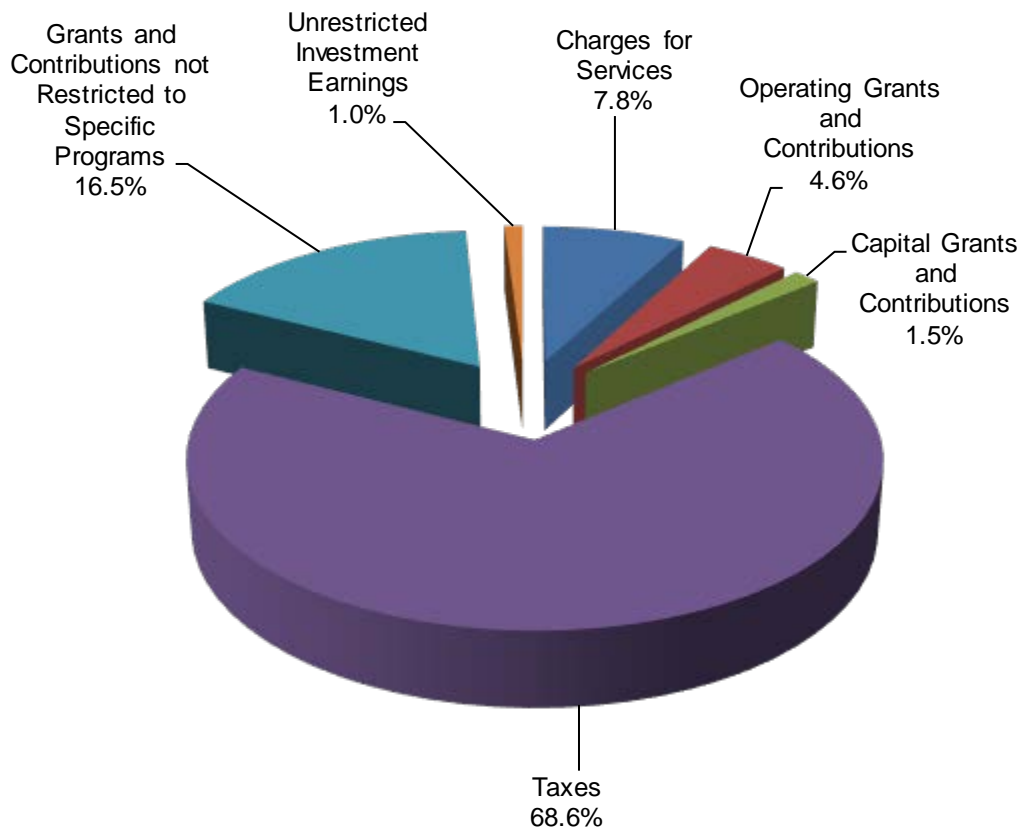
- The \$95,928 increase in charges for services in the business type activities is primarily due to an increase in utility service revenues.
- Unrestricted investment earnings increased \$82,622 in the business type activities mainly due to an increase in interest earned on investments and a steady average cash balance in 2019. Interest earnings are allocated based on average cash balances, cash balances in the governmental activities decreased from prior year causing a decrease in interest earnings being allocated there.
- General government expenses increased \$122,218 due to an increase in personal services and other services and charges in 2019.

Governmental-type Activities. Governmental-type activities increased the City's net position by \$339,205.

Expenses and Program Revenues - Governmental Activities

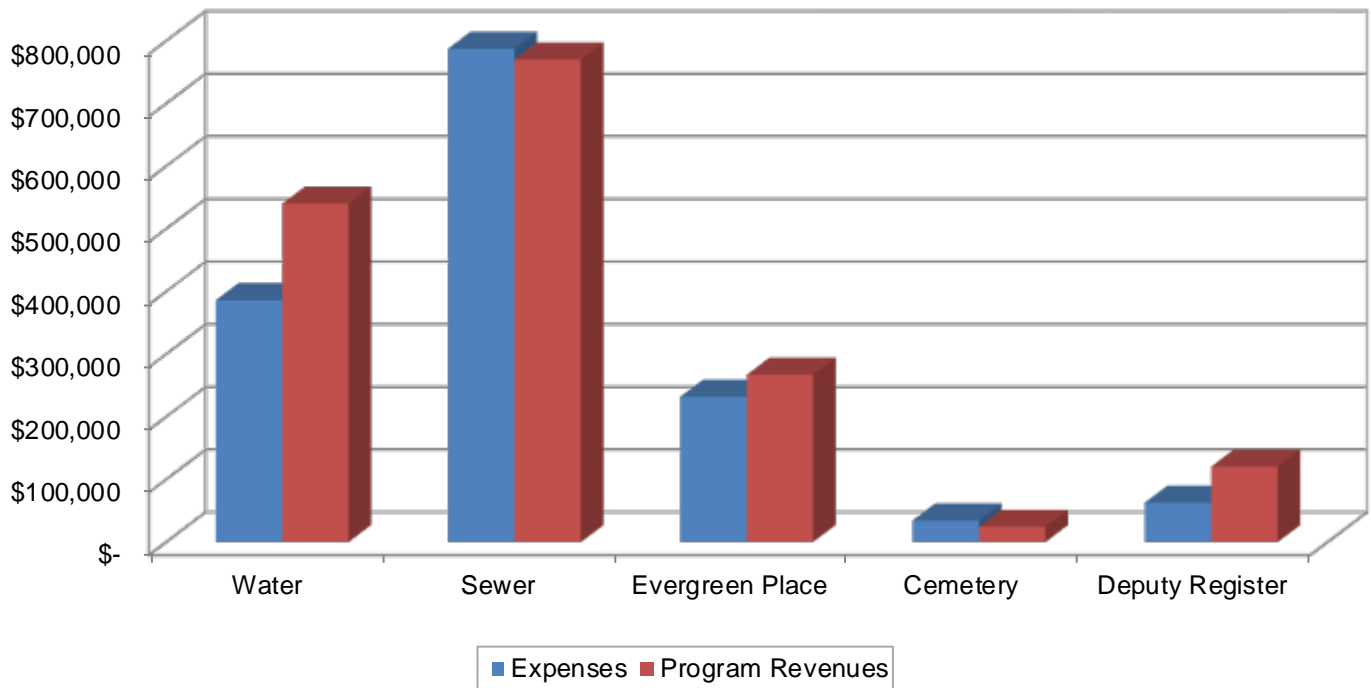


Revenues by Source - Governmental Activities

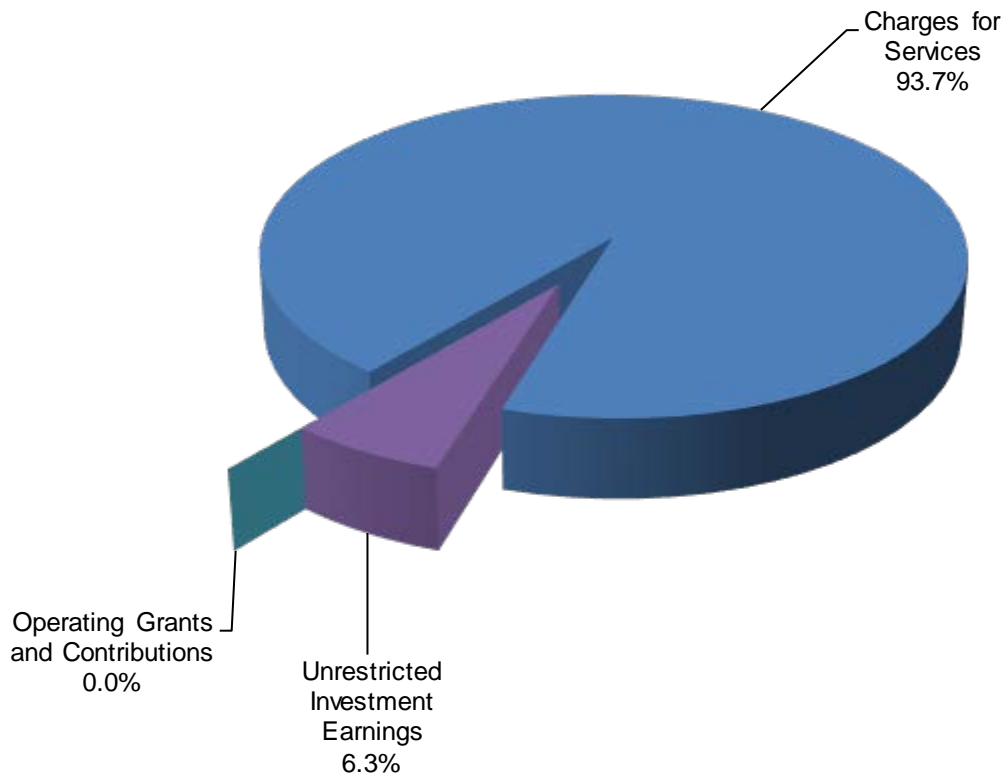


Business-type Activities. Business-type activities increased the City's net position by \$101,731.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,580,656, a decrease of \$1,513,945 in comparison with the prior year. Of this total amount, \$795,929 constitutes unassigned fund balance. The remaining fund balance is made up of the following: 1) Restricted (\$2,607,601), 2) Committed (\$141,742), and 3) Assigned (\$35,384).

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$1,019,982. As a measure of the General fund's liquidity, it may be useful to compare fund balance to total budgeted expenditures for the following year. Unassigned fund balance represents approximately 34.1% percent of 2020 budgeted expenditures.

The fund balance of the City's General fund decreased \$26,462 during the current fiscal year. The General fund transferred \$263,871 to other funds during the year for operations and future capital purchases and contributed \$86,050 to the Economic Development discretely presented component unit.

The Debt Service fund has a total fund balance of \$1,895,446, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service fund was \$334,345.

The Capital Equipment fund has a total deficit fund balance of \$193,886, which is a decrease of \$593,990 over prior year. This deficit is due to capital outlay expenditures exceeding transfers in and other revenues in the current year.

The 2018 Pool Project fund has an ending fund balance of \$112,925 which is a decrease of \$962,256 over prior year. The capital outlay expenditures well exceeded the revenues in the current year due to the completion of the project with bonds issued in prior years.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$2,907,344. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Total revenues were \$38,210 under budgeted amounts which was mostly due to property tax revenues being under budget by \$57,931 and interest income being under budget by \$15,766. Total expenditures were over budgeted amounts by \$43,340, which was mostly due to public safety being \$33,332 over budget and general government being \$55,191 over budget.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$27,382,120 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

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

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

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land	\$ 1,185,450	\$ 1,185,450	\$ -	\$ 64,136	\$ 64,136	\$ -
Construction in Progress	-	1,225,978	(1,225,978)	-	-	-
Land Improvements	8,374	13,157	(4,783)	-	-	-
Buildings	262,674	280,166	(17,492)	677,578	737,772	(60,194)
Improvements other than Buildings	-	-	-	124,641	125,864	(1,223)
Infrastructure	12,718,262	10,894,071	1,824,191	10,098,617	10,522,264	(423,647)
Machinery and Equipment	1,545,816	933,062	612,754	696,572	717,641	(21,069)
Total	\$ 15,720,576	\$ 14,531,884	\$ 1,188,692	\$ 11,661,544	\$ 12,167,677	\$ (506,133)

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$10,616,000, excluding compensated absences payable and pension liability. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Pine Island's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
General Obligation Bonds	\$ 9,582,385	\$ 10,381,972	\$ (799,587)	\$ 382,615	\$ 438,028	\$ (55,413)
General Obligation Tax Increment Bonds	329,000	329,000	-	-	-	-
General Obligation Revenue Bonds	-	-	-	322,000	394,000	(72,000)
Total	\$ 9,911,385	\$ 10,710,972	\$ (799,587)	\$ 704,615	\$ 832,028	\$ (127,413)

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 61 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City of Pine Island continues to see growth and positive changes. The housing market continues to grow with approximately 60 good sales of homes in Pine Island and 15 permits issued for new home construction in 2019.
- Sewer and water rates increased in January 2020 and are set to increase 2% each year thereafter for 10 years. The City also added a storm water charge each month to help build a fund to help maintain the City's storm water drainage ponds.
- The City completed the CSAH 27/5th Street project in 2019. The financing consisted of \$1.175 million G.O. Bond and \$800,000 County/State aid money.
- The Pine Island Pool was completed and opened in June 2019 after the Bond Referendum was passed in 2016. The bond amount was \$2.4 million. This project is 99% complete with a few minor projects left for completion.
- The City is anticipating water tower repair and renovation during the summer of 2020. This has been budgeted for and fiscally planned for accordingly.
- The City purchased a new firetruck in August 2019 using an interfund loan out of the water fund which will be repaid over the course of 10 years.
- Pine Island is also continuing their mission to update its infrastructure. The City is anticipating a street project during the summer of 2020 on 2nd Street SW. The project is going out for bids in the spring of 2020. This project is estimated to cost \$2,182,612 but may be scaled down depending on the submitted bids.
- The 2020 General Fund operating budget was approved by Council at \$4,726,474 which resulted in a 6.51% increased levy of \$2,633,095. This included some larger community improvements such as paving the park and ride lot, playground equipment for a park and a new climbing wall for the pool.
- The City of Pine Island continues to look ahead to future Capital Improvement Plans and is starting to budget and financially plan accordingly. One of the larger projects is a new Waste Water Treatment Facility which will be needed within the next 10 years.

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

Requests for Information

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PINE ISLAND
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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City of Pine Island, Minnesota
Statement of Net Position
December 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
Assets				
Cash and temporary investments	\$ 3,850,413	\$ 3,252,211	\$ 7,102,624	\$ 78,939
Restricted cash	40,618	20,630	61,248	-
Receivables				
Interest	8,639	-	8,639	-
Taxes	109,845	-	109,845	-
Accounts	75,936	119,238	195,174	-
Notes	120,437	-	120,437	-
Special assessments	1,028,801	10,924	1,039,725	-
Internal balances	(482,489)	482,489	-	-
Due from other governments	135,573	-	135,573	-
Net pension asset	281,517	-	281,517	-
Capital assets				
Land and construction in progress	1,185,450	64,136	1,249,586	-
Depreciable capital assets, net	14,535,126	11,597,408	26,132,534	-
Total Assets	<u>20,889,866</u>	<u>15,547,036</u>	<u>36,436,902</u>	<u>78,939</u>
Deferred Outflows of Resources				
Deferred pension resources	<u>182,222</u>	<u>17,080</u>	<u>199,302</u>	<u>4,678</u>
Liabilities				
Accounts payable	80,662	20,229	100,891	1,137
Contracts payable	11,032	-	11,032	-
Accrued salaries payable	112,091	5,290	117,381	-
Accrued interest payable	121,199	6,822	128,021	-
Security deposits payable	-	20,630	20,630	-
Due to other governments	-	692	692	-
Unearned revenue	-	1,200,000	1,200,000	-
Noncurrent liabilities				
Due within one year	785,132	136,999	922,131	-
Due in more than one year	9,133,557	571,443	9,705,000	-
Net pension liability	418,476	135,883	554,359	37,220
Total Liabilities	<u>10,662,149</u>	<u>2,097,988</u>	<u>12,760,137</u>	<u>38,357</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>181,428</u>	<u>25,255</u>	<u>206,683</u>	<u>6,918</u>
Net Position				
Net investment in capital assets	6,345,516	10,533,529	16,879,045	-
Restricted for				
Debt service	2,373,852	-	2,373,852	-
Economic development	138,395	-	138,395	-
River flood monitor	6,752	-	6,752	-
Revolving loan	157,408	-	157,408	-
DTED Land O'Lakes	296,161	-	296,161	-
Disaster relief	514	-	514	-
Unrestricted	<u>909,913</u>	<u>2,907,344</u>	<u>3,817,257</u>	<u>38,342</u>
Total Net Position	<u>\$ 10,228,511</u>	<u>\$ 13,440,873</u>	<u>\$ 23,669,384</u>	<u>\$ 38,342</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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 514,791	\$ 34,423	\$ 32,443	\$ -
Public safety	860,190	188,067	60,950	-
Public works	1,400,885	20	-	57,368
Culture and recreation	405,294	58,536	76,738	-
Housing and economic development	144,665	8,550	699	-
Interest on long-term debt	296,095	-	-	-
Total Governmental Activities	<u>3,621,920</u>	<u>289,596</u>	<u>170,830</u>	<u>57,368</u>
Business-type Activities				
Water	386,142	540,165	-	-
Sewer	787,390	770,246	-	-
Evergreen Place	231,918	266,990	-	-
Cemetery	34,468	23,805	530	-
Deputy Registrar	62,746	120,443	-	-
Total Business-type Activities	<u>1,502,664</u>	<u>1,721,649</u>	<u>530</u>	<u>-</u>
Total Primary Government	<u>\$ 5,124,584</u>	<u>\$ 2,011,245</u>	<u>\$ 171,360</u>	<u>\$ 57,368</u>
Component Unit				
Economic Development Authority	<u>\$ 83,722</u>	<u>\$ 125</u>	<u>\$ 86,050</u>	<u>\$ -</u>

General Revenues
 Taxes
 Property taxes - levied for general activities
 Property taxes - levied for debt service
 Franchise taxes
 Tax increments
 Grants and contributions not restricted to specific programs
 Unrestricted investment earnings
 Transfers - Internal Activities
 Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (447,925)	\$ -	\$ (447,925)	\$ -
(611,173)	-	(611,173)	-
(1,343,497)	-	(1,343,497)	-
(270,020)	-	(270,020)	-
(135,416)	-	(135,416)	-
(296,095)	-	(296,095)	-
<u>(3,104,126)</u>	<u>-</u>	<u>(3,104,126)</u>	<u>-</u>
-	154,023	154,023	-
-	(17,144)	(17,144)	-
-	35,072	35,072	-
-	(10,133)	(10,133)	-
-	57,697	57,697	-
<u>-</u>	<u>219,515</u>	<u>219,515</u>	<u>-</u>
<u>(3,104,126)</u>	<u>219,515</u>	<u>(2,884,611)</u>	<u>-</u>
			<u>2,453</u>
1,601,343	-	1,601,343	-
856,598	-	856,598	-
40,770	-	40,770	-
59,479	-	59,479	-
616,012	-	616,012	-
36,357	114,988	151,345	502
232,772	(232,772)	-	-
<u>3,443,331</u>	<u>(117,784)</u>	<u>3,325,547</u>	<u>502</u>
339,205	101,731	440,936	2,955
<u>9,889,306</u>	<u>13,339,142</u>	<u>23,228,448</u>	<u>35,387</u>
<u>\$ 10,228,511</u>	<u>\$ 13,440,873</u>	<u>\$ 23,669,384</u>	<u>\$ 38,342</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, 2019

City of Pine Island, Minnesota

Balance Sheet
Governmental Funds
December 31, 2019

	101	300's	250	440	Other	Total
	General	Debt Service	Capital Equipment	2018 Pool Project	Governmental Funds	Governmental Funds
Assets						
Cash and temporary investments	\$ 979,408	\$ 1,893,843	\$ 288,603	\$ 124,096	\$ 564,463	\$ 3,850,413
Restricted cash	-	-	-	-	40,618	40,618
Receivables						
Interest	8,639	-	-	-	-	8,639
Taxes	109,845	-	-	-	-	109,845
Accounts	9,978	32	-	-	65,926	75,936
Notes	-	-	-	-	120,437	120,437
Special assessments	4,225	1,024,576	-	-	-	1,028,801
Due from other governments	135,573	-	-	-	-	135,573
Total Assets	\$ 1,247,668	\$ 2,918,451	\$ 288,603	\$ 124,096	\$ 791,444	\$ 5,370,262
Liabilities						
Accounts payable	\$ 77,269	\$ -	\$ -	\$ 139	\$ 3,254	\$ 80,662
Contracts payable	-	-	-	11,032	-	11,032
Accrued salaries payable	110,090	-	-	-	2,001	112,091
Due to other funds	-	-	482,489	-	-	482,489
Total Liabilities	187,359	-	482,489	11,171	5,255	686,274
Deferred Inflows of Resources						
Unavailable revenues - grants	-	-	-	-	40,000	40,000
Unavailable revenues - taxes	36,102	-	-	-	-	36,102
Unavailable revenues - special assessments	4,225	1,023,005	-	-	-	1,027,230
Total Deferred Inflows of Resources	40,327	1,023,005	-	-	40,000	1,103,332
Fund Balances						
Restricted	-	1,895,446	-	112,925	599,230	2,607,601
Committed	-	-	-	-	141,742	141,742
Assigned	2,425	-	-	-	32,959	35,384
Unassigned	1,017,557	-	(193,886)	-	(27,742)	795,929
Total Fund Balances	1,019,982	1,895,446	(193,886)	112,925	746,189	3,580,656
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,247,668	\$ 2,918,451	\$ 288,603	\$ 124,096	\$ 791,444	\$ 5,370,262

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, 2019

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

Total Fund Balances - Governmental Funds	\$ 3,580,656
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund.	
Cost of capital assets	21,067,203
Less accumulated depreciation	(5,346,627)
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	281,517
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	(9,911,385)
Compensated absences payable	(7,304)
Pension liability	(418,476)
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	36,102
Special assessments receivable	1,027,230
Grants	40,000
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	182,222
Deferred inflows of pension resources	(181,428)
Governmental funds do not report a liability for accrued interest until due and payable.	
	(121,199)
Total Net Position - Governmental Activities	\$ 10,228,511

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, 2019

	101	300's	250	440	Other	Total
	General	Debt Service	Capital Equipment	2018 Pool Project	Governmental Funds	Governmental Funds
Revenues						
Taxes	\$ 1,639,663	\$ 856,598	\$ -	\$ -	\$ 59,479	\$ 2,555,740
Licenses and permits	66,986	-	-	-	-	66,986
Intergovernmental	681,500	-	-	-	72,576	754,076
Charges for services	205,663	-	-	-	1,103	206,766
Fines and forfeitures	2,211	-	-	-	3,051	5,262
Special assessments	-	198,206	-	-	-	198,206
Interest on investments	2,234	14,062	7,796	952	11,313	36,357
Miscellaneous	33,069	13,153	-	-	9,308	55,530
Total Revenues	<u>2,631,326</u>	<u>1,082,019</u>	<u>7,796</u>	<u>952</u>	<u>156,830</u>	<u>3,878,923</u>
Expenditures						
Current						
General government	516,473	-	-	-	-	516,473
Public safety	779,227	-	-	-	20,546	799,773
Public works	976,353	-	-	-	2,608	978,961
Culture and recreation	167,863	-	-	3,223	147,683	318,769
Housing and economic development	86,050	-	-	-	30,023	116,073
Capital outlay						
Public safety	-	-	682,489	-	-	682,489
Public works	-	-	59,157	-	2,465	61,622
Culture and recreation	-	-	10,140	952,765	40,049	1,002,954
Housing and economic development	250	-	-	-	26,307	26,557
Debt service						
Principal	-	799,587	-	-	-	799,587
Interest and other	-	304,287	-	-	18,095	322,382
Total Expenditures	<u>2,526,216</u>	<u>1,103,874</u>	<u>751,786</u>	<u>955,988</u>	<u>287,776</u>	<u>5,625,640</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>105,110</u>	<u>(21,855)</u>	<u>(743,990)</u>	<u>(955,036)</u>	<u>(130,946)</u>	<u>(1,746,717)</u>
Other Financing Sources (Uses)						
Transfers in	132,299	356,200	150,000	-	109,871	748,370
Transfers out	<u>(263,871)</u>	<u>-</u>	<u>-</u>	<u>(7,220)</u>	<u>(244,507)</u>	<u>(515,598)</u>
Total Other Financing Sources (Uses)	<u>(131,572)</u>	<u>356,200</u>	<u>150,000</u>	<u>(7,220)</u>	<u>(134,636)</u>	<u>232,772</u>
Net Change in Fund Balances	(26,462)	334,345	(593,990)	(962,256)	(265,582)	(1,513,945)
Fund Balances, January 1	<u>1,046,444</u>	<u>1,561,101</u>	<u>400,104</u>	<u>1,075,181</u>	<u>1,011,771</u>	<u>5,094,601</u>
Fund Balances, December 31	<u>\$ 1,019,982</u>	<u>\$ 1,895,446</u>	<u>\$ (193,886)</u>	<u>\$ 112,925</u>	<u>\$ 746,189</u>	<u>\$ 3,580,656</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, 2019

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

Net Change in Fund Balances - Governmental Funds	\$ (1,513,945)
<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	1,689,109
Depreciation expense	(500,417)
<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	799,587
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	26,287
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(13,548)
Direct aid contributions	971
<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	(153,991)
Delinquent taxes	2,450
<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	2,702
Change in Net Position - Governmental Activities	\$ 339,205

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

City of Pine Island, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,686,824	\$ 1,686,824	\$ 1,639,663	\$ (47,161)
Licenses and permits	65,100	65,100	66,986	1,886
Intergovernmental	683,012	683,012	681,500	(1,512)
Charges for services	188,450	188,450	205,663	17,213
Fines and forfeitures	3,500	3,500	2,211	(1,289)
Interest on investments	18,000	18,000	2,234	(15,766)
Special assessments	2,000	2,000	-	(2,000)
Miscellaneous	22,650	22,650	33,069	10,419
Total Revenues	<u>2,669,536</u>	<u>2,669,536</u>	<u>2,631,326</u>	<u>(38,210)</u>
Expenditures				
Current				
General government	461,282	461,282	516,473	(55,191)
Public safety	745,895	745,895	779,227	(33,332)
Public works	1,007,621	1,007,621	976,353	31,268
Culture and recreation	182,003	182,003	167,863	14,140
Housing and economic development	86,075	86,075	86,050	25
Capital outlay	-	-	250	(250)
Total Expenditures	<u>2,482,876</u>	<u>2,482,876</u>	<u>2,526,216</u>	<u>(43,340)</u>
Excess of Revenues Over Expenditures	<u>186,660</u>	<u>186,660</u>	<u>105,110</u>	<u>(81,550)</u>
Other Financing Sources (Uses)				
Transfers in	125,025	125,025	132,299	7,274
Transfers out	(286,027)	(286,027)	(263,871)	22,156
Total Other Financing Sources (Uses)	<u>(161,002)</u>	<u>(161,002)</u>	<u>(131,572)</u>	<u>29,430</u>
Net Change in Fund Balances	25,658	25,658	(26,462)	(52,120)
Fund Balances, January 1	<u>1,046,444</u>	<u>1,046,444</u>	<u>1,046,444</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,072,102</u>	<u>\$ 1,072,102</u>	<u>\$ 1,019,982</u>	<u>\$ (52,120)</u>

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

City of Pine Island, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2019

Business-type Activities - Enterprise Funds

	Business-type Activities - Enterprise Funds				Total
	601 Water	602 Sewer	603 Evergreen Place	Nonmajor Enterprise Funds	
Assets					
Current Assets					
Cash and temporary investments	\$ 1,511,326	\$ 1,073,220	\$ 193,951	\$ 473,714	\$ 3,252,211
Cash restricted for security deposits	-	-	20,630	-	20,630
Receivables					
Accounts	46,501	70,771	1,966	-	119,238
Special assessments	2,712	8,212	-	-	10,924
Due from other funds	44,750	-	-	-	44,750
Total Current Assets	1,605,289	1,152,203	216,547	473,714	3,447,753
Noncurrent Assets					
Due from other funds	437,739	-	-	-	437,739
Capital assets					
Land	64,136	-	-	-	64,136
Buildings	253,732	1,034,970	1,369,528	15,500	2,673,730
Improvements other than buildings	-	-	-	177,234	177,234
Infrastructure	6,678,012	9,319,640	-	-	15,997,652
Machinery and equipment	389,428	1,468,147	43,035	30,051	1,930,661
Less accumulated depreciation	(2,887,609)	(5,316,085)	(874,859)	(103,316)	(9,181,869)
Total Capital Assets	4,497,699	6,506,672	537,704	119,469	11,661,544
Total Noncurrent Assets	4,935,438	6,506,672	537,704	119,469	12,099,283
Total Assets	6,540,727	7,658,875	754,251	593,183	15,547,036
Deferred Outflows of Resources					
Deferred pension resources	2,968	10,411	-	3,701	17,080
Liabilities					
Current Liabilities					
Accounts payable	5,076	11,997	3,011	145	20,229
Accrued salaries payable	2,089	2,089	-	1,112	5,290
Accrued interest payable	3,535	-	3,287	-	6,822
Security deposits payable	-	-	20,630	-	20,630
Due to other governments	692	-	-	-	692
Unearned revenue	451,764	748,236	-	-	1,200,000
Compensated absences payable	1,909	1,909	-	9	3,827
Bonds payable, current portion	57,172	-	76,000	-	133,172
Total Current Liabilities	522,237	764,231	102,928	1,266	1,390,662
Noncurrent Liabilities					
Pension liability	23,614	82,825	-	29,444	135,883
Bonds payable	325,443	-	246,000	-	571,443
Total Noncurrent Liabilities	349,057	82,825	246,000	29,444	707,326
Total Liabilities	871,294	847,056	348,928	30,710	2,097,988
Deferred Inflows of Resources					
Deferred pension resources	4,389	15,394	-	5,472	25,255
Net Position					
Net investment in capital assets	4,009,234	6,189,122	215,704	119,469	10,533,529
Unrestricted	1,658,778	617,714	189,619	441,233	2,907,344
Total Net Position	\$ 5,668,012	\$ 6,806,836	\$ 405,323	\$ 560,702	\$ 13,440,873

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

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City of Pine Island, Minnesota
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds				Total
	601	602	603	Nonmajor Enterprise Funds	
	Water	Sewer	Evergreen Place		
Operating Revenues					
Charges for services	\$ 540,116	\$ 770,246	\$ 266,655	\$ 114,348	\$ 1,691,365
Operating Expenses					
Personal services	44,851	171,401	-	63,297	279,549
Supplies	44,422	57,888	130	5,957	108,397
Other services and charges	59,265	109,884	157,986	18,295	345,430
Insurance	4,422	5,271	-	-	9,693
Utilities	27,187	115,803	28,408	1,288	172,686
Depreciation	197,419	327,143	37,358	8,377	570,297
Total Operating Expenses	<u>377,566</u>	<u>787,390</u>	<u>223,882</u>	<u>97,214</u>	<u>1,486,052</u>
Operating Income	<u>162,550</u>	<u>(17,144)</u>	<u>42,773</u>	<u>17,134</u>	<u>205,313</u>
Nonoperating Revenues (Expenses)					
Interest income	58,887	26,650	12,677	16,774	114,988
Other income	49	-	335	30,430	30,814
Interest expense	<u>(8,576)</u>	<u>-</u>	<u>(8,036)</u>	<u>-</u>	<u>(16,612)</u>
Total Nonoperating Revenues (Expenses)	<u>50,360</u>	<u>26,650</u>	<u>4,976</u>	<u>47,204</u>	<u>129,190</u>
Income Before Transfers	212,910	9,506	47,749	64,338	334,503
Transfers					
Transfers in	-	-	-	4,000	4,000
Transfers out	<u>(167,854)</u>	<u>(64,960)</u>	<u>(3,958)</u>	<u>-</u>	<u>(236,772)</u>
Change in Net Position	45,056	(55,454)	43,791	68,338	101,731
Net Position, January 1	<u>5,622,956</u>	<u>6,862,290</u>	<u>361,532</u>	<u>492,364</u>	<u>13,339,142</u>
Net Position, December 31	<u>\$ 5,668,012</u>	<u>\$ 6,806,836</u>	<u>\$ 405,323</u>	<u>\$ 560,702</u>	<u>\$ 13,440,873</u>

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

City of Pine Island, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds				Total
	601 Water	602 Sewer	603 Evergreen Place	Nonmajor Enterprise Funds	
Cash Flows from Operating Activities					
Receipts from tenants and users	\$ 538,982	\$ 765,167	\$ 263,268	\$ 144,778	\$ 1,712,195
Payments to suppliers	(131,388)	(292,565)	(186,193)	(28,530)	(638,676)
Payments to employees	(44,887)	(157,819)	-	(61,216)	(263,922)
Fees collected on behalf of state	-	-	-	52,514	52,514
Fees paid to state	-	-	-	(52,514)	(52,514)
Net Cash Provided by Operating Activities	<u>362,707</u>	<u>314,783</u>	<u>77,075</u>	<u>55,032</u>	<u>809,597</u>
Cash Flows from Noncapital and Related Financing Activities					
Transfers from other funds	-	-	-	4,000	4,000
Transfers to other funds	(167,854)	(64,960)	(3,958)	-	(236,772)
Increase in due from other funds	(482,489)	-	-	-	(482,489)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(650,343)</u>	<u>(64,960)</u>	<u>(3,958)</u>	<u>4,000</u>	<u>(715,261)</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(24,538)	(39,626)	-	-	(64,164)
Grants and developer contributions	49	-	-	-	49
Principal paid on long-term debt	(55,413)	-	(72,000)	-	(127,413)
Interest paid on long-term debt	(9,038)	-	(8,771)	-	(17,809)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(88,940)</u>	<u>(39,626)</u>	<u>(80,771)</u>	<u>-</u>	<u>(209,337)</u>
Cash Flows from Investing Activities					
Interest on investments	<u>58,887</u>	<u>26,650</u>	<u>12,677</u>	<u>16,774</u>	<u>114,988</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(317,689)</u>	<u>236,847</u>	<u>5,023</u>	<u>75,806</u>	<u>(13)</u>
Cash and Cash Equivalents, January 1	<u>1,829,015</u>	<u>836,373</u>	<u>209,558</u>	<u>397,908</u>	<u>3,272,854</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,511,326</u>	<u>\$ 1,073,220</u>	<u>\$ 214,581</u>	<u>\$ 473,714</u>	<u>\$ 3,272,841</u>
Reconciliation to Statement of Net Position					
Cash and temporary investments	\$ 1,511,326	\$ 1,073,220	\$ 193,951	\$ 473,714	\$ 3,252,211
Cash restricted for security deposits	-	-	20,630	-	20,630
Total Cash and Cash Equivalents	<u>\$ 1,511,326</u>	<u>\$ 1,073,220</u>	<u>\$ 214,581</u>	<u>\$ 473,714</u>	<u>\$ 3,272,841</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, 2019

	Business-type Activities - Enterprise Funds				Total
	601 Water	602 Sewer	603 Evergreen Place	Nonmajor Enterprise Funds	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income	\$ 162,550	\$ (17,144)	\$ 42,773	\$ 17,134	\$ 205,313
Adjustments to reconcile operating income to net cash provided by operating activities					
Other income related to operations	-	-	335	30,430	30,765
Depreciation	197,419	327,143	37,358	8,377	570,297
(Increase) decrease in assets/deferred outflows of resources					
Accounts receivable	(1,515)	(6,553)	(1,966)	-	(10,034)
Special assessments receivable	381	1,474	-	-	1,855
Deferred pension resources	2,242	4,643	-	(109)	6,776
Increase (decrease) in liabilities/deferred inflows of resources					
Accounts payable	3,908	(3,719)	331	(2,990)	(2,470)
Accrued salaries payable	644	668	-	265	1,577
Security deposits payable	-	-	(1,756)	-	(1,756)
Pension liability	(1,108)	11,393	-	4,792	15,077
Compensated absences payable	314	314	-	(180)	448
Deferred pension resources	(2,128)	(3,436)	-	(2,687)	(8,251)
Net Cash Provided by Operating Activities	<u>\$ 362,707</u>	<u>\$ 314,783</u>	<u>\$ 77,075</u>	<u>\$ 55,032</u>	<u>\$ 809,597</u>

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

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Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Pine Island, Minnesota (the City), operates under “Optional Plan A” as defined in the Minnesota statutes. The City is governed by an elected Mayor and four-member City Council. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government.

Economic Development Authority

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

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

The following major governmental funds meet the criteria described above:

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

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

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

The *2018 Pool Project fund* is a capital project fund accounting for the construction of the City pool.

The City reports the following major proprietary funds:

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

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

The City has the following recurring fair value measurements as of December 31, 2019:

- Brokered certificates of \$1,701,077 are valued using a matrix pricing model (Level 2 inputs)

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

Property Taxes

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

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2019. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special Assessments

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

Interfund Receivables and Payables

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

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

Restricted Cash

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

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with a value as defined below in the table and with a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation.

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

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

Deferred Outflows of Resources

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

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

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

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

	Public Employees Retirement Association of Minnesota (PERA) GERP	Fire Relief Association	Total All Plans
Pension Expense	\$75,073	\$80,987	\$ 156,060

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and earned compensation time, which is paid to the employee upon separation. Accrued vacation and compensation totaled \$11,131 at year end. Vacation and compensation pay is accrued in proprietary funds and reported as a liability. The total liability in the enterprise funds is \$3,827. Compensated absences in the governmental funds totaled \$7,304 at year end. The General fund is typically used to liquidate governmental accrued compensated absences.

Long-term Obligations

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

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, special assessments and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Fund Balance

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

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

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

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

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

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

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

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

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

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

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

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the fund level. The budget was not amended in 2019.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2019, expenditures exceeded appropriations in the following funds:

Fund	Final Budget	Actual	Excess of Expenditures Over Appropriations
Major			
General fund	\$ 2,482,876	\$ 2,526,216	\$ 43,340

These excess expenditures were funded by greater than anticipated general fund revenues and available fund balance.

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2019:

Fund	Amount
Major Capital Projects	
Capital Equipment	\$ 193,886
Nonmajor Capital Projects	
5th Street SW	27,742

The City plans to eliminate these deficits with transfers from other funds.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

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

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$4,595,630 and the bank balance was \$4,746,461. Of the bank balance, \$544,315 was covered by federal depository insurance. The remaining balance was covered by collateral held by the pledging financial institution's trust department in the City's name.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Investments

As of December 31, 2019, 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
Non-pooled Investments at Fair Value					
Brokered Certificates of Deposit	N/A	less than 1 year	\$ 164,486	\$ -	\$ 164,486
Brokered Certificates of Deposit	N/A	1 year to 5 years	1,536,591	-	1,536,591
Pooled Investments at Amortized Costs					
4M Fund	N/A	less than 1 year	645,842	-	-
Broker money market	N/A	N/A	4,469	-	-
Mutual funds	N/A	N/A	295,443	-	-
Total			<u>\$ 2,646,831</u>	<u>\$ -</u>	<u>\$ 1,701,077</u>

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

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

N/A Indicates not available.

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

- *Credit Risk.* The credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments to the list on page 49 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- *Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of December 31, 2019, the City had invested 5.0 percent or more of its total investment portfolio in the following issuers: UBS Salt Lake City CD (9.05 percent), Ally Bank CD (7.85 percent), Rock Canyon Bank CD (14.57 percent), Goldman Sachs Banks CD (8.79 percent), Morgan Stanley Bank (9.28 percent), Morgan Stanley Private Bank (8.84 percent), Sallie Mae Bank CD (14.10 percent), Citi Bank CD (10.55 percent), and Wells Fargo Bank CD (15.16 percent).
- *Interest Rate Risk.* The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

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

Carrying Amount of Deposits	\$ 4,595,630
Investments	2,646,831
Cash on Hand	<u>350</u>
 Total	 <u><u>\$ 7,242,811</u></u>
 Cash and Investments	
Unrestricted	
Primary government	\$ 7,102,624
Discretely presented component unit	78,939
Restricted cash	
Primary government	<u>61,248</u>
 Total	 <u><u>\$ 7,242,811</u></u>

B. Notes Receivable

The City issued notes to local businesses for business development in the Revolving Loan special revenue fund. The City has 10 loans outstanding at year end totaling \$120,437. They have varying interest rates and maturity dates on each note. They are secured by assets of the businesses.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 1,185,450	\$ -	\$ -	\$ 1,185,450
Construction in progress	1,225,978	947,463	(2,173,441)	-
Total Capital Assets not Being Depreciated	<u>2,411,428</u>	<u>947,463</u>	<u>(2,173,441)</u>	<u>1,185,450</u>
Capital Assets Being Depreciated				
Land improvements	76,752	-	-	76,752
Buildings	620,729	-	-	620,729
Infrastructure	13,705,238	2,173,441	-	15,878,679
Machinery and equipment	2,563,947	741,646	-	3,305,593
Total Capital Assets Being Depreciated	<u>16,966,666</u>	<u>2,915,087</u>	<u>-</u>	<u>19,881,753</u>
Less Accumulated Depreciation for				
Land improvements	(63,595)	(4,783)	-	(68,378)
Buildings	(340,563)	(17,492)	-	(358,055)
Infrastructure	(2,811,167)	(349,250)	-	(3,160,417)
Machinery and equipment	(1,630,885)	(128,892)	-	(1,759,777)
Total Accumulated Depreciation	<u>(4,846,210)</u>	<u>(500,417)</u>	<u>-</u>	<u>(5,346,627)</u>
Total Capital Assets Being Depreciated, Net	<u>12,120,456</u>	<u>2,414,670</u>	<u>-</u>	<u>14,535,126</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,531,884</u>	<u>\$ 3,362,133</u>	<u>\$ (2,173,441)</u>	<u>\$ 15,720,576</u>

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

Governmental Activities	
General government	\$ 1,847
Public safety	44,622
Public works	420,517
Culture and recreation	31,039
Housing and economic development	<u>2,392</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 500,417</u>

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

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	2,673,730	-	-	2,673,730
Improvements other than buildings	177,234	-	-	177,234
Infrastructure	15,997,652	-	-	15,997,652
Machinery and equipment	1,866,497	64,164	-	1,930,661
Total Capital Assets Being Depreciated	<u>20,715,113</u>	<u>64,164</u>	<u>-</u>	<u>20,779,277</u>
Less Accumulated Depreciation for				
Buildings	(1,935,958)	(60,194)	-	(1,996,152)
Improvements other than buildings	(51,370)	(1,223)	-	(52,593)
Infrastructure	(5,475,388)	(423,647)	-	(5,899,035)
Machinery and equipment	(1,148,856)	(85,233)	-	(1,234,089)
Total Accumulated Depreciation	<u>(8,611,572)</u>	<u>(570,297)</u>	<u>-</u>	<u>(9,181,869)</u>
Total Capital Assets Being Depreciated, Net	<u>12,103,541</u>	<u>(506,133)</u>	<u>-</u>	<u>11,597,408</u>
Business-type Activities Capital Assets, Net	<u>\$ 12,167,677</u>	<u>\$ (506,133)</u>	<u>\$ -</u>	<u>\$ 11,661,544</u>

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

Business-type Activities	
Water	\$ 197,419
Sewer	327,143
Evergreen place	37,358
Cemetery	<u>8,377</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 570,297</u>

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

D. Interfund Transfers

The composition of interfund transfers at December 31, 2019 is as follows:

Fund	Transfer In					Total
	General	Debt Service	Capital Equipment	Nonmajor Governmental	Nonmajor Enterprise	
Transfer Out						
General	\$ -	\$ -	\$ 150,000	\$ 109,871	\$ 4,000	\$ 263,871
2018 Pool Project	7,220	-	-	-	-	7,220
Nonmajor Governmental	54	244,453	-	-	-	244,507
Water	60,534	107,320	-	-	-	167,854
Sewer	60,533	4,427	-	-	-	64,960
Evergreen Place	3,958	-	-	-	-	3,958
Total	<u>\$ 132,299</u>	<u>\$ 356,200</u>	<u>\$ 150,000</u>	<u>\$ 109,871</u>	<u>\$ 4,000</u>	<u>\$ 752,370</u>

The reasons for the transfers are summarized below:

- The General fund transferred \$105,121 to the Library fund for operations, \$150,000 to the Capital Equipment fund future capital purchases, \$4,750 to the 2003 Street Improvement fund to close out the fund and \$4,000 to the Cemetery fund for operational expenditures.
- The 2018 Pool Project transferred \$7,220 to the General Fund to reimburse the fund for expenditures in prior years related to the pool project.
- The Nonmajor Governmental funds transferred \$244,453 to the Debt Service funds for bond payments and \$54 to the General fund to close out the Park Elk Run fund.
- The Water fund transferred \$60,534 to the General fund for operations and \$107,320 to the Debt Service funds for bond payments.
- The Sewer fund transferred \$60,533 to the General fund for operations and \$4,427 to the Debt Service funds for bond payments.
- Evergreen Place transferred \$3,958 to the General fund for operations.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

E. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues.

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

General Obligation Improvement Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2010 G.O Improvement Bonds, Series 2010A	\$ 1,125,000	1.45 - 3.75 %	06/01/10	02/01/26	\$ 445,000
2012 G.O Improvement & Advanced Refunding Bonds, Series 2012B	4,235,000	2.00 - 2.85	06/28/12	02/01/28	2,175,000
2014A G.O Street Reconstruction Improvement Bonds	2,315,000	1.50 - 4.00	07/28/14	02/01/44	2,025,000
2014B G.O Crossover Refunding Bonds	1,565,000	2.00 - 3.00	08/04/14	02/01/27	930,000
2015A G.O Improvement Bond	1,200,000	.70 - 3.00	05/16/15	02/01/31	990,000
2017A G.O. Improvement Bond	1,175,000	1.25 - 3.13	06/20/17	02/01/33	1,110,000
2018A G.O. Improvement Bond	2,400,000	2.00 - 3.25	05/01/18	02/01/38	<u>2,290,000</u>
 Total General Obligation Improvement Bonds					 <u>\$ 9,965,000</u>

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

The annual debt service requirements to maturity for general obligation improvement bonds outstanding at December 31, 2019 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>
2020	\$ 777,828	\$ 265,162	\$ 1,042,990
2021	791,948	248,762	1,040,710
2022	806,068	230,130	1,036,198
2023	834,309	209,612	1,043,921
2024	732,550	189,637	922,187
2025 - 2029	2,429,682	711,451	3,141,133
2030 - 2034	1,585,000	415,371	2,000,371
2035 - 2039	1,065,000	198,441	1,263,441
2040 - 2044	560,000	57,400	617,400
Total	<u>\$ 9,582,385</u>	<u>\$ 2,525,966</u>	<u>\$ 12,108,351</u>
<u>Year Ending December 31,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 57,172	\$ 7,912	\$ 65,084
2021	58,052	6,760	64,812
2022	58,932	5,590	64,522
2023	60,690	4,333	65,023
2024	62,450	2,947	65,397
2025 - 2028	85,319	3,568	88,887
Total	<u>\$ 382,615</u>	<u>\$ 31,110</u>	<u>\$ 413,725</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>\$ 329,000</u>

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Annual debt service requirements to maturity for general obligation tax increment bonds outstanding at December 31, 2019, are as follows:

Year Ending December 31,	G.O. Tax Increment Bonds		
	Governmental Activities		
	Principal	Interest	Total
2020	\$ -	\$ 18,095	\$ 18,095
2021	18,000	17,600	35,600
2022	19,000	16,583	35,583
2023	20,000	15,510	35,510
2024	21,000	14,382	35,382
2025 - 2029	125,000	52,608	177,608
2030 - 2033	126,000	14,300	140,300
Total	\$ 329,000	\$ 149,078	\$ 478,078

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

	Water	Evergreen Place
Net Operating Revenues	\$ 540,116	\$ 266,655
Principal and Interest	64,451	80,771
Percentage of Revenues	12%	30%

General Obligation Revenue Bonds

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Business-type Activities					
2016A G.O. Assisted Living Refunding Bonds	\$ 537,000	2.45 %	03/07/16	02/01/23	<u>\$ 322,000</u>

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

Year Ending December 31,	General Obligation Revenue Bonds		
	Business-type Activities		
	Principal	Interest	Total
2020	\$ 76,000	\$ 6,958	\$ 82,958
2021	80,000	5,047	85,047
2022	79,000	3,099	82,099
2023	87,000	1,066	88,066
Total	\$ 322,000	\$ 16,170	\$ 338,170

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

During the year ended December 31, 2019, 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	\$ 10,381,972	\$ -	\$ (799,587)	\$ 9,582,385	\$ 777,828
General obligation tax increment bonds	<u>329,000</u>	<u>-</u>	<u>-</u>	<u>329,000</u>	<u>-</u>
Total Bonds Payable	<u>10,710,972</u>	<u>-</u>	<u>(799,587)</u>	<u>9,911,385</u>	<u>777,828</u>
Compensated Absences Payable	<u>10,006</u>	<u>31,112</u>	<u>(33,814)</u>	<u>7,304</u>	<u>7,304</u>
Governmental Activities	<u><u>\$ 10,720,978</u></u>	<u><u>\$ 31,112</u></u>	<u><u>\$ (833,401)</u></u>	<u><u>\$ 9,918,689</u></u>	<u><u>\$ 785,132</u></u>
Business-type Activities					
Bonds Payable					
General obligation bonds	\$ 438,028	\$ -	\$ (55,413)	\$ 382,615	\$ 57,172
General obligation revenue bonds	<u>394,000</u>	<u>-</u>	<u>(72,000)</u>	<u>322,000</u>	<u>76,000</u>
Total Bonds Payable	<u>832,028</u>	<u>-</u>	<u>(127,413)</u>	<u>704,615</u>	<u>133,172</u>
Compensated Absences Payable	<u>3,379</u>	<u>5,557</u>	<u>(5,109)</u>	<u>3,827</u>	<u>3,827</u>
Business-type Activities	<u><u>\$ 835,407</u></u>	<u><u>\$ 5,557</u></u>	<u><u>\$ (132,522)</u></u>	<u><u>\$ 708,442</u></u>	<u><u>\$ 136,999</u></u>
Discretely Presented Component Unit					
Compensated Absences Payable	<u><u>\$ 168</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (168)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At December 31, 2019, 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	2018 Pool Project	Other Governmental Funds	Total
Restricted for						
Debt service	\$ -	\$ 1,895,446	\$ -	\$ -	\$ -	\$ 1,895,446
Capital projects	-	-	-	112,925	-	112,925
Economic development	-	-	-	-	138,395	138,395
River flood monitor	-	-	-	-	6,752	6,752
Revolving loan	-	-	-	-	157,408	157,408
DTED Land O'Lakes	-	-	-	-	296,161	296,161
Disaster relief	-	-	-	-	514	514
Total Restricted	\$ -	\$ 1,895,446	\$ -	\$ 112,925	\$ 599,230	\$ 2,607,601
Committed to						
Library	\$ -	\$ -	\$ -	\$ -	\$ 141,742	\$ 141,742
Assigned to						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 32,959	32,959
Heritage preservation	2,425	-	-	-	-	2,425
Total Assigned	\$ 2,425	\$ -	\$ -	\$ -	\$ 32,959	\$ 35,384

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan (GERP)

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

B. Benefits Provided

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

GERP Benefits

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

Annuities, disability benefits and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2019, 2018 and 2017 were \$59,873, \$54,908 and \$48,453, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

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

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$591,579 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 to the fund in 2019. 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 \$18,333. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0107 percent which was an increase of 0.0002 percent from its proportion measured as of June 30, 2018.

City's Proportionate Share of the Net Pension Liability	\$ 591,579
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>18,333</u>
Total	<u><u>\$ 609,912</u></u>

For the year ended December 31, 2019, the City recognized pension expense of \$73,700 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized \$1,373 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 16,442	\$ 4,037
Changes in Actuarial Assumptions	2,473	46,641
Net Difference Between Projected and Actual Earnings on Plan Investments	-	54,702
Changes in Proportion	25,436	4,572
Contributions Paid to PERA Subsequent to the Measurement Date	<u>30,006</u>	<u>-</u>
Total	<u><u>\$ 74,357</u></u>	<u><u>\$ 109,952</u></u>

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

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

The \$30,006 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (24,480)
2021	(33,850)
2022	(8,227)
2023	956

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
International Equity	17.5	5.90
Cash Equivalents	2.0	-
Total	<u>100.0 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
General Employees Fund	\$ 972,524	\$ 591,579	\$ 277,033

H. Pension Plan Fiduciary Net Position

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

Note 5: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All members of the Pine Island Fire Department (Department) are covered by a defined benefit plan administered by the Pine Island Firemen's Relief Association (Association). As of December 31, 2019, the plan covered 20 active firefighters and 6 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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

B. Benefits Provided

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

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

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$54,178 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2019, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2019 were \$65,178. The City's contributions were equal to the required contributions as set by state statute. The City made voluntary contributions of \$11,000 to the plan in 2019. The firefighter has no obligation to contribute to the plan.

D. Pension Costs

At December 31, 2019, the City reported a net pension asset of \$281,517 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2018. 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, 2019

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, 2018	\$ 559,706	\$ 873,894	\$ (314,188)
Changes for the Year			
Service cost	39,096	-	39,096
Interest on pension liability (asset)	37,425	-	37,425
Difference between expected and actual experience	(77,025)	-	(77,025)
Change in assumptions	17,376	-	17,376
Change of benefit terms	84,964	-	84,964
State and Local contributions	-	93,518	(93,518)
Net investment income	-	(19,853)	19,853
Administrative expenses	-	(4,500)	4,500
Total Net Changes	<u>101,836</u>	<u>69,165</u>	<u>32,671</u>
Ending Balance December 31, 2018	<u>\$ 661,542</u>	<u>\$ 943,059</u>	<u>\$ (281,517)</u>

For the year ended December 31, 2019, the City recognized pension expense of \$80,987.

At December 31, 2019, 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	\$ -	\$ 92,627
Changes in Actuarial Assumptions	25,582	11,022
Net Difference Between Projected and Actual Earnings on Plan Investments	38,863	-
Contributions to Plan Subsequent to the Measurement Date	<u>65,178</u>	<u>-</u>
Total	<u>\$ 129,623</u>	<u>\$ 103,649</u>

Deferred outflows of resources totaling \$65,178 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, 2020. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2020	\$ 4,311
2021	(2,344)
2022	(1,653)
2023	7,405
2024	(7,786)
Thereafter	(39,137)

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

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

E. Actuarial Assumptions

The total pension liability at December 31, 2018 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at 50 Percent of Age 50, 20 Percent at Ages 51-64 and 100 Percent at Age 65	
Investment Rate of Return	5.75%
20 Year Municipal Bond Yield	3.71%
Inflation	2.50%

Since the prior measurement date, the following assumptions changed:

- The expected investment rate of return and discount rate decreased from 6.25% to 5.75%.
- The 20 year municipal bond yield decreased from 3.81% to 3.71%.
- The inflation rate decreased from 2.75% to 2.50%.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	47.12 %	4.95 %
International Equity	-	5.24
Fixed Income	19.34	1.99
Real Estate	-	4.19
Cash	<u>33.54</u>	0.58
Total	<u><u>100.00</u></u> %	

F. Discount Rate

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

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

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

G. Pension Liability Sensitivity

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

	1 Percent Decrease (4.75%)	Current (5.75%)	1 Percent Increase (6.75%)
Defined Benefit Plan	\$ (247,243)	\$ (281,517)	\$ (313,486)

H. Pension Plan fiduciary net position

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

Note 6: Other Information

A. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. The City has no debt subject to this limit.

B. Risk Management

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

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

C. Concentrations

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2019 for LGA was \$613,835. This accounted for 23.3 percent of General fund revenue.

D. Tax Increment Districts

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

City of Pine Island, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 7: Evergreen Place Management Contract

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

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

The City conducts routine transactions with its component unit for services provided. The City provides administrative and financial services for the EDA activities. In 2019, the City contributed \$86,050 to the EDA for EDA operations.

Note 9: Subsequent Event

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the impact on the U.S. and international economies and, as such, there have been significant losses in the stock market in first quarter 2020. Plan assets may have seen unrealized market losses as of May 6, 2020. However, the City of Pine Island management is unable to determine the long term material impact to its asset values.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PINE ISLAND
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Pine Island, Minnesota
 Required Supplementary Information
 For the Year Ended December 31, 2019

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

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

Schedule of Employer's PERA Contributions - General Employees Fund

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

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

City of Pine Island, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2019

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

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

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

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

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

Changes in Plan Provisions

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

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

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

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

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

City of Pine Island, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

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

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 39,096	\$ 38,050	\$ 36,221	\$ 33,198	\$ 32,309
Interest	37,425	34,546	35,866	27,327	25,857
Changes of benefit terms	84,964	-	-	61,511	-
Differences between expected and actual experience	(77,025)	-	(28,723)	-	-
Changes of assumptions	17,376	-	12,519	(16,614)	-
Benefit payments, including refunds of employee contributions	-	(55,144)	(17,500)	(47,590)	(21,533)
Net Change in Total Pension Liability	<u>101,836</u>	<u>17,452</u>	<u>38,383</u>	<u>57,832</u>	<u>36,633</u>
Total Pension Liability - January 1, 2019	<u>559,706</u>	<u>542,254</u>	<u>503,871</u>	<u>446,039</u>	<u>409,406</u>
Total Pension Liability - December 31, 2019 (a)	<u>\$ 661,542</u>	<u>\$ 559,706</u>	<u>\$ 542,254</u>	<u>\$ 503,871</u>	<u>\$ 446,039</u>
Plan Fiduciary Net Position					
Contributions - employer	11,000	11,000	11,000	26,160	23,160
Contributions - state	93,518	53,107	53,107	51,483	49,973
Net investment income	(19,853)	93,733	49,359	4,358	50,049
Benefit payments, including refunds of employee contributions	(11,000)	(66,144)	(11,500)	(47,590)	(21,533)
Administrative expense	(4,500)	(3,000)	(3,295)	(3,000)	(3,321)
Net Change in Plan Fiduciary Net Position	<u>69,165</u>	<u>88,696</u>	<u>98,671</u>	<u>31,411</u>	<u>98,328</u>
Plan Fiduciary Net Position - Beginning of Year	<u>873,894</u>	<u>785,198</u>	<u>688,151</u>	<u>658,260</u>	<u>559,932</u>
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 943,059</u>	<u>\$ 873,894</u>	<u>\$ 786,822</u>	<u>\$ 689,671</u>	<u>\$ 658,260</u>
Fire Relief's Net Pension Liability (Asset) - End of Year (a-b)	<u>\$ (281,517)</u>	<u>\$ (314,188)</u>	<u>\$ (244,568)</u>	<u>\$ (185,800)</u>	<u>\$ (212,221)</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability (b/a)	142.55%	156.13%	145.10%	136.87%	147.58%
Covered-employee Payroll	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

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

Notes to the Required Supplementary Information - Fire Relief Association:

Benefit Changes: The lump sum benefit amount increased from \$3,900 to \$4,800.

Changes of Assumptions: The expected investment rate of return and discount rate decreased from 6.25% to 5.75% to reflect updated capital market assumptions. The mortality assumptions were updated from the rates used in the July 1, 2017 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation. The inflation assumption decreased from 2.75% to 2.50%.

City of Pine Island, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2019

Schedule of Employer's Fire Relief Association Contributions

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

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF PINE ISLAND
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Pine Island, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2019

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and temporary investments	\$ 453,810	\$ 110,653	\$ 564,463
Restricted cash	40,618	-	40,618
Receivables			
Accounts	25,926	40,000	65,926
Notes	120,437	-	120,437
	<u>640,791</u>	<u>150,653</u>	<u>791,444</u>
Total Assets	<u>\$ 640,791</u>	<u>\$ 150,653</u>	<u>\$ 791,444</u>
Liabilities			
Accounts payable	\$ 3,254	\$ -	\$ 3,254
Accrued salaries payable	2,001	-	2,001
Total Liabilities	<u>5,255</u>	<u>-</u>	<u>5,255</u>
Deferred Inflows of Resources			
Unavailable revenues - grants	<u>-</u>	<u>40,000</u>	<u>40,000</u>
Fund Balances			
Restricted	460,835	138,395	599,230
Committed	141,742	-	141,742
Assigned	32,959	-	32,959
Unassigned	-	(27,742)	(27,742)
Total Fund Balances	<u>635,536</u>	<u>110,653</u>	<u>746,189</u>
	<u>640,791</u>	<u>150,653</u>	<u>791,444</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 640,791</u>	<u>\$ 150,653</u>	<u>\$ 791,444</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, 2019

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Tax increment	\$ -	\$ 59,479	\$ 59,479
Intergovernmental	72,576	-	72,576
Charges for services	1,103	-	1,103
Fines and forfeitures	3,051	-	3,051
Interest on investments	10,252	1,061	11,313
Miscellaneous	9,308	-	9,308
Total Revenues	<u>96,290</u>	<u>60,540</u>	<u>156,830</u>
Expenditures			
Current			
Public safety	20,546	-	20,546
Public works	-	2,608	2,608
Culture and recreation	147,683	-	147,683
Housing and economic development	-	30,023	30,023
Capital outlay			
Public works	-	2,465	2,465
Culture and recreation	40,049	-	40,049
Housing and economic development	-	26,307	26,307
Debt service			
Interest and other	-	18,095	18,095
Total Expenditures	<u>208,278</u>	<u>79,498</u>	<u>287,776</u>
Deficiency of Revenues			
Under Expenditures	<u>(111,988)</u>	<u>(18,958)</u>	<u>(130,946)</u>
Other Financing Sources (Uses)			
Transfers in	105,121	4,750	109,871
Transfers out	-	(244,507)	(244,507)
Total Other Financing Sources	<u>105,121</u>	<u>(239,757)</u>	<u>(134,636)</u>
Net Change in Fund Balances	(6,867)	(258,715)	(265,582)
Fund Balances, January 1	<u>642,403</u>	<u>369,368</u>	<u>1,011,771</u>
Fund Balances, December 31	<u>\$ 635,536</u>	<u>\$ 110,653</u>	<u>\$ 746,189</u>

City of Pine Island, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2019

	211	246	260	261
	Library	River Flood Monitor	Revolving Loan	DTED Land O'Lakes
Assets				
Cash and temporary investments	\$ 118,525	\$ 9,298	\$ 86,583	\$ 205,931
Restricted cash	-	-	40,618	-
Receivables				
Accounts	25,926	-	-	-
Notes	-	-	30,207	90,230
	<u>144,451</u>	<u>9,298</u>	<u>157,408</u>	<u>296,161</u>
Total Assets	<u>\$ 144,451</u>	<u>\$ 9,298</u>	<u>\$ 157,408</u>	<u>\$ 296,161</u>
Liabilities				
Accounts payable	\$ 708	\$ 2,546	\$ -	\$ -
Accrued salaries payable	2,001	-	-	-
Total Liabilities	<u>2,709</u>	<u>2,546</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	-	6,752	157,408	296,161
Committed	141,742	-	-	-
Assigned	-	-	-	-
Total Fund Balances	<u>141,742</u>	<u>6,752</u>	<u>157,408</u>	<u>296,161</u>
	<u>\$ 144,451</u>	<u>\$ 9,298</u>	<u>\$ 157,408</u>	<u>\$ 296,161</u>
Total Liabilities and Fund Balances	<u>\$ 144,451</u>	<u>\$ 9,298</u>	<u>\$ 157,408</u>	<u>\$ 296,161</u>

270	280	
Disaster Relief	Charitable Gambling Donations	Total
\$ 514	\$ 32,959	\$ 453,810
-	-	40,618
-	-	25,926
-	-	120,437
<u>\$ 514</u>	<u>\$ 32,959</u>	<u>\$ 640,791</u>
\$ -	\$ -	\$ 3,254
-	-	2,001
-	-	5,255
514	-	460,835
-	-	141,742
-	32,959	32,959
<u>514</u>	<u>32,959</u>	<u>635,536</u>
<u>\$ 514</u>	<u>\$ 32,959</u>	<u>\$ 640,791</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, 2019

	211	246	260	261
	Library	River Flood Monitor	Revolving Loan	DTED Land O'Lakes
Revenues				
Intergovernmental	\$ 72,576	\$ -	\$ -	\$ -
Charges for services	1,103	-	-	-
Fines and forfeitures	3,051	-	-	-
Interest on investments	1,310	52	1,260	7,376
Miscellaneous	5,019	-	-	699
Total Revenues	<u>83,059</u>	<u>52</u>	<u>1,260</u>	<u>8,075</u>
Expenditures				
Current				
Public safety	-	3,506	-	-
Culture and recreation	147,683	-	-	-
Capital outlay				
Culture and recreation	40,049	-	-	-
Total Expenditures	<u>187,732</u>	<u>3,506</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(104,673)	(3,454)	1,260	8,075
Other Financing Sources				
Transfers in	105,121	-	-	-
Net Change in Fund Balances	448	(3,454)	1,260	8,075
Fund Balances, January 1	<u>141,294</u>	<u>10,206</u>	<u>156,148</u>	<u>288,086</u>
Fund Balances, December 31	<u>\$ 141,742</u>	<u>\$ 6,752</u>	<u>\$ 157,408</u>	<u>\$ 296,161</u>

270	280	
Disaster Relief	Charitable Gambling Donations	Total
\$ -	\$ -	\$ 72,576
-	-	1,103
-	-	3,051
-	254	10,252
-	3,590	9,308
-	3,844	96,290
-	17,040	20,546
-	-	147,683
-	-	40,049
-	17,040	208,278
-	(13,196)	(111,988)
-	-	105,121
-	(13,196)	(6,867)
514	46,155	642,403
<u>\$ 514</u>	<u>\$ 32,959</u>	<u>\$ 635,536</u>

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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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Intergovernmental	\$ 77,090	\$ 77,090	\$ 72,576	\$ (4,514)	\$ 73,837
Charges for services	450	450	1,103	653	924
Fines and forfeitures	2,400	2,400	3,051	651	3,797
Interest on investments	100	100	1,310	1,210	1,409
Miscellaneous	660	660	5,019	4,359	1,493
Total Revenues	<u>80,700</u>	<u>80,700</u>	<u>83,059</u>	<u>2,359</u>	<u>81,460</u>
Expenditures					
Current					
Culture and recreation					
Personal services	140,353	140,353	125,869	14,484	120,929
Supplies	5,100	5,100	3,453	1,647	3,225
Other services and charges	21,415	21,415	18,361	3,054	21,493
Capital outlay					
Culture and recreation	41,109	41,109	40,049	1,060	33,266
Total Expenditures	<u>207,977</u>	<u>207,977</u>	<u>187,732</u>	<u>20,245</u>	<u>178,913</u>
Deficiency of Revenues Under Expenditures	(127,277)	(127,277)	(104,673)	22,604	(97,453)
Other Financing Sources					
Transfers in	<u>127,277</u>	<u>127,277</u>	<u>105,121</u>	<u>(22,156)</u>	<u>126,000</u>
Net Change in Fund Balances	-	-	448	448	28,547
Fund Balances, January 1	<u>141,294</u>	<u>141,294</u>	<u>141,294</u>	-	<u>112,747</u>
Fund Balances, December 31	<u>\$ 141,294</u>	<u>\$ 141,294</u>	<u>\$ 141,742</u>	<u>\$ 448</u>	<u>\$ 141,294</u>

City of Pine Island, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2019

	419	431	392	393
	2003 Street Improvement	White Pines Rd and Roundabout Project	Wazuweeta Woods TIF 1-10	Downtown Development TIF 1-9
Assets				
Cash and temporary investments	\$ -	\$ -	\$ 96,178	\$ 32,063
Receivables				
Accounts	-	-	-	-
Total Assets	\$ -	\$ -	\$ 96,178	\$ 32,063
Deferred Inflows of Resources				
Unavailable revenues - grants	-	-	-	-
Fund Balances				
Restricted	-	-	96,178	32,063
Unassigned	-	-	-	-
Total Fund Balances	-	-	96,178	32,063
Total Deferred Inflows of Resources and Fund Balances	\$ -	\$ -	\$ 96,178	\$ 32,063

395 Park Elk Run TIF 1-12	396 Farm Country Co. TIF 1-13	436 5th Street SW	Total
\$ -	\$ 10,154	\$ (27,742)	\$ 110,653
-	-	40,000	40,000
<u>\$ -</u>	<u>\$ 10,154</u>	<u>\$ 12,258</u>	<u>\$ 150,653</u>
-	-	40,000	40,000
-	10,154	-	138,395
-	-	(27,742)	(27,742)
-	10,154	(27,742)	110,653
<u>\$ -</u>	<u>\$ 10,154</u>	<u>\$ 12,258</u>	<u>\$ 150,653</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, 2019

	419	431	392	393
	2003 Street Improvement	White Pines Rd and Roundabout Project	Wazuweeta Woods TIF 1-10	Downtown Development TIF 1-9
Revenues				
Tax increment	\$ -	\$ -	\$ 29,230	\$ -
Interest on investments	-	-	738	246
Total Revenues	<u>-</u>	<u>-</u>	<u>29,968</u>	<u>246</u>
Expenditures				
Current				
Public works	-	-	-	-
Housing and economic development	-	-	933	933
Capital outlay				
Public works	-	-	-	-
Housing and economic development	-	-	26,307	-
Debt service				
Interest and other	-	-	-	18,095
Total Expenditures	<u>-</u>	<u>-</u>	<u>27,240</u>	<u>19,028</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>2,728</u>	<u>(18,782)</u>
Other Financing Sources (Uses)				
Transfers in	4,750	-	-	-
Transfers out	-	(244,453)	-	-
Total Other Financing Sources (Uses)	<u>4,750</u>	<u>(244,453)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	4,750	(244,453)	2,728	(18,782)
Fund Balances, January 1	<u>(4,750)</u>	<u>244,453</u>	<u>93,450</u>	<u>50,845</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,178</u>	<u>\$ 32,063</u>

395 Park Elk Run TIF 1-12	396 Farm Country Co. TIF 1-13	436 5th Street SW	Total
\$ -	\$ 30,249	\$ -	\$ 59,479
-	77	-	1,061
-	30,326	-	60,540
-	-	2,608	2,608
-	28,157	-	30,023
-	-	2,465	2,465
-	-	-	26,307
-	-	-	18,095
-	28,157	5,073	79,498
-	2,169	(5,073)	(18,958)
-	-	-	4,750
(54)	-	-	(244,507)
(54)	-	-	(239,757)
(54)	2,169	(5,073)	(258,715)
54	7,985	(22,669)	369,368
\$ -	\$ 10,154	\$ (27,742)	\$ 110,653

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City of Pine Island, Minnesota
 Nonmajor Proprietary Funds
 Combining Statement of Net Position
 December 31, 2019

	Business-type Activities - Enterprise Funds		
	604	871	
	Cemetery	Deputy Registrar	Total
Assets			
Current Assets			
Cash and temporary investments	\$ 293,947	\$ 179,767	\$ 473,714
Noncurrent Assets			
Capital assets			
Buildings	15,500	-	15,500
Improvements other than buildings	177,234	-	177,234
Machinery and equipment	30,051	-	30,051
Less accumulated depreciation	(103,316)	-	(103,316)
Total Noncurrent Assets	119,469	-	119,469
Total Assets	413,416	179,767	593,183
Deferred Outflows of Resources			
Deferred pension resources	-	3,701	3,701
Liabilities			
Current Liabilities			
Accounts payable	74	71	145
Accrued salaries payable	69	1,043	1,112
Compensated absences payable	-	9	9
Total Current Liabilities	143	1,123	1,266
Noncurrent Liabilities			
Pension liability	-	29,444	29,444
Total Liabilities	143	30,567	30,710
Deferred Inflows of Resources			
Deferred pension resources	-	5,472	5,472
Net Position			
Investment in capital assets	119,469	-	119,469
Unrestricted	293,804	147,429	441,233
Total Net Position	\$ 413,273	\$ 147,429	\$ 560,702

City of Pine Island, Minnesota
 Nonmajor Proprietary Funds
 Combining Statement of Revenues, Expenses
 and Changes in Net Position
 For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds		
	604	871	
	Cemetery	Deputy Registrar	Total
Operating Revenues			
Charges for services	\$ 23,805	\$ 90,543	\$ 114,348
Operating Expenses			
Personal services	6,672	56,625	63,297
Supplies	3,371	2,586	5,957
Other services and charges	15,969	2,326	18,295
Utilities	79	1,209	1,288
Depreciation	8,377	-	8,377
Total Operating Expenses	<u>34,468</u>	<u>62,746</u>	<u>97,214</u>
Operating Income (Loss)	<u>(10,663)</u>	<u>27,797</u>	<u>17,134</u>
Nonoperating Revenues			
Interest income	15,899	875	16,774
Other income	530	29,900	30,430
Total Nonoperating Revenues	<u>16,429</u>	<u>30,775</u>	<u>47,204</u>
Income Before Transfers	5,766	58,572	64,338
Transfers In	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Change in Net Position	9,766	58,572	68,338
Net Position, January 1	<u>403,507</u>	<u>88,857</u>	<u>492,364</u>
Net Position, December 31	<u>\$ 413,273</u>	<u>\$ 147,429</u>	<u>\$ 560,702</u>

City of Pine Island, Minnesota
 Nonmajor Proprietary Funds
 Combining Statement of Cash Flows
 For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds		
	604	871	
	Cemetery	Deputy Registrar	Total
Cash Flows from Operating Activities			
Receipts from users	\$ 24,335	\$ 120,443	\$ 144,778
Payments to suppliers	(22,339)	(6,191)	(28,530)
Payments to employees	(6,643)	(54,573)	(61,216)
Fees collected on behalf of State of Minnesota	-	52,514	52,514
Fees paid to State of Minnesota	-	(52,514)	(52,514)
Net Cash Provided (Used) by Operating Activities	<u>(4,647)</u>	<u>59,679</u>	<u>55,032</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>15,899</u>	<u>875</u>	<u>16,774</u>
Net Increase in Cash and Cash Equivalents	15,252	60,554	75,806
Cash and Cash Equivalents, January 1	<u>278,695</u>	<u>119,213</u>	<u>397,908</u>
Cash and Cash Equivalents, December 31	<u>\$ 293,947</u>	<u>\$ 179,767</u>	<u>\$ 473,714</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ (10,663)	\$ 27,797	\$ 17,134
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Other income related to operations	530	29,900	30,430
Depreciation	8,377	-	8,377
(Increase) decrease in assets			
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	-	(109)	(109)
Increase (decrease) in liabilities/deferred inflows of resources			
Accounts payable	(2,920)	(70)	(2,990)
Accrued salaries payable	29	236	265
Pension liability	-	4,792	4,792
Compensated absences payable	-	(180)	(180)
Deferred pension resources	-	(2,687)	(2,687)
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,647)</u>	<u>\$ 59,679</u>	<u>\$ 55,032</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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property	\$ 1,656,824	\$ 1,656,824	\$ 1,598,893	\$ (57,931)	\$ 1,490,404
Franchise	30,000	30,000	40,770	10,770	39,972
Total taxes	<u>1,686,824</u>	<u>1,686,824</u>	<u>1,639,663</u>	<u>(47,161)</u>	<u>1,530,376</u>
Licenses and permits					
Business	12,600	12,600	15,315	2,715	17,395
Nonbusiness	52,500	52,500	51,671	(829)	69,767
Total licenses and permits	<u>65,100</u>	<u>65,100</u>	<u>66,986</u>	<u>1,886</u>	<u>87,162</u>
Intergovernmental					
State					
Local government aid	613,835	613,835	613,835	-	613,345
Agricultural market value credit	-	-	967	967	1,146
Fire state aid	52,000	52,000	54,178	2,178	52,518
Small cities assistance program	-	-	-	-	26,638
Other	17,177	17,177	9,567	(7,610)	7,956
County	-	-	2,953	2,953	1,495
Total intergovernmental	<u>683,012</u>	<u>683,012</u>	<u>681,500</u>	<u>(1,512)</u>	<u>703,098</u>
Charges for services					
General government	9,600	9,600	15,569	5,969	7,616
Public safety	140,000	140,000	135,573	(4,427)	130,480
Public works	400	400	-	(400)	-
Culture and recreation	38,450	38,450	54,521	16,071	-
Total charges for services	<u>188,450</u>	<u>188,450</u>	<u>205,663</u>	<u>17,213</u>	<u>138,096</u>
Fines and forfeitures	<u>3,500</u>	<u>3,500</u>	<u>2,211</u>	<u>(1,289)</u>	<u>3,295</u>
Interest income	<u>18,000</u>	<u>18,000</u>	<u>2,234</u>	<u>(15,766)</u>	<u>10,887</u>
Special assessments	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>	<u>24,621</u>
Miscellaneous					
Other	<u>22,650</u>	<u>22,650</u>	<u>33,069</u>	<u>10,419</u>	<u>13,248</u>
Total Revenues	<u>2,669,536</u>	<u>2,669,536</u>	<u>2,631,326</u>	<u>(38,210)</u>	<u>2,510,783</u>
Expenditures					
Current					
General government					
Mayor and Council					
Personal services	11,962	11,962	11,152	810	11,430
Supplies	100	100	30	70	38
Other services and charges	12,550	12,550	889	11,661	255
Total Mayor and Council	<u>24,612</u>	<u>24,612</u>	<u>12,071</u>	<u>12,541</u>	<u>11,723</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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Elections					
Personal services	\$ -	\$ -	\$ -	\$ -	\$ 3,027
Supplies	450	450	3,399	(2,949)	1,187
Other services and charges	100	100	23	77	743
Total elections	<u>550</u>	<u>550</u>	<u>3,422</u>	<u>(2,872)</u>	<u>4,957</u>
Other general government					
Personal services	262,877	262,877	283,372	(20,495)	249,787
Supplies	4,600	4,600	4,357	243	5,225
Other services and charges	168,643	168,643	213,251	(44,608)	124,547
Total other general government	<u>436,120</u>	<u>436,120</u>	<u>500,980</u>	<u>(64,860)</u>	<u>379,559</u>
Total general government	<u>461,282</u>	<u>461,282</u>	<u>516,473</u>	<u>(55,191)</u>	<u>396,239</u>
Public safety					
Police					
Other services and charges	1,400	1,400	1,432	(32)	1,689
Contracted services	324,135	324,135	332,238	(8,103)	314,694
Total police	<u>325,535</u>	<u>325,535</u>	<u>333,670</u>	<u>(8,135)</u>	<u>316,383</u>
Fire protection					
Personal services	98,075	98,075	92,410	5,665	88,830
2% fire aid	52,000	52,000	54,178	(2,178)	55,518
Supplies	17,050	17,050	16,496	554	16,174
Other services and charges	58,825	58,825	74,502	(15,677)	58,744
Total fire protection	<u>225,950</u>	<u>225,950</u>	<u>237,586</u>	<u>(11,636)</u>	<u>219,266</u>
Rural fire fighting					
Personal services	67,181	67,181	63,631	3,550	68,318
Supplies	17,050	17,050	17,419	(369)	15,821
Other services and charges	58,325	58,325	58,219	106	48,231
Total rural fire fighting	<u>142,556</u>	<u>142,556</u>	<u>139,269</u>	<u>3,287</u>	<u>132,370</u>
Inspections					
Personal services	500	500	-	500	496
Supplies	50	50	74	(24)	-
Other services and charges	36,200	36,200	57,846	(21,646)	55,952
Total inspections	<u>36,750</u>	<u>36,750</u>	<u>57,920</u>	<u>(21,170)</u>	<u>56,448</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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety (continued)					
Civil defense					
Personal services	\$ 5,254	\$ 5,254	\$ 4,917	\$ 337	\$ 4,970
Supplies	4,300	4,300	2,839	1,461	4,400
Other services and charges	4,800	4,800	2,802	1,998	3,213
Total civil defense	<u>14,354</u>	<u>14,354</u>	<u>10,558</u>	<u>3,796</u>	<u>12,583</u>
Animal control					
Supplies	150	150	224	(74)	5
Other services and charges	600	600	-	600	137
Total animal control	<u>750</u>	<u>750</u>	<u>224</u>	<u>526</u>	<u>142</u>
Total public safety	<u>745,895</u>	<u>745,895</u>	<u>779,227</u>	<u>(33,332)</u>	<u>737,192</u>
Public works					
Streets and alleys					
Personal services	424,721	424,721	409,534	15,187	382,973
Supplies	107,100	107,100	142,572	(35,472)	100,320
Other services and charges	357,700	357,700	357,709	(9)	311,709
Total streets and alleys	<u>889,521</u>	<u>889,521</u>	<u>909,815</u>	<u>(20,294)</u>	<u>795,002</u>
Street lighting					
Supplies	3,000	3,000	656	2,344	5,773
Other services and charges	54,000	54,000	57,097	(3,097)	50,498
Total street lighting	<u>57,000</u>	<u>57,000</u>	<u>57,753</u>	<u>(753)</u>	<u>56,271</u>
Storm sewer					
Supplies	36,000	36,000	5,960	30,040	49
Other services and charges	19,500	19,500	-	19,500	19,033
Total storm sewer	<u>55,500</u>	<u>55,500</u>	<u>5,960</u>	<u>49,540</u>	<u>19,082</u>
Weed control					
Supplies	50	50	-	50	-
Other services and charges	5,550	5,550	2,825	2,725	-
Total weed control	<u>5,600</u>	<u>5,600</u>	<u>2,825</u>	<u>2,775</u>	<u>-</u>
Total public works	<u>1,007,621</u>	<u>1,007,621</u>	<u>976,353</u>	<u>31,268</u>	<u>870,355</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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Culture and recreation					
Swimming pool					
Personal services	\$ 57,402	\$ 57,402	\$ 62,110	\$ (4,708)	\$ 2,206
Supplies	13,900	13,900	8,820	5,080	334
Other services and charges	32,100	32,100	28,899	3,201	3,274
Total swimming pool	<u>103,402</u>	<u>103,402</u>	<u>99,829</u>	<u>3,573</u>	<u>5,814</u>
Parks					
Personal services	10,051	10,051	11,748	(1,697)	11,224
Supplies	18,500	18,500	17,768	732	16,467
Other services and charges	50,050	50,050	38,518	11,532	65,377
Total parks	<u>78,601</u>	<u>78,601</u>	<u>68,034</u>	<u>10,567</u>	<u>93,068</u>
Total culture and recreation	<u>182,003</u>	<u>182,003</u>	<u>167,863</u>	<u>14,140</u>	<u>98,882</u>
Housing and economic development					
Supplies	25	25	-	25	-
Other services and charges	86,050	86,050	86,050	-	86,050
Total housing and economic development	<u>86,075</u>	<u>86,075</u>	<u>86,050</u>	<u>25</u>	<u>86,050</u>
Total current	<u>2,482,876</u>	<u>2,482,876</u>	<u>2,525,966</u>	<u>(43,090)</u>	<u>2,188,718</u>
Capital outlay					
Public safety	-	-	-	-	21,537
Housing and economic development	-	-	250	(250)	-
Total capital outlay	<u>-</u>	<u>-</u>	<u>250</u>	<u>(250)</u>	<u>21,537</u>
Total Expenditures	<u>2,482,876</u>	<u>2,482,876</u>	<u>2,526,216</u>	<u>(43,340)</u>	<u>2,210,255</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>186,660</u>	<u>186,660</u>	<u>105,110</u>	<u>(81,550)</u>	<u>300,528</u>
Other Financing Sources (Uses)					
Transfers in	125,025	125,025	132,299	7,274	113,244
Transfers out	(286,027)	(286,027)	(263,871)	22,156	(302,527)
Total Other Financing Sources (Uses)	<u>(161,002)</u>	<u>(161,002)</u>	<u>(131,572)</u>	<u>29,430</u>	<u>(189,283)</u>
Net Change in Fund Balances	25,658	25,658	(26,462)	(52,120)	111,245
Fund Balances, January 1	<u>1,046,444</u>	<u>1,046,444</u>	<u>1,046,444</u>	<u>-</u>	<u>935,199</u>
Fund Balances, December 31	<u>\$ 1,072,102</u>	<u>\$ 1,072,102</u>	<u>\$ 1,019,982</u>	<u>\$ (52,120)</u>	<u>\$ 1,046,444</u>

City of Pine Island, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2019

	308 2018A G.O. Improvement Bonds	312 2017A G.O. Improvement Bonds	319 2010 G.O. Improvement Bonds	321 2012B Project & Refunding Bond
Assets				
Cash and temporary investments	\$ 145,625	\$ 203,634	\$ 127,565	\$ 475,903
Receivables				
Accounts	-	-	32	-
Special assessments	-	257,555	64,457	289,261
	<u>145,625</u>	<u>257,555</u>	<u>64,457</u>	<u>289,261</u>
Total Assets	<u>\$ 145,625</u>	<u>\$ 461,189</u>	<u>\$ 192,054</u>	<u>\$ 765,164</u>
Deferred Inflows of Resources				
Unavailable revenues - special assessments	\$ -	\$ 257,555	\$ 64,457	\$ 289,123
Fund Balances				
Restricted	<u>145,625</u>	<u>203,634</u>	<u>127,597</u>	<u>476,041</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 145,625</u>	<u>\$ 461,189</u>	<u>\$ 192,054</u>	<u>\$ 765,164</u>

322 2014A White Pines Bond	323 2014B Crossover Refunding	324 2015A Improvement Bonds	Total
\$ 269,800	\$ 378,701	\$ 292,615	\$ 1,893,843
-	-	-	32
<u>161,022</u>	<u>59,396</u>	<u>192,885</u>	<u>1,024,576</u>
<u>\$ 430,822</u>	<u>\$ 438,097</u>	<u>\$ 485,500</u>	<u>\$ 2,918,451</u>
\$ 161,022	\$ 57,963	\$ 192,885	\$ 1,023,005
<u>269,800</u>	<u>380,134</u>	<u>292,615</u>	<u>1,895,446</u>
<u>\$ 430,822</u>	<u>\$ 438,097</u>	<u>\$ 485,500</u>	<u>\$ 2,918,451</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, 2019

	308 2018A G.O. Improvement Bonds	312 2017A G.O. Improvement Bonds	319 2010 G.O. Improvement Bonds	321 2012B Project & Refunding Bond
Revenues				
Property taxes	\$ 155,479	\$ 68,984	\$ 72,379	\$ 214,953
Special assessments	-	81,496	22,984	35,620
Interest on investments	1,119	1,567	980	3,163
Miscellaneous	-	-	-	13,153
Total Revenues	<u>156,598</u>	<u>152,047</u>	<u>96,343</u>	<u>266,889</u>
Expenditures				
Debt service				
Principal	110,000	65,000	75,000	259,587
Interest and other	87,966	28,137	17,484	43,289
Total Expenditures	<u>197,966</u>	<u>93,137</u>	<u>92,484</u>	<u>302,876</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(41,368)	58,910	3,859	(35,987)
Other Financing Sources				
Transfers in	-	-	-	102,691
Net Change in Fund Balances	(41,368)	58,910	3,859	66,704
Fund Balances, January 1	<u>186,993</u>	<u>144,724</u>	<u>123,738</u>	<u>409,337</u>
Fund Balances, December 31	<u>\$ 145,625</u>	<u>\$ 203,634</u>	<u>\$ 127,597</u>	<u>\$ 476,041</u>

322 2014A White Pines Bond	323 2014B Crossover Refunding	324 2015A Improvement Bonds	Total
\$ 107,000	\$ 167,099	\$ 70,704	\$ 856,598
12,194	23,894	22,018	198,206
2,074	2,910	2,249	14,062
-	-	-	13,153
<u>121,268</u>	<u>193,903</u>	<u>94,971</u>	<u>1,082,019</u>
55,000	165,000	70,000	799,587
<u>75,368</u>	<u>28,899</u>	<u>23,144</u>	<u>304,287</u>
<u>130,368</u>	<u>193,899</u>	<u>93,144</u>	<u>1,103,874</u>
(9,100)	4	1,827	(21,855)
<u>244,453</u>	<u>9,056</u>	<u>-</u>	<u>356,200</u>
235,353	9,060	1,827	334,345
<u>34,447</u>	<u>371,074</u>	<u>290,788</u>	<u>1,561,101</u>
<u>\$ 269,800</u>	<u>\$ 380,134</u>	<u>\$ 292,615</u>	<u>\$ 1,895,446</u>

City of Pine Island, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Balance Sheet
December 31, 2019

	<u>255 Economic Development Authority</u>
Assets	
Cash and temporary investments	<u>\$ 78,939</u>
Liabilities	
Accounts payable	\$ 1,137
Fund Balances	
Assigned for economic development	<u>77,802</u>
Total Liabilities and Fund Balances	<u>\$ 78,939</u>
Amounts reported for the Economic Development Authority in the statement of net position are different because	
Total Fund Balance Reported Above	\$ 77,802
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	
Pension liability	(37,220)
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	4,678
Deferred inflows of pension resources	<u>(6,918)</u>
Total Net Position - Governmental Activities	<u>\$ 38,342</u>

City of Pine Island, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended December 31, 2019

	<u>255</u> Economic Development Authority
Revenues	
Intergovernmental	\$ 86,050
Interest on investments	502
Miscellaneous	<u>125</u>
Total Revenues	86,677
Expenditures	
Current	
Housing and economic development	<u>80,282</u>
Net Change in Fund Balances	6,395
Fund Balances, January 1	<u>71,407</u>
Fund Balances, December 31	<u><u>\$ 77,802</u></u>
Amounts reported for the Economic Development Authority in the statement of activities are different because	
Net Change in Fund Balance Reported Above	\$ 6,395
Long-term pension activity is not reported in governmental funds. Pension expense	(3,608)
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. Compensated absences	<u>168</u>
Change in Net Position - Economic Development Authority	<u><u>\$ 2,955</u></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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 86,050	\$ 86,050	\$ 86,050	\$ -
Charges for services	5,000	5,000	-	(5,000)
Interest on investments	100	100	502	402
Miscellaneous	1,000	1,000	125	(875)
Total Revenues	<u>92,150</u>	<u>92,150</u>	<u>86,677</u>	<u>(5,473)</u>
Expenditures				
Current				
Economic development				
Personal services	59,488	59,488	71,752	(12,264)
Supplies	1,950	1,950	963	987
Other services and charges	27,170	27,170	7,567	19,603
Total Expenditures	<u>88,608</u>	<u>88,608</u>	<u>80,282</u>	<u>8,326</u>
Net Change in Fund Balances	3,542	3,542	6,395	2,853
Fund Balances, January 1	<u>71,407</u>	<u>71,407</u>	<u>71,407</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 74,949</u>	<u>\$ 74,949</u>	<u>\$ 77,802</u>	<u>\$ 2,853</u>

City of Pine Island, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations
 Governmental Funds
 For the Years Ended December 31, 2019 and 2018

	Total		Percent Increase (Decrease)
	2019	2018	
Revenues			
Taxes	\$ 2,555,740	\$ 2,474,534	3.28 %
Licenses and permits	66,986	87,187	(23.17)
Intergovernmental	754,076	776,935	(2.94)
Charges for services	206,766	139,020	48.73
Fines and forfeitures	5,262	7,092	(25.80)
Special assessments	198,206	212,517	(6.73)
Investment earnings	36,357	40,425	(10.06)
Miscellaneous	55,530	21,106	163.10
Total Revenues	\$ 3,878,923	\$ 3,758,816	3.20 %
Per Capita	\$ 1,134	\$ 1,105	2.62 %
Expenditures			
Current			
General government	\$ 516,473	\$ 396,239	30.34 %
Public safety	799,773	765,798	4.44
Public works	978,961	886,525	10.43
Culture and recreation	318,769	255,013	25.00
Housing and economic development	116,073	122,975	(5.61)
Capital outlay			
Public safety	682,489	31,156	2,090.55
Public works	61,622	218,301	(71.77)
Culture and recreation	1,002,954	1,295,563	(22.59)
Housing and economic development	26,557	18,709	41.95
Debt service			
Principal	799,587	764,587	4.58
Interest and other charges	322,382	273,275	17.97
Total Expenditures	\$ 5,625,640	\$ 5,028,141	11.88 %
Per Capita	\$ 1,645	\$ 1,478	11.26 %
Total Long-term Indebtedness	\$ 9,911,385	\$ 10,710,972	(7.47) %
Per Capita	2,898	3,149	(7.98)
General Fund Balance - December 31	\$ 1,019,982	\$ 1,046,444	(2.53) %
Per Capita	298	308	(3.07)

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

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OTHER REQUIRED REPORT

CITY OF PINE ISLAND
PINE ISLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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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, 2019, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 6, 2020.

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, except as described in the Schedule of Findings and Responses as items 2019-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 6, 2020

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City of Pine Island, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2019

<u>Finding</u>	<u>Description</u>
2019-002	Claims Approval
<i>Condition:</i>	We conducted an audit under the provisions of the Minnesota Legal Compliance Audit Guide for Cities. This audit for legal compliance requires a review of the City's claims and disbursements. Our study indicated an instance of non-compliance that we believe should be remedied.
<i>Criteria:</i>	Minnesota Statute § 412.271, subd. 1 directs all claims be audited and allowed by the City Council. Meaning all claims paid by the City are required to be approved by the City Council at the City's monthly meetings. We noted an instance in August of 2019 where there was a gap of 56 checks in the sequence that the City Council did not approve, thereby not approving all claims.
<i>Cause:</i>	The current process of running the check register report to be approved by the City Council is not a continuous list of claims from month to month. Checks written after the City Council meeting but before the end of the month are being excluded from the next month's report.
<i>Effect:</i>	This does not permit a clear process to document that all disbursements have been approved by the City Council. We did however note none of these checks to be inconsistent with the City's regular functions.
<i>Recommendation:</i>	We recommend that a claims list be generated by looking at the previous claims list and generating the report for checks after that last check number. We recommend that the minutes disclose the total amount approved as well as disclose the sequence of checks disbursed.
<i>Management Response:</i>	All disbursements will be included in future check register reports.