

New Issue

S & P Global Rating Requested

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and assuming compliance with certain covenants, if the Bonds are issued as tax-exempt bonds, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and is not an item of tax preference for federal or Minnesota alternative minimum tax purposes; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. Such interest is not included in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions. See "Taxability of Interest" herein.

\$2,855,000
City of Pierz, Minnesota
General Obligation Bonds, Series 2024A

PURPOSE/AUTHORITY: The \$2,855,000 General Obligation Bonds, Series 2024A (the "Bonds") are being issued by the City of Pierz, Minnesota (the "City" or the "Issuer") pursuant to Minnesota Statutes, Chapters 429, 444, 469, and 475 to finance the City's 2024 street and utility project (the "Project"). The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. The City has pledged tax levies, abatement levies, special assessments, and revenues from its storm water utility to the repayment of the Bonds.

BID OPEN & AWARD: Monday, May 13, 2024; Open 11:00 A.M. CST; Award 7:00 P.M. CST.

DATED DATE: May 28, 2024

MATURITY: The Bonds will mature February 1 as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2025	\$ 10,000	2032	\$ 145,000	2039	\$ 175,000
2026	120,000	2033	145,000	2040	185,000
2027	120,000	2034	150,000	2041	110,000
2028	125,000	2035	155,000	2042	120,000
2029	130,000	2036	160,000	2043	125,000
2030	135,000	2037	170,000	2044	130,000
2031	140,000	2038	170,000	2045	135,000

INTEREST: February 1, 2025, and each August 1 and February 1 thereafter.

MATURITY AGREEMENT: The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each.

CALL DATE: February 1, 2032

MINIMUM BID: \$2,826,450.00 (99.0%)

TAX STATUS: Tax-exempt; bank-qualified

GOOD FAITH DEPOSIT: \$57,100 payable to the City on the sale date

CLOSING/ DELIVERY DATE: On or about May 28, 2024

The Bonds are offered, subject to prior sale, withdrawal or modification, when, as and if issued and subject to receipt of an approving legal opinion of Taft Stettinius & Hollister LLP, Bond Counsel, Minneapolis, Minnesota. This Preliminary Official Statement will be further supplemented by an addendum specifying the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and underwriter, together with any other information required by law, and, as supplemented, shall constitute a "Final Official Statement" of the Issuer with respect to the Bonds, as defined in S.E.C. Rule 15c2-12.

The information contained in this Preliminary Official Statement is deemed by the City to be final as of the date hereof; however the pricing and underwriting information is subject to completion or amendment. Under no circumstances shall this POS constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.



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

Municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to General Rules and Regulations, Securities Exchange Act of 1934, Rule 15c2-12 Municipal Securities Disclosure.

PRELIMINARY OFFICIAL STATEMENT

This Preliminary Official Statement was prepared for the Issuer for dissemination to potential customers. The primary purpose of the Preliminary Official Statement is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive bids in accordance with the sale notice contained herein. Unless an addendum is received prior to the sale, this document shall be deemed the "Near Final Official Statement."

REVIEW PERIOD

This Preliminary Official Statement has been distributed to members of the legislative body and other public officials of the Issuer as well as to prospective bidders for an objective review of its disclosure. Comments or omissions or inaccuracies must be submitted to David Drown Associates, Inc. (the "Municipal Advisor") at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a bid received from an underwriter. If there are changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum at least one business day prior to the sale.

FINAL OFFICIAL STATEMENT

Upon award of sale of the Bonds, the legislative body will authorize the preparation of an addendum to the Preliminary Official Statement that includes the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and other information required by law and the identity of the Syndicate Manager and Syndicate Members. This addendum, together with any previous addendum of corrections or additions to the Preliminary Official Statement shall be deemed the complete Final Official Statement. Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the bid acceptance.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the Issuer to give any information or to make any representations, other than those contained in the Preliminary Official Statement. This Preliminary Official Statement does not constitute any offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof. This Preliminary Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Preliminary Official Statement and any addenda thereto was prepared relying on information of the Issuer and other sources and, while believed to be reliable, is not guaranteed as to completeness or accuracy.

Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein.

Compensation of the Municipal Advisor, payable entirely by the Issuer, is contingent upon the sale of the issue.

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CITY OF PIERZ, MINNESOTA

City of Pierz City Council

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
John Perleberg	Mayor	12/31/2024
Gary Berg	Council Member	12/31/2026
Don Bujalski	Council Member	12/31/2026
Jacque Johnson	Council Member	12/31/2024
Sarah Fyten	City Clerk/Voting Member	12/31/2024

Administration

Laura Wacker	City Administrator	Appointed
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Bond Counsel

Taft Stettinius & Hollister LLP
Minneapolis, MN

Municipal Advisor

David Drown Associates, Inc.
Minneapolis, MN

INTRODUCTORY SUMMARY OF THE PRELIMINARY OFFICIAL STATEMENT

The following information is furnished solely to provide limited introductory information regarding the \$2,530,000 General Obligation Bonds, Series 2024A, of City of Pierz, Minnesota and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the detailed descriptions appearing in this Preliminary Official Statement, including the appendices hereto.

Issuer:	City of Pierz, Minnesota																																																
Sale Date & Time:	Monday, May 13, 2024, 11:00 A.M. Central																																																
Award Date & Time:	Monday, May 13, 2024; 7:00 P.M. Central																																																
Dated Date:	May 28, 2024																																																
Interest Payments:	February 1, 2025, and each August 1 and February 1 thereafter to registered owners of the Bonds appearing of record in the bond register on the fifteenth day (whether or not a business day) of the month prior (the “Record Date”).																																																
Principal Payments:	February 1 in the years and amounts as follows:																																																
	<table border="0"> <thead> <tr> <th><u>Year</u></th> <th><u>Amount</u></th> <th><u>Year</u></th> <th><u>Amount</u></th> <th><u>Year</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>2025</td> <td>\$ 10,000</td> <td>2032</td> <td>\$ 145,000</td> <td>2039</td> <td>\$ 175,000</td> </tr> <tr> <td>2026</td> <td>120,000</td> <td>2033</td> <td>145,000</td> <td>2040</td> <td>185,000</td> </tr> <tr> <td>2027</td> <td>120,000</td> <td>2034</td> <td>150,000</td> <td>2041</td> <td>110,000</td> </tr> <tr> <td>2028</td> <td>125,000</td> <td>2035</td> <td>155,000</td> <td>2042</td> <td>120,000</td> </tr> <tr> <td>2029</td> <td>130,000</td> <td>2036</td> <td>160,000</td> <td>2043</td> <td>125,000</td> </tr> <tr> <td>2030</td> <td>135,000</td> <td>2037</td> <td>170,000</td> <td>2044</td> <td>130,000</td> </tr> <tr> <td>2031</td> <td>140,000</td> <td>2038</td> <td>170,000</td> <td>2045</td> <td>135,000</td> </tr> </tbody> </table>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	2025	\$ 10,000	2032	\$ 145,000	2039	\$ 175,000	2026	120,000	2033	145,000	2040	185,000	2027	120,000	2034	150,000	2041	110,000	2028	125,000	2035	155,000	2042	120,000	2029	130,000	2036	160,000	2043	125,000	2030	135,000	2037	170,000	2044	130,000	2031	140,000	2038	170,000	2045	135,000
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Rating:	The City <i>has</i> requested a rating from S & P Global Rating.																																																
Maturity Adjustment:	The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each.																																																
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Security:	The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. The City has pledged tax levies, abatement levies, special assessments, and revenues from its storm water utility to the repayment of the Bonds.																																																
Purpose:	Proceeds will finance the City’s 2024 street and utility project.																																																
Authority:	Minnesota Statutes, Chapters 429, 444, 469, and 475																																																
Optional Redemption:	Bonds are callable on February 1, 2032																																																
Tax Status:	Tax-exempt, bank-qualified																																																
Legal Opinion:	Taft Stettinius & Hollister LLP, Minneapolis, Minnesota																																																
Municipal Advisor:	David Drown Associates, Inc., Minneapolis, Minnesota																																																
Closing/Delivery:	On or about May 28, 2024																																																

Questions regarding the Bonds or the Preliminary Official Statement can be directed to, and additional copies of the Preliminary Official Statement and the City’s audited financial reports can be obtained from the City’s Municipal Advisor David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, MN 55410 (612-920-3320).

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TERMS OF OFFERING

City of Pierz, Minnesota

\$2,855,000

General Obligation Bonds, Series 2024A

(BOOK ENTRY ONLY)

TERMS OF PROPOSAL

Proposals for the Bonds will be received on Monday, May 13, 2024 at 11:00 A.M. Central Time, at the offices of David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, Minnesota, after which time they will be opened and tabulated. Consideration for award of the Bonds will be by the City Council of the City of Pierz (the "City") at 7:00 P.M., Central Time, on that same date.

SUBMISSION OF PROPOSALS

Proposals must be submitted in a sealed envelope or by fax (612) 605-2375 to David Drown Associates, Inc. Signed Proposals, without final price or coupons, must be submitted to David Drown Associates, Inc. prior to the time of sale. The bidder shall be responsible for submitting to David Drown Associates, Inc. the final Proposal price and coupons, by telephone (612) 920-3320 or fax (612) 605-2375 for inclusion in the submitted Proposal. David Drown Associates, Inc. will assume no liability for the inability of the bidder to reach David Drown Associates, Inc. prior to the time of sale specified above.

Notice is hereby given that electronic proposals will be received via PARITY[®], in the manner described below, until 11:00 A.M., local time on May 13, 2024. Bids must be submitted electronically via PARITY[®] pursuant to this Notice until 11:00 A.M., local time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY[®] conflict with this Notice, the terms of this Notice shall control. For further information about PARITY[®], potential bidders must contact David Drown Associates, Inc. or PARITY[®] at (212) 806-8304.

Neither the City of Pierz nor David Drown Associates, Inc. assumes any liability if there is a malfunction of PARITY. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner of the Proposal submitted.

DETAILS OF THE BONDS

The Bonds will be dated May 28, 2024, as the date of original issue, and will bear interest payable on February 1 and August 1 of each year, commencing February 1, 2025. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds will mature February 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2025	\$ 10,000	2036	\$ 160,000
2026	120,000	2037	170,000
2027	120,000	2038	170,000
2028	125,000	2039	175,000
2029	130,000	2040	185,000
2030	135,000	2041	110,000
2031	140,000	2042	120,000
2032	145,000	2043	125,000
2033	145,000	2044	130,000
2034	150,000	2045	135,000
2035	155,000		

TERM BOND OPTION

Bids for the bonds must contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the bid must specify as provided on the Proposal Form.

BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds must be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

REGISTRAR

The City will name Northland Trust Services, Inc., Minneapolis, MN, as registrar for the Bonds. Northland Trust Services, Inc. shall be subject to applicable SEC regulations. The City will pay for the services of the registrar.

OPTIONAL REDEMPTION

The City may elect on February 1, 2032 and on any day thereafter, to prepay Bonds due on or after February 1, 2033. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. The City will pledge tax levies, abatement levies, special assessments to benefitted properties, and storm water revenues to make the semi-annual payments. The proceeds will finance the 2024 street and utility project.

TYPE OF PROPOSALS

Proposals shall be for not less than \$2,826,450.00 (99.00%) and accrued interest on the total principal amount of the Bonds. The apparent low-bidder as notified by David Drown Associates, Inc. shall wire, to a designated account, a good faith amount of \$57,100 by 3:00 p.m. on the date of sale. If the good faith wire transfer is not in process prior to the award, the City shall retain the right to reject the bid. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the City. No proposal can be withdrawn or amended after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 5/100 or 1/8 of 1%. Rates must be in ascending order. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a net interest cost (NIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. The City will reserve the right to waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, reject all proposals without cause, and reject any proposal, which the City determines to have failed to comply with the terms herein.

MATURITY ADJUSTMENTS

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

ISSUE PRICE DETERMINATION

In order to provide the City with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (collectively, the "Code"), the Purchaser will be required to assist the City in establishing the issue price of the Bonds and shall complete, execute, and deliver to the City prior to the closing date, a written certification in a form acceptable to the Purchaser, the City, and Bond Counsel (the "Issue Price Certificate") containing the following for each maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (i) the interest rate; (ii) the reasonably expected initial offering price to the "public" (as said term is defined in Treasury Regulation Section 1.148-1(f) (the "Regulation")) or the sale price; and (iii) pricing wires or equivalent communications supporting such offering or sale price. However, such Issue Price Certificate must indicate that the Purchaser has purchased the Bonds for its own account in a capacity other than as an underwriter or wholesaler, and currently has no intent to reoffer the Bonds for sale to the public. Any action to be taken or documentation to be received by the City pursuant hereto must be taken or received on behalf of the City by David Drown Associates, Inc.

The City intends that the sale of the Bonds pursuant to this Terms of Offering shall constitute a "competitive sale" as defined in the Regulation based on the following:

- i. the City shall cause this Terms of Offering to be disseminated to potential bidders in a manner that is reasonably designed to reach potential bidders;
- ii. all bidders shall have an equal opportunity to submit a bid;
- iii. the City reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds such as the Bonds; and
- iv. the City anticipates awarding the sale of the Bonds to the bidder who provides a proposal with the lowest net interest cost, as set forth in this Terms of Offering (See "AWARD" herein).

Any bid submitted pursuant to this Terms of Offering shall be considered a firm offer for the purchase of the Bonds, as specified in the proposal. The Purchaser shall constitute an "underwriter" as said term is defined in the Regulation. By submitting its proposal, the Purchaser confirms that it shall require any agreement among underwriters, a selling group agreement, or other agreement to which it is a party relating to the initial sale of the Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Bonds.

If all requirements of a "competitive sale" are not satisfied, the City shall advise the Purchaser of such fact prior to the time of award of the sale of the Bonds to the Purchaser. **In such event, any proposal submitted will not be subject to cancellation or withdrawal.** Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Purchaser shall advise the City and David Drown Associates, Inc. if a "substantial amount" (as defined in the Regulation) of any maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which such substantial amount was sold. The City will treat such sale price as the "issue price" for such maturity, applied on a maturity-by-maturity basis. The City will not require the Purchaser to comply with that portion of the Regulation commonly

described as the “hold-the-offering-price” requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the City will apply the initial offering price to the public provided in the proposal as the issue price for such maturities. If the Purchaser does not exercise that option, it shall thereafter promptly provide the City and David Drown Associates, Inc. the prices at which a substantial amount of such maturities are sold to the public; provided such determination shall be made and the City and David Drown Associates, Inc. notified of such prices not later than three (3) business days prior to the closing date.

BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the underwriter, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the purchaser, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any other rating agency fees shall be the responsibility of the purchaser. Failure of the municipal bond insurer to issue the policy after Bonds have been awarded to the purchaser shall not constitute cause for failure or refusal by the purchaser to accept delivery on the Bonds.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds. The purchaser shall pay the CUSIP Service Bureau charge for the assignment of CUSIP identification numbers.

SETTLEMENT

Within 40 days following the date of their award, the Bonds will be delivered without cost to the purchaser at a place mutually satisfactory to the City and the purchaser. Delivery will be subject to receipt by the purchaser of an approving legal opinion of bond counsel, and of customary closing papers, including a no-litigation certificate. On the date of settlement payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the City, or its agents, the purchaser shall be liable to the City for any loss suffered by the City by reason of the purchaser's non-compliance with said terms for payment.

LIMITED CONTINUING DISCLOSURE

On the date of the actual issuance and delivery of the Bonds, the City will be obligated with respect to more than \$10,000,000 of outstanding municipal securities, including the Bonds being offered hereby. In order to assist bidders in complying with SEC Rule 15c2-12, the City will covenant to provide certain financial information that is customarily prepared and is publicly available and notices of certain material events to the limited extent required by SEC Rule 15c2-12(d)(2). A description of the City's undertaking is set forth in the Official Statement.

OFFICIAL STATEMENT

The City has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds and said Official Statement will serve as a nearly final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the City, David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, Minnesota 55410, and telephone (612) 920-3320.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as that term is defined in Rule 15c2-12.

By awarding the Bonds to any underwriter or underwriting syndicate submitting a proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded 5 copies of the Official Statement and the addendum or addenda described above. The City designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a proposal with respect to the Bonds agrees thereby that if its proposal is accepted by the City (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated: 25 March, 2024

BY ORDER OF THE CITY COUNCIL

/s/ Laura Wacker
City Administrator

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OFFICIAL STATEMENT

CITY OF PIERZ, MINNESOTA

\$2,855,000 General Obligation Bonds, Series 2024A

INTRODUCTION

This Preliminary Official Statement provides information relating to the issuance of \$2,855,000 General Obligation Bonds, Series 2024A (the “Bonds”) by City of Pierz, Minnesota (the “City”). This Preliminary Official Statement has been executed on behalf of the City and may be distributed in connection with the sale of Bonds authorized therein.

Inquiries may be made to David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, MN 55410 or by telephoning (612) 920-3320. Information can also be obtained from Ms. Laura Wacker, City Administrator, City of Pierz, 101 Main Street South, Pierz, MN 56364 or by telephoning (320) 468-6471.

Limited Continuing Disclosure

In order to comply with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule") the City will enter into an undertaking (the "Undertaking") for the benefit of the holders of the Bonds. Through the Undertaking, the City covenants and agrees to provide certain annual financial information about the City and to provide notice of the occurrence of certain material events. This information shall be provided according to the time parameters described in the Undertaking and to the information repositories and the Municipal Securities Rulemaking Board as required by the Rule. The specific provisions of the Undertaking are set forth in the Continuing Disclosure Certificate (the "Certificate") in substantially the form attached hereto as Appendix C. The Certificate will be executed and delivered by the City at the time the Bonds are delivered. The City is the only "obligated person" with respect to the Bonds within the meaning of the Rule.

The City has had no bond issues subject to the Rule for the last five (5) years. The City is aware of the Limited Continuing Disclosure requirements associated with this Issue.

Authority and Purpose

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429, 444, 469, and 475 for the purpose of financing the City’s 2024 street and utility project.

Sources and Uses

<u>Sources</u>		<u>Uses</u>	
Par Amount of the Bonds	\$ <u>2,855,000</u>	Project Costs	\$ 2,712,831
		Underwriter’s Discount (1.00%)	28,550
		Capitalized Interest	55,451
		Issuance & Legal	56,250
		Surplus/Rounding	<u>1,918</u>
Totals	\$ 2,855,000	Total	\$ 2,855,000

Payment and Security

The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. The City will pledge tax levies, abatement levies, special assessments to benefitted properties, and storm water revenues to make the semi-annual payments

Optional Redemption

The City may elect on February 1, 2032 and on any day thereafter, to prepay Bonds due on or after February 1, 2033. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. Redemption will be made by giving 30 days' notice by registered mail, to the registered owner of the Bond. All prepayments shall be at a price of par plus accrued interest to the date of call.

Rating

The City *has* requested a rating on this issue from S & P Global Ratings, Inc. Such a rating, when received, will reflect only the view of the rating agency and any explanation of the significance of such rating may only be obtained from S & P Global Ratings, Inc. There is no assurance that such rating, if and when received, will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Taxability of Interest

At closing, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion based upon present federal and State of Minnesota laws (which excludes any pending legislation which may have a retroactive effect), regulations, ruling and decisions, to the following effect:

1. Gross Income: the Bonds, as of their date of issuance, bear interest which is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, trust and estates for Minnesota income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of Minnesota franchise tax.
2. Alternative Minimum Tax: interest on the Bonds is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to individuals or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022.
3. Compliance: the above opinions are subject to the condition that the Issuer complies with all applicable federal tax requirements that must be satisfied subsequent to the issuance of the Bonds. FAILURE TO COMPLY WITH CERTAIN OF SUCH REQUIREMENTS MAY CAUSE THE INCLUSION OF INTEREST ON THE BONDS IN FEDERAL GROSS INCOME AND IN MINNESOTA TAXABLE NET INCOME RETROACTIVE TO THE DATE OF ISSUANCE OF THE BONDS.

No opinion will be expressed by Bond Counsel regarding other federal or state tax consequences arising with respect to the Bonds. See the form of opinion in Appendix B.

Other Federal Tax Considerations

Property and Casualty Insurance Companies Property and casualty insurance companies are required by federal tax law for taxable years beginning after January 31, 1986, to reduce the amount of their loss reserve deduction by 15% of the amount of tax-exempt interest received or accrued during the taxable year on certain obligations acquired after August 7, 1986, including interest on the Bonds.

Foreign Insurance Companies Foreign companies carrying on an insurance business in the United States are subject to a federal tax on income which is effectively connected with their conduct of any trade or business in the United States. Such income includes tax-exempt interest.

Branch Profits Tax Foreign corporations are subject to a federal "branch profits tax" equal to 30% of the "dividend equivalent amount" for the taxable year. The "dividend equivalent amount" is the foreign corporation's "effectively connected earnings and profits", including tax-exempt municipal bond interest.

Passive Investment Income of S Corporations Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Internal Revenue Code of 1986, as amended, for S corporations that have Subchapter C earnings and profits at the close of the taxable year if more than 25% of the gross receipts of such S corporations is passive investment income.

Financial Institutions For federal income tax purposes, financial institutions are unable to deduct any portion of the interest expense allocable to the ownership of certain tax-exempt obligations acquired after August 7, 1986, including the Bonds but for their designation as qualified tax-exempt obligations. See "Qualified Tax-Exempt Obligations" below.

Social Security and Railroad Retirement Benefits Certain recipients of social security benefits and railroad retirement benefits are required to include a portion of such benefits within gross income by reason of receipt of interest on tax-exempt obligations, including the Bonds.

Exclusion Not Constitutionally Required The United States Supreme Court ruled in 1988 that the exclusion from gross income of interest on state and local bonds is not required by the United States constitution. The Constitution of the State of Minnesota likewise does not require the exclusion from gross income or taxable net income of interest on bonds of Minnesota issuers. Hence, future federal and/or state laws could cause the inclusion of interest on bonds, including the Bonds, in gross income or taxable net income, or could otherwise cause such interest to be taxed or to be included in the calculation of other income which is taxed.

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

COVID-19

In late 2019 a novel strain of coronavirus emerged. COVID-19, as it is known, was declared a worldwide pandemic on March 11, 2020 by the World Health Organization. The response of the United States government, state governments and local governments has been to implement social distancing orders in order to limit the spread of COVID-19.

On March 13, 2020, the Governor of the State of Minnesota (the "Governor") signed Emergency Executive Order 20-01, declaring a peacetime emergency due to the pandemic. This Executive Order was extended on April 13, 2020 and again on May 13, 2020. The Executive Order put in place and extended the stay-at-home order to continue the closing of bars, restaurants and other public gathering places and businesses. This is the "Stay Safe Order".

On April 23, 2020, the Governor signed Executive Order 20-41 directing the Distance Learning Period for Minnesota school students to be extended through the end of the 2019/20 school year. On April 30, the Governor signed Executive Order 20-48 which extended and modified the Stay Safe Order through May 17, 2020.

Effective May 18, Executive Order 20-55 encourages Minnesotans to stay close to home but allows gatherings of friends and family of 10 people or less, if proper social distancing measures—like staying six feet apart and wearing a mask—are taken. The order also further opens retail stores and other Main Street businesses if they have a preparedness plan and operate at 50 percent occupancy.

Executive Order 20-74 was signed on June 5, 2020 and outlines the guidelines for continuing to safely reopen Minnesota's economy and ensuring safe non-work activities during the COVID-19 emergency. Effective as of June 10, 2020 the guidelines continue to lift restrictions that were identified in prior Executive Orders.

Executive Order 20-81 was signed on July 22, 2020. This Order requires people to wear a face covering in certain settings across Minnesota to prevent the spread of COVID-19. This EO is effective July 25, 2020 and rescinds paragraph 3 of Emergency EO 20-74 which recommended the wearing of face coverings and masks.

On December 8, 2020, Executive Order 20-96 was signed by the Minnesota governor. This EO outlines statewide regulations for social gatherings, celebrations and receptions, as well as entertainment/food/beverage venues. On January 13, 2021, the Minnesota governor signed EO 21-04. This EO extends the Peacetime Emergency within the State of Minnesota through February 12, 2021.

The full impact of COVID-19 cannot be predicted by the City/County and they make no representations as to the impact on future financial positions and operations.

Details of Certain Terms

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Record Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the month prior to the interest payment date (the "Record Date").

Original Issue Discount

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

Original Issue Premium

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

Term Bond Option

Bids for the bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds; provided that no serial bond may mature on or after the first mandatory sinking fund redemption date of any term bond. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the bid must specify as provided on the Proposal Form.

Bank-qualified Tax-Exempt Obligations

The City will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the federal Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes interest expense that is allocable to carrying and acquiring tax-exempt obligations. “Qualified tax-exempt obligations” are treated as acquired by the financial institution before August 8, 1986. Interest allocable to such obligations remains subject to the 20% disallowance contained in prior law.

Book Entry System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered certificate will be issued for each maturity of the Obligations, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York State Banking Law, a “banking organization” within the meaning of the New York State Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York State Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-sale settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust and Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporations, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporations (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchanges, Inc., the American Stock Exchanges LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Direct and Indirect Participants are on files with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book entry system for the Bonds is discontinued or as an option upon the transfer of an entire maturity.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices for the Obligations shall be sent to Cede & Co. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issue or Registrar as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC (nor its nominee), the Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or other such nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar, Issuer, or Agent. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered. The information in this section concerning DTC and DTC's book entry-system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Litigation

The City is not aware of any threatened or pending litigation affecting the validity of the Bonds or the City's ability to meet its financial obligations.

Future Financing

The City is not contemplating additional bond issues in the next 12 months at this time.

Legality

The Bonds are subject to approval as to certain matters by Taft Stettinius & Hollister LLP of Minneapolis, Minnesota, as Bond Counsel. Bond Counsel has neither been engaged nor undertaken to prepare, opine on, examine or independently verify the accuracy of any portion of this Official Statement, including the financial, statistical or operational statements or data contained in this Official Statement and risks associated with the purchase of the Bonds, except for statements under “Taxability of Interest” herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as “Appendix B – PROPOSED FORM OF LEGAL OPINION,” and a legal opinion in substantially the form set out in Appendix B herein will be delivered at closing.

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

Municipal Advisor

The City has retained David Drown Associates, Inc., Minneapolis, Minnesota, as Municipal Advisor (the “Municipal Advisor”) in connection with the issuance of the Bonds. In preparing the Preliminary Official Statement, the Municipal Advisor has relied upon governmental officials and other sources that have access to relevant information contained in the Preliminary Official Statement. The Municipal Advisor has not been engaged, nor has it undertaken to independently verify, the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Preliminary Official Statement in accordance with accounting standards. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Certification

The City has authorized the distribution of this Preliminary Official Statement for use in connection with the initial sale of the Bonds. As of the date of the settlement of the Bonds, the Purchaser(s) will be furnished with a certificate signed by the appropriate officers of the City. The certificate will state that as of the date of the Preliminary Official Statement, it did not and does not as of the date of the certificate contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

VALUATIONS – COUNTY AUDITOR

For full valuation, top ten taxpayers, tax rate, tax levy/collections information, please see the full Morrison County Auditor’s Certificate for taxes payable in 2024 found under Appendix A.

TRENDS IN VALUATIONS

Trends in Valuations

<u>Year</u>	<u>Economic Market Value</u>	<u>Estimated Market Value</u>	<u>Taxable Market Value</u>	<u>Adjusted Net Tax Capacity</u>
2023/24	Not available	\$ 121,439,200	\$ 112,574,700	\$ 1,224,312
2022/23	\$ 127,729,257	109,688,100	101,300,700	1,102,780
2021/22	103,040,957	93,020,000	83,863,600	926,672
2020/21	92,175,226	90,442,500	81,706,500	906,176
2019/20	90,114,598	84,039,900	74,941,000	844,527
2018/19	89,224,591	81,705,900	72,523,600	805,597
2017/18	81,156,912	71,124,700	61,501,400	690,151

CASH AND INVESTMENTS

(as of December 31, 2023)

<u>Fund</u>	<u>Cash/Investments</u>
General	\$ 2,615,326
Special & Economic Development	471,912
Capital	170,010
Enterprise/RPSWD	510,448
Restricted	<u>220,747</u>
Total	\$ 3,988,441

CITY INDEBTEDNESS

(as of 04/01/2024)

Legal Debt Limit and Margin

Legal Debt Limit (3% of Estimated Market Value)	\$ 3,643,176
Less: Outstanding Debt Subject to Limit	0
 Legal Debt Margin as of 04/01/2024	 \$ 3,643,176

General Obligation Debt Supported by Tax Levies

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
05/28/2024	\$ 910,000	Abatement Portion, This Issue	02/01/2045	\$ <u>910,000</u>
Total				\$ 910,000

General Obligation Debt Supported by Special Assessments

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
05/28/2024	\$ 1,385,000	Improvements Portion, This Issue	02/01/2045	\$ <u>1,385,000</u>
Total				\$ 1,385,000

General Obligation Debt Supported by Revenues

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
05/28/2024	\$ 560,000	Stormwater Revenue Portion, This Issue	02/01/2045	\$ <u>560,000</u>
Total				\$ 560,000

Lease Agreements and Other

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
10/14/2022	\$ 250,000	Contract for Deed-Public Works Bldg	12/14/2024	\$ 185,359
2019	300,000	Equipment Loan - MIF	03/01/2029	<u>149,981</u>
Total				\$ 335,340

Summary of Direct Debt (Gross)

	<u>Gross Debt</u>	<u>Less: Debt Funds</u>	<u>Net Direct Debt</u>
GO Debt Supported by Tax Levies	\$ 910,000	\$ -	\$ 910,000
GO Debt Supported by Assessments	1,385,000	-	1,385,000
GO Debt Supported by Revenues	560,000	-	560,000
Lease Agreements and Other	<u>335,340</u>	<u>-</u>	<u>335,340</u>
Total	\$ 3,190,340	\$ -	\$ 3,190,340

Overlapping Debt

<u>Taxing Unit</u>	<u>2023/24 Tax Capacity</u>	<u>% in City</u>	<u>Total G.O. Debt</u>	<u>City Share</u>
Morrison County ISD #484	\$ 52,197,030 8,170,115	2.35% 14.99%	\$ 12,900,000 14,480,000	\$ 302,577 <u>2,169,864</u>
Total				\$ 2,472,441

* Includes all general obligation debt through December 31, 2023

Debt Ratios

	<u>Net G.O. Debt</u>	<u>Debt/Economic Market Value \$ 127,729,257</u>	<u>Debt per Capita 1,418</u>
Net Direct G.O. Debt*	\$ 3,190,340	2.50%	\$ 2,250
Net Direct and Overlapping GO Debt	2,360,340	2.06%	1,855

* Excludes all GO debt supported by revenues.

Annual Debt Service Payments

Year	GO Debt Supported by Tax Levies			GO Debt Supported by Special Assessments		
	<u>Principal</u>	<u>Payment</u>	<u>% Retired</u>	<u>Principal</u>	<u>Payment</u>	<u>% Retired</u>
2025	\$ -	\$ 36,149	0%	\$ -	\$ 60,378	0%
2026	50,000	79,940	5%	50,000	100,560	4%
2027	50,000	78,328	11%	50,000	98,948	7%
2028	50,000	76,765	16%	55,000	102,308	11%
2029	55,000	80,124	23%	55,000	100,589	15%
2030	55,000	78,391	29%	55,000	98,856	19%
2031	55,000	76,659	35%	60,000	102,045	23%
2032	60,000	79,848	41%	60,000	100,155	28%
2033	60,000	77,958	48%	60,000	98,265	32%
2034	60,000	76,068	54%	65,000	101,296	37%
2035	65,000	79,050	62%	65,000	99,200	42%
2036	65,000	76,873	69%	70,000	101,938	47%
2037	70,000	79,508	76%	70,000	99,488	52%
2038	70,000	76,935	84%	70,000	96,915	57%
2039	70,000	74,293	92%	75,000	99,178	62%
2040	75,000	76,481	100%	80,000	101,173	68%
2041	-	-		80,000	97,953	74%
2042	-	-		85,000	99,506	80%
2043	-	-		90,000	100,720	87%
2044	-	-		95,000	101,579	93%
2045	-	-		95,000	97,209	100%
	<u>\$ 910,000</u>	<u>\$ 1,203,366</u>		<u>\$ 1,385,000</u>	<u>\$ 2,058,255</u>	

**GO Debt
Supported by Revenues**

<u>Year</u>	<u>Principal</u>	<u>Payment</u>	<u>% Retired</u>
2024	\$ -	\$ -	0%
2025	10,000	34,184	2%
2026	20,000	40,063	5%
2027	20,000	39,418	9%
2028	20,000	38,793	13%
2029	20,000	38,168	16%
2030	25,000	42,459	21%
2031	25,000	41,671	25%
2032	25,000	40,884	29%
2033	25,000	40,096	34%
2034	25,000	39,309	38%
2035	25,000	38,503	43%
2036	25,000	37,665	47%
2037	30,000	41,700	53%
2038	30,000	40,598	58%
2039	30,000	39,465	63%
2040	30,000	38,303	69%
2041	30,000	37,095	74%
2042	35,000	40,736	80%
2043	35,000	39,223	87%
2044	35,000	37,656	93%
2045	<u>40,000</u>	<u>40,930</u>	100%
	\$ 560,000	\$ 826,916	

**Lease
Agreements and Other**

<u>Year</u>	<u>Principal</u>	<u>Payment</u>	<u>% Retired</u>
2024	\$ 45,627	\$ 52,347	14%
2025	80,635	89,739	38%
2026	83,808	89,739	63%
2027	87,104	89,719	89%
2028	32,660	33,125	98%
2029	<u>5,507</u>	<u>5,521</u>	100%
	\$ 335,340	\$ 360,189	

GENERAL INFORMATION

The City of Pierz is located in Morrison County approximately 115 miles northwest of the City of Minneapolis and 10 miles east of the City of Little Falls. State Highway 27 runs through the city, providing easy access to Little Falls, St. Cloud and Brainerd. US Highway 10 runs within 10 miles of the City.

Organization

The City was organized in 1892 as a Statutory City and currently operates under the Mayor-Council form of government. The City Council is composed of a Mayor and three Council members. The Mayor is elected at large and serves a four-year term. The City Council is currently comprised of the following members:

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
John Perleberg	Mayor	12/31/2024
Gary Berg	Council Member	12/31/2026
Don Bujalski	Council Member	12/31/2026
Jacque Johnson	Council Member	12/31/2024

The City Administrator, Laura Wacker, is appointed by the City Council. The City currently employs nine (9) full-time and one (1) part-time person, which includes administration, public works, police, and golf course and clubhouse. The police department employees included in the City employee total includes two (2) full-time staff – there are no part time police officers. There are thirty (30) part-time (volunteer) firefighters. Firefighters have access to the following equipment: 2015 pumper truck, 2005 pumper truck, 2010 Tender, 2023 Tender, 2015 Ranger, 2006 Equipment Van, 2005 Rescue One, 2005 Grass Rig, and a 2016 Command-Yukon.

The City also owns and operates an eighteen-hole golf course and club house and campground with multiple amenities located on a river and swimming beach.

City Services

The Rich Prairie Sewer and Water District provides water and sewer services to the City of Pierz and surrounding areas. The City does, however, provide electric service.

Employee Pensions

The full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA.) PERA administers the General Employees Retirement Plan (GERP) and the Public Employees Police and Fire Plan (PEPFP) which are cost sharing multiple-employer retirement plans. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic Members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers that qualify for membership by statute are covered by the Police and Fire Plan. The City contribution to the General Employees Retirement Plan for the year ending December 31, 2022 was \$28,114; and the City contribution to the Police and Fire Fund for the year ending December 31, 2022 was \$18,488.

Census Data

Population Trends

	<u>Population</u>
2000 U.S. Census	1,277
2010 U.S. Census	1,393
2020 U.S. Census	1,418

Source: U.S. Census Bureau

Income and Housing Statistics

	City of <u>Pierz</u>	Morrison <u>County</u>	State of <u>Minnesota</u>
2022 per Capita Income	\$ 28,211	\$ 34,269	\$ 45,021
2022 Median Household Income	58,750	66,264	82,338
Percent Living in Poverty	12.9%	10.3%	9.6%
Median Value of Owner-Occupied Housing	\$ 155,000	\$ 220,600	\$ 314,600

Source: U.S. Census Bureau (2022 American Community Survey 1-Year Estimates)

The City has 420 single family homes and 71 multi-family homes. Two (2) of the single-family units and twenty (20) of the multi-family units have been constructed during the past year.

Source: City Records

Employment Data

	Labor Force <u>Morrison County</u>	Unemployment Rate <u>Morrison Cty</u>	<u>Statewide</u>
February, 2024	17,757	7.0%	3.6%
February, 2023	17,780	7.2%	3.4%

Source: MN Department of Employment and Economic Development

Major Employers

<u>Employer</u>	<u>Product/Service</u>	Approximate <u># of Employees</u>
Horizon Health	Elder Care	200
Pierz Schools	Public Education	150
St. Mary's Villa	Nursing Home	50
Farmers & Merchant's Bank	Financial	30
Smude Enterprise	Manufacturing	50
Pierz Foods	Retail	25
Holy Trinity School	Education	45
Essentia Health	Medical	15
Red's Auto	Service/Convenience	25
Thielen Meats	Retail	25

Source: City Records

Commercial/Industrial Development

In the past three (3) years, the City has seen the following commercial/industrial development in excess of \$25,000. (Estimated)

	<u>Name of Business</u>	<u>Type of Project</u>	<u>Cost of Project</u>
2023	Holy Trinity Catholic School	Demo Brick Wall/new tuckroom	\$ 57,500
	Bob's Lumber & Supply	Demo Shed/New Storage Building	197,000
	ISD 484	Replace Chem Lab Cabinets, New Fume Hood/lights	90,000
	F&M Bank	Remove Wood Siding & Install new Vertical Steel	30,000
	TBC Marine	New Construction – Pole Building	200,000
	TBC Marine	New Construction – Pole Building	50,000
	Country Place of Pierz	Re-roof	100,000
	Emblom-Brenny Funeral Home	Re-roof	76,000

2022	ISD 484	Additions/Interior Remodel	3,000,000
	ISD 484	Fire Sprinkler	26,975
	ISD 484	Duct Work in High School	245,709
	Horizon Health	Replace Roof	122,228
	F&M Bank	Replace Siding	70,000
2021	ISD 484	Re-roof Elementary School	1,131,696
	Sunrise Ag Cooperative	Addition to Building	250,000

Source: City Records (April 3, 2024)

The City has an 18-acre industrial park that is served by City water and sewer. It is approximately 90 percent developed.

Building Permits

Year	Comm./Ind.	Number of Permits			Total Value of Permits
		Residential	Other		
2024*	3	10	-	\$ 1,259	
2023	22	122	-	37,209	
2022	21	79	-	107,971	
2021	19	50	-	54,197	
2020	21	43	-	20,901	
2019	24	30	-	33,129	

* As of April 3, 2024

** Other: there were no permits for this category.

Source: City Records

Financial Services

Farmers and Merchants Bank of Pierz reported deposits of \$182,301,000, and Unity Bank reported deposits of \$32,087,000, both as of June 30, 2023.

Source: FDIC on-line "Summary of Deposits"

Healthcare

Essentia Health, St Joseph's Pierz Clinic is a primary care facility in Pierz offering family medicine and internal medicine services. Horizon Health Inc. is an assisted living facility in Pierz. They also provide home care and hospice services. Pierz Villa, Inc. and St. Mary's Villa are Nursing Homes that are both located in the City.

Source: www.city-data.com

Education

Pierz Public Schools, Independent School District #484 serves the City and surrounding area. Pioneer elementary school serves pre-kindergarten through grade six; and Healy High School serves grades 7-12. Holy Trinity Catholic School in Pierz serves students Pre-K through grade 6.

St. Cloud Technical and Community College is the closes technical college (28 miles); St. Cloud State University (30 miles) is the closest four-year university, and the College of Saint Benedict in St. Joseph, MN is the closest private four-year college (31 Miles)

Source: www.city-data.com and www.pierzschoools.org

Transportation

State Highway 27 runs through the city, providing easy access to Little Falls, St. Cloud and Brainerd. US Highway 10 runs within 10 miles of the City.

Utilities

The City of Pierz provides its own electricity; and natural gas is provided by CenterPoint Energy.

Source: City Records

Communications

The City of Pierz is provided local telephone service by Century Telephone. The City also has cable television and local Internet access available. The City's official newspaper is the Morrison County Record which is published weekly on Sunday. The City has an on-line presence with a web address of: www.pierzmn.org.

Source: City Records

APPENDIX A

COUNTY AUDITOR'S CERTIFICATE

The following pages contain a copy of the Morrison County Auditor's Certificate for taxes payable in 2024.

Printed: 3/26/2024 1:26:12 PM

User: MCDOMManatron

Report: MN Auditor's Certificate

Criteria

Tax Year: 2024

Tax Authority: CITY OF PIERZ

(Herein called the "TAXING DISTRICT")

I hereby certify that the TAXING DISTRICT is situated wholly in this county and that:

1. **CURRENT VALUATION** - The taxable market values and net tax capacities of all taxable properties in the TAXING DISTRICT in this county as assessed in 2023 for the purpose of computing the rates of taxes collectible in 2024 are as follows:

Property Type	Estimated Market Value	Taxable Market Value	Net Tax Capacity
Real Estate:			
Residential Homestead (Class1a, 1b)			731,682
Agricultural (Class 2 and 4b(3))			7,503
Commercial & Industrial (Class 3, 5(1) & 5(3))			
Public Utility			44
Railroad Operating Property			0
All Other Commercial/Industrial			294,674
Residential Non-Homestead (Class 4a, 4b(1-2), 4bb, 4c(1-4), (7-8), 4d & 4e)			222,579
Seasonal Recreational-Residential (Class 1c, 4c(1), 4(5-6))			0
Other (Class 5(2))			
Total Real Estate	120,201,300	111,336,800	1,256,482
Total Personal Property	1,237,900	1,237,900	23,566
Total Real & Personal Property	121,439,200	112,574,700	1,280,048
Subtract: Tax Increment Captured Tax Capacity			55,736
10% of Tax Capacity of 2000KV Powerlines built after 7/1/74			0
Fiscal Disparity Contribution Value			0
Local Tax Rate Determination Value			1,224,312
Add: Fiscal Disparity Distribution Value			
Total Adjusted Taxable Value			1,224,312

2. VALUATION HISTORY (Real & Personal Property)

Pay Year	Estimated Market Value	Taxable Market Value	Net Tax Capacity	TIF Captured	10% Pwr-Lines	Fiscal Disparity Contr.	Net Tax Capacity	Fiscal Disparity Distr.	Adjusted Tax Capacity
2023	109,688,100	101,300,700	1,142,677	39,897	0	0	1,102,780	0	1,102,780
2022	93,020,000	83,863,600	954,457	27,785	0	0	926,672	0	926,672
2021	90,442,500	81,706,500	932,122	25,946	0	0	906,176	0	906,176
2020	84,039,900	74,941,000	868,717	24,190	0	0	844,527	0	844,527
2019	81,705,900	72,523,600	841,770	36,173	0	0	805,597	0	805,597
2018	71,124,700	61,501,400	727,281	37,130	0	0	690,151	0	690,151

3. TOP 10 TAXPAYERS

Taxpayer	Classification	EMV	TMV	TAX	NTC
PIERZ VILLA INC	3A-Commercial/Industrial/Public Utility	2,502,400	2,502,400	62,874	47,633
REDWOOD INDUSTRIES INC	3A-Commercial/Industrial/Public Utility	1,456,700	1,456,700	37,430	28,384
RIVER VALLEY TOWNHOMES LLC	4A-Rental/Residential Non-Homestead 4 or More	2,065,900	2,065,900	28,384	25,824
PIERZ TOWNHOMES LLC	4A-Rental/Residential Non-Homestead 4 or More	2,021,700	2,021,700	27,776	25,271
PIERZ MEADOW PONDS INC	4A-Rental/Residential Non-Homestead 4 or More	1,630,300	1,630,300	22,400	20,379
MINNEGASCO INC & ATTN PROPERTY ACCOUNTING	3A-Commercial/Industrial/Public Utility	850,900	850,900	22,798	17,018
MCKAY PROPERTIES LLC	4A-Rental/Residential Non-Homestead 4 or More	1,381,600	1,381,600	18,542	16,809
FARMERS & MERCHANTS STATE BK	3A-Commercial/Industrial/Public Utility	724,800	724,800	17,820	13,746
SUNRISE AG COOPERATIVE	3A-Commercial/Industrial/Public Utility	720,900	720,900	17,716	13,668
SOUTH PARK TOWNHOMES LLC	4A-Rental/Residential Non-Homestead 4 or More	1,081,000	1,081,000	14,852	13,513

4. TAXING AUTHORITY AND RATE HISTORY

The TAXING DISTRICT has the power to tax property situated in the following County or Counties: MORRISON COUNTY,

The following governmental units within this county also have the power to levy taxes in the TAXING DISTRICT:

Governmental Unit	Tax Rate History (Levy Year / Collection Year)									
	2019 / 20		2020 / 21		2021 / 22		2022 / 23		2023 / 24	
	Tax Cap	Mkt Val	Tax Cap	Mkt Val	Tax Cap	Mkt Val	Tax Cap	Mkt Val	Tax Cap	Mkt Val
**** COUNTY **** MORRISON COUNTY	54.2076%		53.4646%		51.6549%		47.4236%		42.1105%	
**** SCHOOL **** SD 0484 PIERZ	29.5712%	0.19508%	28.3919%	0.19607%	28.5983%	0.18371%	25.9392%	0.16634%	21.6385%	0.17495%
**** CITY **** CITY OF PIERZ	38.4695%		37.1071%		37.3750%		32.3486%		31.7599%	
**** SPECIAL **** HRA-MORRISON COUNTY	0.1136%		0.1094%		0.1035%		0.0897%		0.1341%	
REGION 5 DEV COMM	0.1291%		0.1274%		0.1233%		0.1087%		0.0837%	
RURAL DEV FIN AUTH	0.2555%		0.2461%		0.2459%		0.2130%		0.1916%	

**5. BONDED
INDEBTEDNESS**

The TAXING DISTRICT and all the governmental units listed in section 4 having bonded debt, have such debt as shown below. Values shown are Adjusted Taxable net tax capacities which have been adjusted for Fiscal Disparity Contribution and Distribution, Tax Increment Captured Tax Capacity, and Powerlines.

Governmental Unit	Taxable Net Tax Capacity of ENTIRE Govt Unit in County	Taxable Net Tax Cap. of Portion in TAXING DIST. in County	Bonded Debt as of 12/31/23	2023 / 24 Debt Service Tax Rate
**** CITY ****				
CITY OF PIERZ	1,224,312	1,224,312	27,000	0.408%
**** COUNTY ****				
MORRISON COUNTY	52,197,030	1,224,312	12,900,000	1.544%
**** SCHOOL ****				
SD 0484 PIERZ	8,170,115	1,224,312	14,480,000	12.942%

6. TAX LEVIES AND COLLECTIONS FOR YEAR: 2024

Levy/Col Year	2019 / 2020	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024
Gross Tax Levy	324,884.85	336,256.17	346,343.92	356,733.77	388,840.14
Fiscal					
Market Values Levy					
Property Credits/Aids	-156.34	-155.15	-158.32	-156.07	-166.94
Net Tax Levy	324,728.51	336,101.02	346,185.60	356,577.70	388,673.20
Adjustments During Coll Year				-572.58	
Adjusted Tax Levy	324,728.51	336,101.02	346,185.60	356,005.12	
Current Year Collections	-319,831.24	-334,089.63	-343,957.65	-353,481.93	
Year End Delinquency	4,897.27	2,011.39	2,227.95	2,523.19	
Delinquent Adjustments as of 5/15/2024	-536.24	-502.41	-390.20		
Delinquent Collections as of 5/15/2024	-4,361.03	-1,508.98	-1,837.75	-1,318.22	
Amount Delinquent as of 5/15/2024				1,204.97	

Please list below the name, title, and telephone number of a person(s) to contact regarding the completed certificate in case there are any questions.

Contact Person:	Nicholas Schell
Telephone:	320-631-0825

WITNESS My hand and official seal this 26th day of March, 2024.

Shannon M. Cyle
MORRISON COUNTY AUDITOR-TREASURER

PROPOSED FORM OF LEGAL OPINION

\$2,855,000
GENERAL OBLIGATION BONDS, SERIES 2024A
CITY OF PIERZ
MORRISON COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Pierz, Morrison County, Minnesota (the "Issuer"), of its \$2,855,000 General Obligation Bonds, Series 2024A, bearing a date of original issue of May 28, 2024 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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

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

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

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

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

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

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

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

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

TAFT STETTINIUS & HOLLISTER LLP

[Appendix C to Official Statement]

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Pierz, Minnesota (the "Issuer"), in connection with the issuance of its \$2,855,000 General Obligation Bonds, Series 2024A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on May 13, 2024 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 4 of this Disclosure Undertaking.

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

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

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

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

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

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2023, the Issuer shall, or shall cause the Dissemination Agent to provide, at least annually to the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, its Audited Financial Statements for the most recent Fiscal Year, which is the only financial information or operating data which is customarily prepared by the Issuer and publicly available, by not later than December 31, 2024, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB its Audited Financial Statements by the date required in subsection A, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Reporting of Significant Events. This Section 4 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive

- agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,
 - (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

SECTION 5. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 6. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 8. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 9. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 10. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 11. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 7 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: May 28, 2024.

CITY OF PIERZ, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

Appendix D Summary of Tax Levies, Payment Provisions & Valuations

Following is a summary of certain statutory provisions relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

Property Valuations (Chapter 273, Minnesota Statutes)

Assessor's Estimated Market Value. Each parcel of real property subject to taxation must, by statute, be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be worth, and which is referred to as the "Estimated Market Value." The 2013 Minnesota Legislature established the Estimated Market Value as the value used to calculate a municipality's legal debt limit.

Economic Market Value. The Economic Market Value is the value of locally assessed real property (Assessor's Estimated Market Value) divided by the sales ratio as provided by the State of Minnesota Department of Revenue plus the estimated market value of personal property, utilities, railroad, and minerals.

Taxable Market Value. The Taxable Market Value is the value that Net Tax Capacity is based on, after all reductions, limitations, exemptions and deferrals.

Net Tax Capacity. The Net Tax Capacity is the value upon which net taxes are levied, extended and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State's property tax relief system and are subject to annual revisions by the State Legislature. Property taxes are the sum of the amounts determined by (i) multiplying the Net Tax Capacity by the tax capacity rate and multiplying the referendum market value by the market value rate.

Market Value Homestead Exclusion. In 2011, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Assessor's Estimated Market Value up to \$413,800 in an attempt to result in a property tax similar to the effective property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a and causes a decrease in the Issuer's aggregate Taxable Market Value, even if the Assessor's Estimated Market Value on the same properties did not decline.

Property Tax Payments and Delinquencies

(Chapters 275, 276, 277, 279 – 282 and 549, Minnesota Statutes)

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on non-homestead property is assessed at a rate of 4% until May 31 and increased

to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes due October 15, a penalty of 2% on homestead property and 4% on non-homestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for non-homestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have three years (3) to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

Property Tax Credits **(Chapter 273, Minnesota Statutes)**

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are: property tax levy reduction aids; the homestead credit refund and the renter's property tax refund, which relate property taxes to income and provide relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The homestead credit refund, the renter's property tax refund, and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

Debt Limitations

All Minnesota municipalities (counties, cities, towns and school districts) are subject to statutory "net debt" limitations under the provisions of Minnesota Statutes, Section 475.53. Net debt is defined as the amount remaining after deducting from gross debt the amount of current revenues that are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

1. Obligations issued for improvements that are payable wholly or partially from the proceeds of special assessments levied upon benefited property.
2. Warrants or orders having no definite or fixed maturity.
3. Obligations payable wholly from the income from revenue producing conveniences.
4. Obligations issued to create or maintain a permanent improvement revolving fund.
5. Obligations issued for the acquisition and betterment of public waterworks systems, and public lighting, heating or power systems, and any combination thereof, or for any other public convenience from which revenue is or may be derived.

6. Certain debt service loans and capital loans made to school districts.
7. Certain obligations to repay loans.
8. Obligations specifically excluded under the provisions of law authorizing their issuance.
9. Certain obligations to pay pension fund liabilities.
10. Debt service funds for the payment of principal and interest on obligations other than those described above.
11. Obligations issued to pay judgments against the municipality.
12. All other obligations which Minnesota Statutes specifically indicate are not to be included in the computation of the net debt of the municipality.

Levies for General Obligation Debt

(Sections 475.61 and 475.74, Minnesota Statutes)

Any municipality that issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

Metropolitan Revenue Distribution

(Chapter 473F, Minnesota Statutes) (“Fiscal Disparities Law”)

The Charles R. Weaver Metropolitan Revenue Distribution Act, more commonly known as “Fiscal Disparities,” was first implemented for taxes payable in 1975. Forty percent of the increase in commercial-industrial (including public utility and railroad) net tax capacity valuation since 1971 in each assessment district in the Minneapolis/St. Paul seven-county metropolitan area (Anoka, Carver, Dakota, excluding the City of Northfield, Hennepin, Ramsey, Scott, excluding the City of New Prague, and Washington Counties) is contributed to an area-wide tax base. A distribution index, based on the factors of population and real property market value per capita, is employed in determining what proportion of the net tax capacity value in the area-wide tax base shall be distributed back to each assessment district.

Minnesota Property Class Rate Schedule

(current through taxes payable 2022)

Property Type	Taxes Payable Year				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Residential Homestead (1a)					
Up to \$500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$500,000	1.25%	1.25%	1.25%	1.25%	1.25%
Residential Non-homestead					
Single Unit (4bb1)					
Up to \$500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$500,000	1.25%	1.25%	1.25%	1.25%	1.25%
1-3 unit and undeveloped land (4b1)	1.25%	1.25%	1.25%	1.25%	1.25%
Market Rate Apartments					
Regular (4a)					
Low-Income (4d)	1.25%	1.25%	1.25%	1.25%	1.25%
Up to \$115, 000 ⁴	0.75%	0.75%	0.75%	0.75%	0.75%
Over \$115, 000 ⁴	0.25%	0.25%	0.25%	0.25%	0.25%
Commercial/Industrial/Public Utility (3a)					
Up to \$150,000	1.50% ¹	1.50% ¹	1.50% ¹	1.50% ¹	1.50% ¹
Over \$150,000	2.00% ¹	2.00% ¹	2.00% ¹	2.00% ¹	2.00% ¹
Electric Generation Machinery	2.00%	2.00%	2.00%	2.00%	2.00%
Commercial Seasonal Residential					
Homestead Resorts (1c)					
Up to \$600,000	0.50%	0.50%	0.50%	0.50%	0.50%
\$600,000 - \$2,300,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$2,300,000	1.25% ¹	1.25% ¹	1.25% ¹	1.25% ¹	1.25% ¹
Seasonal Resorts (4c)					
Up to \$500,000	1.00% ¹	1.00% ¹	1.00% ¹	1.00% ¹	1.00% ¹
Over \$500,000	1.25% ¹	1.25% ¹	1.25% ¹	1.25% ¹	1.25% ¹
Non-Commercial (4c12)					
Up to \$500,000	1.00% ^{1 2}	1.00% ^{1 2}	1.00% ^{1 2}	1.00% ^{1 2}	1.00% ^{1 2}
Over \$500,000	1.25% ^{1 2}	1.25% ^{1 2}	1.25% ^{1 2}	1.25% ^{1 2}	1.25% ^{1 2}
Disabled Homestead (1b)					
Up to \$50,000	0.45%	0.45%	0.45%	0.45%	0.45%
Agricultural Land & Buildings					
Homestead (2a)					
Up to \$500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$500,000	1.25%	1.25%	1.25%	1.25%	1.25%
Remainder of Farm					
Up to \$2,050,000 ⁴	0.50% ²	0.50% ²	0.50% ²	0.50% ²	0.50% ²
Over \$2,050,000 ⁴	1.00% ²	1.00% ²	1.00% ²	1.00% ²	1.00% ²
Non-homestead (2b)	1.00% ²	1.00% ²	1.00% ²	1.00% ²	1.00% ²

¹ Subject to the State General Property Tax.

² Exempt from referendum market value tax.

For purposes of the State general property tax only, the net tax capacity of non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure: First \$76,000 – 0.40%; \$76,000 to \$500,000 – 1.00%; and over \$500,000 – 1.25%. In addition to the State tax base exemptions referenced by property classification, airport property exempt from city and school district property taxes under M.S. 473.625 is exempt from the State general property tax (MSP International Airport and Holman Field in St. Paul are exempt under this provision).

APPENDIX E

FINANCIAL STATEMENT

The City's financial statements are audited annually. The following pages contain a copy of the 2022 Audited Financial Statement. Copies of audits are available upon request from David Drown Associates, Inc.

Schlenner Wenner & Co., CPAs, the City's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein any procedures on the financial statements addressed in that report. Schlenner Wenner & Co, CPAs. also has not performed any procedures relating to this offering document.

City of Pierz, Minnesota

Audited Financial Statements

December 31, 2022

**SCHLENNER
WENNER & CO.**
CPAs

**CITY OF PIERZ, MINNESOTA
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INTRODUCTORY SECTION

**CITY OF PIERZ, MINNESOTA
CITY COUNCIL AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2022**

CITY COUNCIL

Term Expires

Dave Fischer	Mayor	December 31, 2022
Jacqueline Ballou	Council Member	December 31, 2024
Don Bujalski	Council Member	December 31, 2026
Lynn Egan	Council Member	December 31, 2022

CITY OFFICIALS

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Pierz, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major fund and the aggregate remaining fund information of the City of Pierz, Minnesota, (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major fund and the aggregate remaining fund information of the City of Pierz, Minnesota, as of December 31, 2022, and their respective regulatory basis changes in financial position and, where applicable, cash flows for the year then ended in accordance with the basis of accounting practices prescribed or permitted by of the State of Minnesota's Office of the State Auditor described in Note 1.C.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each major fund and the aggregate remaining fund information of the City of Pierz, Minnesota, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows for the year then ended.

Basis for Opinions

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

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

As discussed in Note 1.C. of the financial statements, the financial statements are prepared by the City of Pierz, Minnesota, on the basis of accounting practices prescribed or permitted by the State of Minnesota's Office of the State Auditor to demonstrate compliance with the Office of the State Auditor's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

Responsibilities of Management for the Financial Statements

The City of Pierz's management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the State of Minnesota's Office of the State Auditor to demonstrate compliance with the Office of the State Auditor's regulatory basis of accounting. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pierz, Minnesota's basic financial statements. The introductory section, budgetary comparison schedules, combining nonmajor governmental funds financial statements, schedule of indebtedness, schedule of accounts receivable, and schedule of accounts payable and contingent liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental funds financial statements 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 nonmajor governmental funds financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, budgetary comparison schedules, schedule of indebtedness, schedule of accounts receivable, and schedule of accounts payable and contingent liabilities have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, we have also issued our report dated March 20, 2023, on our consideration of the City of Pierz's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65. The purpose of the report is to determine if the City has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

A handwritten signature in cursive script that reads "Schlenner Wenner & Co." in dark ink.

SCHLENNER WENNER & CO.

St. Cloud, Minnesota

March 20, 2023

BASIC FINANCIAL STATEMENTS

**CITY OF PIERZ, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	General Fund	Fire Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,213,572	\$ 65,445	\$ 541,144	\$ 1,820,161
CASH FUND BALANCES				
Restricted	\$ -	\$ 12,500	\$ 209,903	\$ 222,403
Assigned	577,187	52,945	347,707	977,839
Unassigned	636,385	-	(16,466)	619,919
TOTAL CASH FUND BALANCES	\$ 1,213,572	\$ 65,445	\$ 541,144	\$ 1,820,161

CITY OF PIERZ, MINNESOTA
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Fire Fund	Nonmajor Governmental Funds	Total Governmental Funds
RECEIPTS				
Property Taxes	\$ 252,437	\$ 49,036	\$ 23,019	\$ 324,492
Tax Increment	-	-	33,814	33,814
Special Assessments	-	-	14,027	14,027
Licenses, Permits, and Fees	122,673	-	-	122,673
Intergovernmental	493,685	72,242	74,585	640,512
Charges for Services	46,578	42,180	-	88,758
Fines	3,880	-	-	3,880
Loan Repayments	-	-	53,824	53,824
Investment Income	28,932	952	1,085	30,969
Contributions	4,440	15,685	-	20,125
Miscellaneous	37,939	152,530	48,335	238,804
TOTAL RECEIPTS	<u>990,564</u>	<u>332,625</u>	<u>248,689</u>	<u>1,571,878</u>
DISBURSEMENTS				
Current:				
General Government:				
Administration and Finance	126,948	-	-	126,948
Council	35,364	-	-	35,364
Other General Government	54,957	-	20,786	75,743
Total General Government	<u>217,269</u>	<u>-</u>	<u>20,786</u>	<u>238,055</u>
Public Safety:				
Police	183,324	-	-	183,324
Fire	1,596	171,306	-	172,902
Other Public Safety	51,995	-	-	51,995
Total Public Safety	<u>236,915</u>	<u>171,306</u>	<u>-</u>	<u>408,221</u>
Public Works	179,783	-	-	179,783
Library	19,910	-	-	19,910
Economic Development	-	-	22,835	22,835
Capital Outlay	366,073	318,713	57,108	741,894
Debt Service:				
Principal	-	-	45,875	45,875
Interest and Other Charges	-	-	1,642	1,642
TOTAL DISBURSEMENTS	<u>1,019,950</u>	<u>490,019</u>	<u>148,246</u>	<u>1,658,215</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(29,386)	(157,394)	100,443	(86,337)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	90,000	37,598	127,598
Transfers Out	-	-	(127,598)	(127,598)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>90,000</u>	<u>(90,000)</u>	<u>-</u>
NET CHANGE IN CASH FUND BALANCES	(29,386)	(67,394)	10,443	(86,337)
CASH FUND BALANCES - BEGINNING	<u>1,242,958</u>	<u>132,839</u>	<u>530,701</u>	<u>1,906,498</u>
CASH FUND BALANCES - ENDING	<u>\$ 1,213,572</u>	<u>\$ 65,445</u>	<u>\$ 541,144</u>	<u>\$ 1,820,161</u>

See accompanying notes.

CITY OF PIERZ, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Electric Fund	Golf Course Fund	Solid Waste Fund	Nonmajor Storm Water Fund	Totals
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 274,037	\$ 398,351	\$ 28,060	\$ 28,787	\$ 729,235
Noncurrent Assets					
Advances to Other Funds	<u>795,351</u>	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>945,351</u>
TOTAL ASSETS	<u>\$ 1,069,388</u>	<u>\$ 398,351</u>	<u>\$ 178,060</u>	<u>\$ 28,787</u>	<u>\$ 1,674,586</u>
LIABILITIES					
Noncurrent Liabilities					
Advances from Other Funds	\$ -	\$ 945,351	\$ -	\$ -	\$ 945,351
NET CASH ASSETS					
Restricted	-	1,800	-	-	1,800
Unrestricted	<u>1,069,388</u>	<u>(548,800)</u>	<u>178,060</u>	<u>28,787</u>	<u>727,435</u>
Total Net Cash Assets	<u>1,069,388</u>	<u>(547,000)</u>	<u>178,060</u>	<u>28,787</u>	<u>729,235</u>
TOTAL LIABILITIES AND NET CASH ASSETS	<u>\$ 1,069,388</u>	<u>\$ 398,351</u>	<u>\$ 178,060</u>	<u>\$ 28,787</u>	<u>\$ 1,674,586</u>

CITY OF PIERZ, MINNESOTA
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET CASH ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Electric Fund	Golf Course Fund	Solid Waste Fund	Nonmajor Storm Water Fund	Totals
OPERATING RECEIPTS					
Charges for Services	\$ 1,155,807	\$ 417,094	\$ 92,675	\$ 50,610	\$ 1,716,186
Cost of Sales or Charges	(829,634)	(44,501)	(70,843)	-	(944,978)
Other Operating Receipts	67,136	-	-	-	67,136
NET OPERATING RECEIPTS	393,309	372,593	21,832	50,610	838,344
OPERATING DISBURSEMENTS					
Personnel Services	61,156	238,305	14,237	-	313,698
Professional Services	135,245	10,213	-	145	145,603
Utilities	-	4,655	-	-	4,655
Repairs and Maintenance	1,752	30,401	-	-	32,153
Materials and Supplies	27,313	46,818	413	550	75,094
Insurance	3,020	12,313	-	-	15,333
Other	10,452	22,455	3,637	350	36,894
TOTAL OPERATING DISBURSEMENTS	238,938	365,160	18,287	1,045	623,430
NET OPERATING INCOME (LOSS)	154,371	7,433	3,545	49,565	214,914
NONOPERATING RECEIPTS (DISBURSEMENTS)					
Property Taxes	-	22,012	-	-	22,012
Intergovernmental	-	-	6,486	-	6,486
Investment Income	11,695	2,419	470	-	14,584
Miscellaneous	14,786	13,267	-	-	28,053
Interest and Other Charges	-	-	-	(488)	(488)
NET NONOPERATING RECEIPTS (DISBURSEMENTS)	26,481	37,698	6,956	(488)	70,647
NET CHANGE IN NET CASH ASSETS BEFORE OTHER DISBURSEMENTS AND TRANSFERS	180,852	45,131	10,501	49,077	285,561
OTHER DISBURSEMENTS AND TRANSFERS					
Capital Outlay	-	(4,559)	-	-	(4,559)
Capital Outlay - Golf Course Expansion Project	-	(448,408)	-	-	(448,408)
Debt Principal	-	-	-	(39,000)	(39,000)
TOTAL OTHER DISBURSEMENTS AND TRANSFERS	-	(452,967)	-	(39,000)	(491,967)
CHANGE IN NET CASH ASSETS	180,852	(407,836)	10,501	10,077	(206,406)
NET CASH ASSETS - BEGINNING OF YEAR	888,536	(139,164)	167,559	18,710	935,641
NET CASH ASSETS - END OF YEAR	<u>\$ 1,069,388</u>	<u>\$ (547,000)</u>	<u>\$ 178,060</u>	<u>\$ 28,787</u>	<u>\$ 729,235</u>

CITY OF PIERZ, MINNESOTA
STATEMENT OF CASH FLOWS – CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Electric Fund	Golf Course Fund	Solid Waste Fund	Nonmajor Storm Water Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	\$ 1,222,943	\$ 417,094	\$ 92,675	\$ 50,610	\$ 1,783,322
Cash Paid to Suppliers	(1,007,416)	(171,356)	(74,893)	(1,045)	(1,254,710)
Cash Paid to Employees	(61,156)	(238,305)	(14,237)	-	(313,698)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	154,371	7,433	3,545	49,565	214,914
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Taxes and Intergovernmental	-	22,012	6,486	-	28,498
Other Receipts from Customers	14,786	13,267	-	-	28,053
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	14,786	35,279	6,486	-	56,551
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of Capital Assets	-	(452,967)	-	-	(452,967)
Interfund Advances to Other Funds	(500,000)	-	(50,000)	-	(550,000)
Interfund Advances from Other Funds	-	550,000	-	-	550,000
Payments on Debt Principal	-	-	-	(39,000)	(39,000)
Cash Paid for Interest	-	-	-	(488)	(488)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(500,000)	97,033	(50,000)	(39,488)	(492,455)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment Income	11,695	2,419	470	-	14,584
Net Change in Cash and Cash Equivalents	(319,148)	142,164	(39,499)	10,077	(206,406)
Cash and Cash Equivalents - Beginning of Year	593,185	256,187	67,559	18,710	935,641
Cash and Cash Equivalents - End of Year	<u>\$ 274,037</u>	<u>\$ 398,351</u>	<u>\$ 28,060</u>	<u>\$ 28,787</u>	<u>\$ 729,235</u>

**CITY OF PIERZ, MINNESOTA
FIDUCIARY FUND
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS

	Custodial Fund RPSWD Billing Services
ASSETS	
Cash and Cash Equivalents	\$ 71,250
NET CASH ASSETS	
Held for Other Entities	\$ 71,250

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET CASH ASSETS

	Custodial Fund RPSWD Billing Services
RECEIPTS	
Charges for Services	\$ 887,343
DISBURSEMENTS	
Other Services and Charges	889,545
CHANGE IN NET CASH ASSETS	(2,202)
NET CASH ASSETS - BEGINNING	73,452
NET CASH ASSETS - ENDING	\$ 71,250

CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1.A. FINANCIAL REPORTING ENTITY

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

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

Blended Component Units

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

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

Discretely Presented Component Units

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

Related Organizations

The Pierz Fire Relief Association is organized as a non-profit organization by its members to provide benefits to such members in accordance with Minnesota Statutes. Its Board of Directors is appointed by the membership of the organization. The City has no significant influence over the management, budget or policies of the Association. All funding is conducted in accordance with Minnesota Statutes, whereby State aids flow through the City to the Association.

1.B. BASIS OF PRESENTATION

Fund Financial Statements

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

CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following nonmajor funds and fund types:

The *Capital Project Funds* are used to account for financial resources to be used for the acquisition or construction of major capital projects and purchases.

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

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

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

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

CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

1.D. USE OF ESTIMATES

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

1.E. ASSETS, LIABILITIES, AND EQUITY

Cash and Cash Equivalents

For purposes of the Statements of Balances Arising from Cash Transactions and the proprietary funds Statement of Cash Flows, "cash and cash equivalents" includes all demand accounts.

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

Noncurrent Liabilities

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

Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "due from and to other funds." Long-term interfund loans are reported as "advances to and from other funds." See Note 2.D. for details of interfund transactions, including receivables and payables at year-end.

CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Equity Classifications

Governmental Funds

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

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. There are no nonspendable cash fund balances at December 31, 2022.

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

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City Council, which is the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution. There are no committed cash fund balances at December 31, 2022.

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

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

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

See Note 2.E. for additional disclosures.

Proprietary Funds

In the proprietary fund financial statements, net cash assets are displayed in two components:

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

Unrestricted Net Cash Assets – All other net cash assets that does not meet the definition of “restricted.”

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

1.F. RECEIPTS AND DISBURSEMENTS

Property Tax

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

**CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. RECEIPTS AND DISBURSEMENTS (Continued)

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

Receipts and Disbursements

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

Disbursements

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

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

Proprietary Funds - By Operating and Nonoperating

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

Interfund Transfers

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

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

2.A. CASH AND CASH EQUIVALENTS

Deposits

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

**CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

2.A. CASH AND CASH EQUIVALENTS (Continued)

Authorized collateral in lieu of a corporate surety bond includes:

- United States Government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;
- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

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

At December 31, 2022, the City’s deposits were not exposed to custodial credit risk. The City’s deposits were sufficiently covered by federal depository insurance or by collateral held by the City’s agent in the City’s name.

The following is a summary of total cash and cash equivalents at December 31, 2022:

Cash in Checking Account	\$ <u>2,620,646</u>
--------------------------	---------------------

Cash, cash equivalents, and time deposits are included on the basic financial statements as follows:

Cash and Cash Equivalents - Statement of Balances Arising from Cash Transactions - Governmental Funds	\$ 1,820,161
Cash and Cash Equivalents - Statement of Balances Arising from Cash Transactions - Proprietary Funds	729,235
Cash and Cash Equivalents - Statement of Balances Arising from Cash Transactions - Custodial Fund	<u>71,250</u>
 Total Cash and Cash Equivalents	 \$ <u>2,620,646</u>

**CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

2.B. LOANS RECEIVABLE

Small Cities Development Program

The City received a federal grant for the rehabilitation of residential and commercial properties. Commercial property owners have two mortgages, with one of equal amount deferred. The City has \$129,160 of loan awards with monthly payments required. These loans carry an interest rate of 1.00 percent. At December 31, 2022, the loan balance is \$32,397. Deferred commercial and residential properties have a repayment requirement if the property is sold before the deferment period expires, and thus have no monthly loan payments required.

Minnesota Investment Fund Loan

A loan in the amount of \$300,000 was made to a local business effective March 2019. Terms call for monthly principal and interest payments of approximately \$2,760 with an interest rate of 2.00 percent and will mature in 2029. At December 31, 2022, the principal balance is \$192,025.

EDA Loans

Loans in the amount of \$45,000 were made to local businesses during 2021. Terms call for monthly principal and interest payments with an interest rate of 2.00 percent and will mature in 2030 and 2031. At December 31, 2022, the principal balance is \$38,162.

2.C. NONCURRENT LIABILITIES

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

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

As of December 31, 2022, the long-term debt of the financial reporting entity consists of the following:

Governmental Funds

General Obligation Bonds/Note Payable/Contract for Deed					
Issue Date	Original Amount	Annual Principal Payment	Interest Rate(s)	Maturity Date	Remaining Amount
Jun-13	\$ 246,000	\$22,000-27,000	2.45%	Feb-24	\$ 54,000
Mar-19	\$ 231,248	\$16,562-33,125	0.00%	Mar-29	155,061
Oct-22	\$ 250,000	\$45,139-55,109	5.00%	Dec-27	250,000
Total Long-Term Debt					\$ 459,061

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

**CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

2.C. NONCURRENT LIABILITIES (Continued)

Changes in Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities for the year ended December 31, 2022:

Type of Debt	Balance 1/1/2022	Additions	Deductions	Balance 12/31/2022	Amounts Due Within One Year
<i>Governmental Funds:</i>					
General Obligation Bonds	\$ 80,000	\$ -	\$ (26,000)	\$ 54,000	\$ 27,000
Note Payable	174,936	-	(19,875)	155,061	19,875
Contract for Deed	-	250,000	-	250,000	45,139
Total Governmental Funds	\$ 254,936	\$ 250,000	\$ (45,875)	\$ 459,061	\$ 92,014
<i>Proprietary Funds:</i>					
General Obligation Note	\$ 39,000	-	(39,000)	-	-

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

Annual Debt Service Requirements

At December 31, 2022, the estimated annual debt service requirements to maturity, including principal and interest, are as follows:

Years Ending December 31,	Governmental Funds		
	Principal	Interest	Total
2023	\$ 92,014	\$ 15,594	\$ 47,517
2024	94,323	9,497	47,868
2025	69,751	6,738	47,206
2026	76,094	4,186	19,875
2027	88,234	1,504	19,875
2028-2029	38,645	-	95,436
Total	\$ 459,061	\$ 37,519	\$ 277,777

Interest totals \$1,642 in the Statement of Receipts, Disbursements and Changes in Cash Fund Balances. Interest totals \$488 in the Statement of Receipts, Disbursements and Changes in Net Cash Assets.

**CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

2.D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2022:

	Transfers Out	Transfers In			Total
		Major Funds	Nonmajor Funds		
		Fire	2024 Street Improvements	EDA Fund	
<u>Nonmajor Funds</u>					
Third Ave N Project	\$ 30,000	\$ -	\$ 30,000	\$ -	\$ 30,000
Essentia Health (TIF 1-10)	5,202	-	-	5,202	5,202
RTO (TIF 1-11)	2,396	-	-	2,396	2,396
American Rescue Plan Act	90,000	90,000	-	-	90,000
	<u>\$ 127,598</u>	<u>\$ 90,000</u>	<u>\$ 30,000</u>	<u>\$ 7,598</u>	<u>\$ 127,598</u>

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

Interfund balances consist of the following at December 31, 2022:

<u>Long-Term Advances</u>			
<u>Advances To Fund</u>	<u>Advances From Fund</u>	<u>Amount</u>	<u>Reason</u>
Golf Course Fund	Electric Fund	\$ 195,351	Land purchase
Golf Course Fund	Electric Fund	100,000	Golf Course Expansion Project
Golf Course Fund	Electric Fund	500,000	Golf Course Expansion Project
Golf Course Fund	Solid Waste Fund	100,000	Golf Course Expansion Project
Golf Course Fund	Solid Waste Fund	50,000	Golf Course Expansion Project
Total Interfund Balances		<u>\$ 945,351</u>	

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

**CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

2.E. CASH FUND BALANCES

At December 31, 2022, governmental cash fund balances consist of the following:

	Restricted	Assigned	Unassigned
General Fund			
Assigned for Capital Outlay	\$ -	\$ 577,187	\$ -
Unassigned	-	-	636,385
	\$ -	\$ 577,187	\$ 636,385
 Fire Fund			
Restricted for Radio Equipment Costs	\$ 12,500	\$ -	\$ -
Assigned for Capital Projects	-	52,945	-
	\$ 12,500	\$ 52,945	\$ -
 Nonmajor Governmental Funds			
Restricted for:			
Red's Auto	\$ 3,708	\$ -	\$ -
Roach Rental Townhouse	9,322	-	-
MIF Loan Fund	50,737	-	-
Small Cities Development Grant Fund	102,723	-	-
EDA Fund	43,413	-	-
Assigned for:			
American Rescue Plan Act Fund	-	57,421	-
Capital Projects	-	290,286	-
Unassigned	-	-	(16,466)
	\$ 209,903	\$ 347,707	\$ (16,466)

Deficit cash fund balances in individual nonmajor governmental funds at December 31, 2022 consist of the following:

Funds	Fund Deficit
Nonmajor Capital Project Funds	
2024 Street Improvements	\$ (329)
 Nonmajor Debt Service Funds	
Essentia Health (TIF 1-10)	\$ (470)
RTO (TIF 1-11)	\$ (4,883)
Kloss Development (TIF 1-12)	\$ (3,372)
Roach II Development (TIF 1-13)	\$ (7,412)

These cash fund deficits are expected to be recovered through future property taxes and tax increment.

CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 PENSIONS

3.A. DEFINED BENEFIT PENSION PLANS - STATEWIDE

Plan Description

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

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

PERA provides retirement benefits as well as disability benefits to members and survivor benefits upon death of eligible members. Benefits are established by State Statute. Benefits for members of the General Employees Plan vest after five years of credited service. Benefits for the Police and Fire Plan vest on a prorated basis from 50 percent after 10 years up to 100 percent after 20 years. The defined benefit retirement plan benefits are based on a member's highest average salary for any 5 years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.20 percent for each of the first 10 years of service and 1.70 percent for each additional year. The rates are 2.20 percent and 2.70 percent, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.70 percent for all years of service, and 2.70 percent for Basic members. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

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

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

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

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

**CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 PENSIONS (Continued)

3.A. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

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

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. In 2022, Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary and Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary. The City of Pierz makes annual contributions to the pension plans equal to the amount required by State Statutes. In 2022, the City of Pierz was required to contribute the following percentages of annual covered payroll: 7.50 percent for Coordinated Plan members and 17.70 percent for Police and Fire Plan members.

The City of Pierz's contributions to the General Employees Fund for the years ending December 31, 2022, 2021, and 2020 were \$28,114, \$21,394, and \$20,678, respectively. The City of Pierz's contributions to the Police and Fire Fund for the years ending December 31, 2022, 2021, and 2020 were \$18,488, \$24,348, and \$24,611, respectively.

3.B. DEFINED CONTRIBUTION PLAN

City Council members of the City of Pierz are covered by the Public Employees Defined Contribution Plan (Defined Contribution Plan accounted for in the Defined Contribution Fund), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer.

Employer and employee contributions are combined and used to purchase shares in one or more of the six accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2022 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$491	\$491	5.00%	5.00%	5.00%

NOTE 4 OTHER NOTES

4.A. RISK MANAGEMENT

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

CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 OTHER NOTES

4.A. RISK MANAGEMENT (Continued)

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

4.B. COMMITMENTS

Pay-as-You-Go Tax Increment Financing

The City has entered into Pay-as-You-Go developer agreements to finance various tax increment projects. Such projects are financed with the developers of the projects. These notes are not general obligations of the City as they are payable only to the extent of future tax increments received. As such, these obligations do not appear on the City's financial statements. At December 31, 2022, outstanding Pay-as-You-Go debt approximates \$800,534 including accrued interest of \$100,642. Amounts carry interest rates of 0.00% to 9.00% and are due over various payment terms. All payments are contingent upon collection of tax increment and are not due if such collections are not made by the City.

Contracts

The City has an executed agreement with Minnesota Power to provide for electricity supply for a term extending to December 31, 2029. Rates are adjusted annually on July 1. Total disbursements for the year ended December 31, 2022 are \$829,634, which approximates future annual disbursements anticipated through the term of the contract.

The City has an executed agreement with Pierz Sanitation to provide for garbage and recycling services for a term extending to October 31, 2024. Total disbursements for the year ended December 31, 2022 are \$70,843, which approximates future annual disbursements anticipated through the term of the contract.

During the year ended December 31, 2022, the City Council approved the purchase a new sprayer. Subsequent to this approval, the sprayer was ordered in the amount of \$46,491. This amount was disbursed after year end.

CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 OTHER NOTES (Continued)

4.C. TAX INCREMENT FINANCING DISTRICTS

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

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

	<u>District #1-3</u>	<u>District #1-9</u>	<u>District #1-10</u>
Business/Project Name	Red's Auto Project	Roach Housing Project	Essentia Health Project
Purpose	Redevelopment	Redevelopment	Economic Develop
Authorizing MN Statute	469.174	469.174	469.174
Year Established	1997	2010	2016
Duration of District	Through 2024	Through 2037	Through 2025
Original Base Net Tax Capacity	<u>\$ 1,641</u>	<u>\$ 1,350</u>	<u>\$ 2,886</u>
Current Net Tax Capacity	<u>\$ 6,968</u>	<u>\$ 18,568</u>	<u>\$ 8,624</u>
Captured Net Tax Capacity	<u>\$ 5,327</u>	<u>\$ 17,218</u>	<u>\$ 5,738</u>
Abated in Current Year	<u>\$ 7,935</u>	<u>\$ 14,900</u>	<u>\$ 5,202</u>
Total Bonds/Notes Issued	<u>\$ 47,000</u>	<u>\$ 120,000</u>	<u>\$ 71,000</u>
Balance at 12/31/22	<u>\$ 47,000</u>	<u>\$ 38,835</u>	<u>\$ 63,880</u>
	<u>District #1-11</u>	<u>District #1-12</u>	
Business/Project Name	RTO	Kloss Townhome	
Purpose	Redevelopment	Housing	
Authorizing MN Statute	469.174	469.174	
Year Established	2019	2021	
Duration of District	Through 2046	Through 2035	
Original Base Net Tax Capacity	<u>\$ 1,754</u>	<u>\$ 158</u>	
Current Net Tax Capacity	<u>\$ 4,230</u>	<u>\$ 9,296</u>	
Captured Net Tax Capacity	<u>\$ 2,476</u>	<u>\$ 9,138</u>	
Abated in Current Year	<u>\$ 2,396</u>	<u>\$ -</u>	
Total Bonds/Notes Issued	<u>\$ 75,000</u>	<u>\$ 480,000</u>	
Balance at 12/31/22	<u>\$ 70,447</u>	<u>\$ 480,000</u>	

CITY OF PIERZ, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 OTHER NOTES (Continued)

4.C. TAX INCREMENT FINANCING DISTRICTS (Continued)

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

- District #1-3 – This is a “pay-as-you-go” district. Increment generated has not been sufficient to make any principal payments.
- District #1-9 – This is a “pay-as-you-go” district.
- District #1-10 – This is a “pay-as-you-go” district.
- District #1-11 – This is a “pay-as-you-go” district.
- District #1-12 – This is a “pay-as-you-go” district.

4.D. CONDUIT DEBT OBLIGATIONS

In 2021, the City issued a Qualified Tax Exempt Obligation to provide financial assistance to a private-sector entity for the construction of an addition to an assisted living facility deemed to be in the public interest. The note is secured by the payments agreed to be paid by the private-sector entity under the terms of the agreement between the City and entity. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements. As of December 31, 2022, the conduit debt issued outstanding principal payable is \$2,901,053.

4.E. SUBSEQUENT EVENTS

Subsequent to year end but prior to the issuance of these financial statements, the City approved the following:

- The purchase of a police squad car in the amount of \$41,485
- The purchase of a front end loader, with a price not to exceed \$80,000-\$100,000
- The purchase of golf carts in the amount of \$38,970
- The purchase of fire department bunker gear, with the City’s approximate responsibility being \$45,000

SUPPLEMENTARY INFORMATION

CITY OF PIERZ, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
	Original and Final	Budgetary Basis	Over (Under)
RECEIPTS			
Taxes			
Property Taxes	\$ 252,344	\$ 252,437	\$ 93
Licenses and Permits	35,000	122,673	87,673
Intergovernmental Receipts			
State Receipts			
Local Government Aid	460,955	460,955	-
Market Value Credit	80	158	78
PERA Aid	812	-	(812)
Other State Grants and Aids	7,000	14,072	7,072
Local Receipts			
Other Local Grants	-	18,500	18,500
Total Intergovernmental Receipts	468,847	493,685	24,838
Charges for Services			
General Government	12,500	12,929	429
Streets and Highways	10,000	1,115	(8,885)
Other Service Charges	32,059	32,534	475
Total Charges for Services	54,559	46,578	(7,981)
Fines and Forfeitures	12,000	3,880	(8,120)
Miscellaneous Receipts			
Investment Earnings	9,100	28,932	19,832
Refunds and Reimbursements	600	24,851	24,251
Contributions and Donations	2,500	4,440	1,940
Other Miscellaneous	3,000	13,088	10,088
Total Miscellaneous Receipts	15,200	71,311	56,111
TOTAL RECEIPTS	837,950	990,564	152,614
DISBURSEMENTS			
General Government			
Mayor and Council	38,666	35,364	(3,302)
Administration and Finance	127,229	126,948	(281)
Other General Government	70,825	54,957	(15,868)
Capital Outlay	5,500	8,675	3,175
Total General Government	242,220	225,944	(16,276)

CITY OF PIERZ, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
	Original and Final	Budgetary Basis	Over (Under)
Public Safety			
Police			
Current	\$ 226,639	\$ 183,324	\$ (43,315)
Capital Outlay	16,300	10,554	(5,746)
Fire			
Current	5,075	1,596	(3,479)
Other Public Safety			
Current	14,000	51,995	37,995
Total Public Safety	262,014	247,469	(14,545)
Public Works			
Street Maintenance and Storm Sewers	142,496	179,783	37,287
Capital Outlay - Street Construction	180,500	131,060	(49,440)
Capital Outlay - Other	48,500	215,784	167,284
Total Public Works	371,496	526,627	155,131
Culture and Recreation			
Libraries			
Current	19,100	19,910	810
Parks and Recreation			
Capital Outlay	1,500	-	(1,500)
Total Culture and Recreation	20,600	19,910	(690)
TOTAL DISBURSEMENTS	896,330	1,019,950	123,620
NET CHANGE IN CASH FUND BALANCE	\$ (58,380)	(29,386)	\$ 28,994
CASH FUND BALANCE - BEGINNING		1,242,958	
CASH FUND BALANCE - ENDING		\$ 1,213,572	

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

Note 1 – Disbursements in Excess of Budget

Actual disbursements in the General Fund of \$1,019,950 exceeded the final budgeted disbursements by \$123,620 for the current year. Disbursements in excess of budget were primarily due to unbudgeted capital outlay costs.

**CITY OF PIERZ, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – FIRE FUND
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
RECEIPTS			
Taxes			
Property Taxes	\$ 49,000	\$ 49,036	\$ 36
Intergovernmental Receipts			
State Receipts			
Police and Fire Aid	56,000	61,223	5,223
Other State Grants and Aids	9,000	10,719	1,719
Local Receipts			
Other Local Grants	-	300	300
Total Intergovernmental Receipts	<u>65,000</u>	<u>72,242</u>	<u>7,242</u>
Charges for Services			
Police and Fire Contracts	43,000	42,180	(820)
Miscellaneous Receipts			
Investment Earnings	700	952	252
Refunds and Reimbursements	-	147,152	147,152
Contributions and Donations	-	15,685	15,685
Other Miscellaneous	-	5,378	5,378
Total Miscellaneous Receipts	<u>700</u>	<u>169,167</u>	<u>168,467</u>
TOTAL RECEIPTS	157,700	332,625	174,925
DISBURSEMENTS			
Public Safety			
Fire			
Current	168,100	171,306	3,206
Capital Outlay	25,000	318,713	293,713
TOTAL DISBURSEMENTS	<u>193,100</u>	<u>490,019</u>	<u>296,919</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(35,400)	(157,394)	(121,994)
OTHER FINANCING SOURCES (USES)			
Transfers			
From Other Funds	-	90,000	90,000
NET CHANGE IN CASH FUND BALANCE	<u>\$ (35,400)</u>	(67,394)	<u>\$ (31,994)</u>
CASH FUND BALANCE - BEGINNING		<u>132,839</u>	
CASH FUND BALANCE - ENDING		<u>\$ 65,445</u>	

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

Note 1 – Disbursements in Excess of Budget

Actual disbursements in the Fire Fund of \$490,019 exceeded the final budgeted disbursements by \$296,919 for the current year. Disbursements in excess of budget were primarily due to unbudgeted capital outlay costs.

CITY OF PIERZ, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
ALL NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	Total Nonmajor Capital Project Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	<u>\$ 289,957</u>	<u>\$ (3,107)</u>	<u>\$ 254,294</u>	<u>\$ 541,144</u>
CASH FUND BALANCES				
Restricted	\$ -	\$ 13,030	\$ 196,873	\$ 209,903
Assigned	290,286	-	57,421	347,707
Unassigned	<u>(329)</u>	<u>(16,137)</u>	<u>-</u>	<u>(16,466)</u>
TOTAL CASH FUND BALANCES	<u>\$ 289,957</u>	<u>\$ (3,107)</u>	<u>\$ 254,294</u>	<u>\$ 541,144</u>

CITY OF PIERZ, MINNESOTA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Total Nonmajor Capital Project Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
RECEIPTS				
Property Taxes	\$ 23,019	\$ -	\$ -	\$ 23,019
Tax Increment	-	33,814	-	33,814
Special Assessments	14,027	-	-	14,027
Intergovernmental	-	-	74,585	74,585
Loan Repayments	-	-	53,824	53,824
Investment Income	539	-	546	1,085
Miscellaneous	48,335	-	-	48,335
TOTAL RECEIPTS	<u>85,920</u>	<u>33,814</u>	<u>128,955</u>	<u>248,689</u>
DISBURSEMENTS				
Current:				
General Government	10,040	10,746	-	20,786
Economic Development	-	22,835	-	22,835
Capital Outlay	55,359	-	1,749	57,108
Debt Service:				
Principal	26,000	-	19,875	45,875
Interest and Other Charges	1,642	-	-	1,642
TOTAL DISBURSEMENTS	<u>93,041</u>	<u>33,581</u>	<u>21,624</u>	<u>148,246</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,121)	233	107,331	100,443
OTHER FINANCING SOURCES (USES)				
Transfers In	30,000	-	7,598	37,598
Transfers Out	(30,000)	(7,598)	(90,000)	(127,598)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(7,598)</u>	<u>(82,402)</u>	<u>(90,000)</u>
NET CHANGE IN CASH FUND BALANCES	(7,121)	(7,365)	24,929	10,443
CASH FUND BALANCES - BEGINNING	<u>297,078</u>	<u>4,258</u>	<u>229,365</u>	<u>530,701</u>
CASH FUND BALANCES - ENDING	<u>\$ 289,957</u>	<u>\$ (3,107)</u>	<u>\$ 254,294</u>	<u>\$ 541,144</u>

**CITY OF PIERZ, MINNESOTA
 COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
 NONMAJOR CAPITAL PROJECT GOVERNMENTAL FUNDS
 DECEMBER 31, 2022**

	Robert/Park Fund	Third Ave N Project Fund	2024 Street Improvements Fund	Total Nonmajor Capital Project Funds
ASSETS				
Cash and Cash Equivalents	\$ 114,765	\$ 175,521	\$ (329)	\$ 289,957
CASH FUND BALANCES				
Assigned	\$ 114,765	\$ 175,521	\$ -	\$ 290,286
Unassigned	-	-	(329)	(329)
TOTAL CASH FUND BALANCES	\$ 114,765	\$ 175,521	\$ (329)	\$ 289,957

CITY OF PIERZ, MINNESOTA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES
NONMAJOR CAPITAL PROJECT GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Robert/Park Fund	Third Ave N Project Fund	2024 Street Improvements Fund	Total Nonmajor Capital Project Funds
RECEIPTS				
Property Taxes	\$ 23,019	\$ -	\$ -	\$ 23,019
Special Assessments	14,027	-	-	14,027
Investment Income	539	-	-	539
Miscellaneous	-	34,418	13,917	48,335
TOTAL RECEIPTS	<u>37,585</u>	<u>34,418</u>	<u>13,917</u>	<u>85,920</u>
DISBURSEMENTS				
Current:				
General Government	-	10,040	-	10,040
Capital Outlay	-	11,113	44,246	55,359
Debt Service:				
Principal	26,000	-	-	26,000
Interest and Other Charges	1,642	-	-	1,642
TOTAL DISBURSEMENTS	<u>27,642</u>	<u>21,153</u>	<u>44,246</u>	<u>93,041</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	9,943	13,265	(30,329)	(7,121)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	30,000	30,000
Transfers Out	-	(30,000)	-	(30,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(30,000)</u>	<u>30,000</u>	<u>-</u>
NET CHANGE IN CASH FUND BALANCES	9,943	(16,735)	(329)	(7,121)
CASH FUND BALANCES - BEGINNING	<u>104,822</u>	<u>192,256</u>	<u>-</u>	<u>297,078</u>
CASH FUND BALANCES - ENDING	<u>\$ 114,765</u>	<u>\$ 175,521</u>	<u>\$ (329)</u>	<u>\$ 289,957</u>

CITY OF PIERZ, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	Red's Auto (TIF 1-3)	Roach Rental Townhouse (TIF 1-9)	Essentia Health (TIF 1-10)	RTO (TIF 1- 11)	Kloss Development (TIF 1-12)	Roach II Development (TIF 1-13)	Total Nonmajor Debt Service Funds
ASSETS							
Cash and Cash Equivalents	\$ 3,708	\$ 9,322	\$ (470)	\$ (4,883)	\$ (3,372)	\$ (7,412)	\$ (3,107)
CASH FUND BALANCES							
Restricted	\$ 3,708	\$ 9,322	\$ -	\$ -	\$ -	\$ -	\$ 13,030
Unassigned	-	-	(470)	(4,883)	(3,372)	(7,412)	(16,137)
TOTAL CASH FUND BALANCES	<u>\$ 3,708</u>	<u>\$ 9,322</u>	<u>\$ (470)</u>	<u>\$ (4,883)</u>	<u>\$ (3,372)</u>	<u>\$ (7,412)</u>	<u>\$ (3,107)</u>

CITY OF PIERZ, MINNESOTA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES
NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Red's Auto (TIF 1-3)	Roach Rental Townhouse (TIF 1-9)	Essentia Health (TIF 1-10)	RTO (TIF 1- 11)	Kloss Development (TIF 1-12)	Roach II Development (TIF 1-13)	Total Nonmajor Debt Service Funds
RECEIPTS							
Tax Increment	\$ 8,817	\$ 16,555	\$ 5,780	\$ 2,662	\$ -	\$ -	\$ 33,814
DISBURSEMENTS							
Current:							
General Government	771	771	771	771	250	7,412	10,746
Economic Development	7,935	14,900	-	-	-	-	22,835
TOTAL DISBURSEMENTS	<u>8,706</u>	<u>15,671</u>	<u>771</u>	<u>771</u>	<u>250</u>	<u>7,412</u>	<u>33,581</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	111	884	5,009	1,891	(250)	(7,412)	233
OTHER FINANCING USES							
Transfers Out	-	-	(5,202)	(2,396)	-	-	(7,598)
NET CHANGE IN CASH FUND BALANCES	111	884	(193)	(505)	(250)	(7,412)	(7,365)
CASH FUND BALANCES - BEGINNING	<u>3,597</u>	<u>8,438</u>	<u>(277)</u>	<u>(4,378)</u>	<u>(3,122)</u>	<u>-</u>	<u>4,258</u>
CASH FUND BALANCES - ENDING	<u>\$ 3,708</u>	<u>\$ 9,322</u>	<u>\$ (470)</u>	<u>\$ (4,883)</u>	<u>\$ (3,372)</u>	<u>\$ (7,412)</u>	<u>\$ (3,107)</u>

**CITY OF PIERZ, MINNESOTA
 COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
 NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
 DECEMBER 31, 2022**

	EDA Fund	MIF Loan Fund	Small Cities Development Grant Fund	American Rescue Plan Act Fund	Total Nonmajor Special Revenue Funds
ASSETS					
Cash and Cash Equivalents	\$ 43,413	\$ 50,737	\$ 102,723	\$ 57,421	\$ 254,294
CASH FUND BALANCES					
Restricted	\$ 43,413	\$ 50,737	\$ 102,723	\$ -	\$ 196,873
Assigned	-	-	-	57,421	57,421
TOTAL CASH FUND BALANCES	<u>\$ 43,413</u>	<u>\$ 50,737</u>	<u>\$ 102,723</u>	<u>\$ 57,421</u>	<u>\$ 254,294</u>

CITY OF PIERZ, MINNESOTA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	EDA Fund	MIF Loan Fund	Small Cities Development Grant Fund	American Rescue Plan Act Fund	Total Nonmajor Special Revenue Funds
RECEIPTS					
Intergovernmental	\$ -	\$ -	\$ -	\$ 74,585	\$ 74,585
Loan Repayments	5,360	33,125	15,339	-	53,824
Investment Income	546	-	-	-	546
TOTAL RECEIPTS	<u>5,906</u>	<u>33,125</u>	<u>15,339</u>	<u>74,585</u>	<u>128,955</u>
DISBURSEMENTS					
Capital Outlay	-	-	-	1,749	1,749
Debt Service:					
Principal	-	19,875	-	-	19,875
TOTAL DISBURSEMENTS	<u>-</u>	<u>19,875</u>	<u>-</u>	<u>1,749</u>	<u>21,624</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	5,906	13,250	15,339	72,836	107,331
OTHER FINANCING SOURCES (USES)					
Transfers In	7,598	-	-	-	7,598
Transfers Out	-	-	-	(90,000)	(90,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,598</u>	<u>-</u>	<u>-</u>	<u>(90,000)</u>	<u>(82,402)</u>
NET CHANGE IN CASH FUND BALANCES	13,504	13,250	15,339	(17,164)	24,929
CASH FUND BALANCES - BEGINNING	<u>29,909</u>	<u>37,487</u>	<u>87,384</u>	<u>74,585</u>	<u>229,365</u>
CASH FUND BALANCES - ENDING	<u>\$ 43,413</u>	<u>\$ 50,737</u>	<u>\$ 102,723</u>	<u>\$ 57,421</u>	<u>\$ 254,294</u>

**CITY OF PIERZ, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)**

	Issue Dates	Interest Rates	Maturity Dates	Initial Authorized Issue	Outstanding Balance 01/01/22	Issued	Paid	Outstanding Balance 12/31/22	Principal Due Within One Year
GOVERNMENTAL INDEBTEDNESS									
2013A General Obligation Improvement Bonds	6/1/2013	2.45%	2/1/2024	\$ 246,000	\$ 80,000	\$ -	\$ 26,000	\$ 54,000	\$ 27,000
Note Payable - MIF Loan	3/1/2019	0.00%	3/1/2029	231,248	174,936	-	19,875	155,061	19,875
Contract for Deed - Public Works Building	10/14/2022	5.00%	12/14/2027	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>45,139</u>
TOTAL GOVERNMENTAL DEBTS				727,248	254,936	250,000	45,875	459,061	92,014
PROPRIETARY INDEBTEDNESS									
2012A General Obligation Refunding Note	12/3/2012	2.50%	2/1/2022	<u>317,000</u>	<u>39,000</u>	<u>-</u>	<u>39,000</u>	<u>-</u>	<u>-</u>
TOTAL INDEBTEDNESS				<u>\$ 1,044,248</u>	<u>\$ 293,936</u>	<u>\$ 250,000</u>	<u>\$ 84,875</u>	<u>\$ 459,061</u>	<u>\$ 92,014</u>

**CITY OF PIERZ, MINNESOTA
SCHEDULE OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2022
(UNAUDITED)**

<u>Fund</u>	<u>Item and Purpose</u>	<u>Amount</u>
General	Franchise Fees (Midco)	\$ 952
General	RPSWD	596
General	LMCIT - Insurance Refunds	208,880
General	Charges for Services (Mosquito Spraying and Lawn Mowing)	1,343
General	Property Taxes	3,396
Fire	PRAFPA	2,158
Fire	Property Taxes	661
Robert/Park	Property Taxes	310
2024 Street Improvements	Reimbursement	3,357
Electric	Customer Charges	129,236
Golf Course	Refund from Bernick's (returns)	554
Golf Course	Property Taxes	297
Solid Waste	Customer Charges	15,534
Storm Water	Customer Charges	5,528
		<u>\$ 372,802</u>

CITY OF PIERZ, MINNESOTA
SCHEDULE OF ACCOUNTS PAYABLE AND CONTINGENT LIABILITIES
DECEMBER 31, 2022
(UNAUDITED)

<u>Fund</u>	<u>Vendor</u>	<u>Item and Purpose</u>	<u>Amount</u>	
General	Farmers & Merchants State Bank	Rental	\$ 50	
	PSN	Operating Supplies	95	
	WEX	Fuels & Lubricants	879	
	MN Dept of Labor & Industry	Quarterly Surcharge	29	
	Bob's Lumber & Supply	Operating Supplies	95	
	Design Electronics/Radio Shack	Professional Services	250	
	Grace Heschke	Cleaning Services	270	
	Initiative Foundation	Support Donations	1,450	
	Innovative Office Solutions, LLC	Office Supplies	67	
	Kummet Electric	Repairs & Maintenance	711	
	Morrison Co. Public Works	Operating Supplies	3,938	
	Motorola Solutions, Inc.	Communication Equipment	531	
	Pierz Sanitation, Inc.	Trash Removal	59	
	Reinders, Inc.	Operating Supplies	122	
	James Vanstone	Planning & Zoning	225	
	Verizon Wireless	Communication	173	
	WEX	Fuels & Lubricants	879	
	Zarnoth Brush Works, Inc.	Repair & Maint. Supplies	542	
	CenterPoint Energy	Utilities	1,506	
	Eric Gaffke	Employee Benefits	133	
	Hartmann's Inc	Operating Supplies	469	
	Cardmember Services	Operating Supplies	121	
	Metro Sales Inc.	Office Supplies	750	
	Midco	Communication	290	
	Morrison County	Vehicle Equipment	5,880	
	Napa Central MN	Repair & Maint. Supplies	2,330	
	Pierz Service	Repair & Maint. Supplies	160	
	Red's Auto	Repair & Maint. Supplies	151	
	Red's Auto	Fuels & Lubricants	1,858	
	SHE	Engineering	5,595	
	Sterling Water Culligan	Water	179	
	Vernon Company	Training	1,208	
	Morrison County Attorney	Prosecution Fees	29	
	Pierz Commercial Club	Miscellaneous	10	
	T & M Shooting Sport	Training	178	
	Napa Central MN	Fuels & Lubricants	283	
	Navsufw Arcendiv	Operating Supplies	300	
	Saehr Backhoe & Gravel, Inc.	Snow Removal	6,502	
			<u>6,502</u>	
			\$ 38,297	
	Fire	Active911	Communication	48
		Alex Air Apparatus, Inc.	Other Equipment	578
		Batteries Plus Bulbs #035	Operating Supplies	59
		John Duscher	Repair & Maint. Supplies	175
		NFPA Membership Services	Memberships & Dues	175
Verizon Wireless		Communication	160	
CenterPoint Energy		Utilities	760	
Midco		Communication	161	
MN DEED		Unemployment Compensation	2	
CentraCare		Professional Services	190	
Municipal Emergency Service, Inc.		Personal Protective Equip.	2,048	
Northern Health and Fitness		Fit Test/Physicals	2,160	
Scott Saehr		Reimbursements	48	
Workmed Midwest PA		Professional Services	496	
Granite Electronics		Repairs & Maintenance	78	
Jefferson Fire and Safety		Personal Protective Equip.	291	
Morrison County - Administration		Communication	14,465	
			<u>14,465</u>	
			21,894	

CITY OF PIERZ, MINNESOTA
SCHEDULE OF ACCOUNTS PAYABLE AND CONTINGENT LIABILITIES (Continued)
DECEMBER 31, 2022
(UNAUDITED)

<u>Fund</u>	<u>Vendor</u>	<u>Item and Purpose</u>	<u>Amount</u>	
Third Ave N Project	Dennis Lind	Professional Services	\$ 1,090	
	Morrison Co. Public Works	Engineering	49	
	Tom Scherling	Professional Services	1,090	
	Jovanovich, Dege, & Athmann	Professional Services	<u>129</u>	\$ 2,358
2024 Street Improvements	SEH	Engineering	<u>4,275</u>	4,275
Electric Fund	MN Dept. of Revenue	Sales Tax	5,295	
	MN Power	Monthly Electric	65,818	
	Gopher State One Call	Professional Services	9	
	Anderson, Derek & Hecimovich, AU	Refunds	70	
	Colby Hecimovich	Refunds	84	
	MN Power	Professional Services	39,459	
	Napa Central MN	Repair & Maint. Supplies	25	
	USIC Locating Services, LLC	Professional Services	<u>253</u>	111,013
Golf Course	CardPointe	Bank Charges	89	
	MN Dept. of Revenue	Sales Tax	171	
	US Card Systems	Bank Charges	20	
	Bernick's	Beverages	274	
	ECM Publishers, Inc.	Advertising	99	
	Innovative Office Solutions, LLC	Office Supplies	278	
	Kummet Electric	Professional Services	627	
	MTI Distributing, Inc.	Heavy Machinery	46,708	
	Verizon Wireless	Communication	40	
	Campspot	Fees & Licenses	18	
	Hartmann's Inc.	Operating Supplies	11	
	Cardmember Services	Advertising	129	
	Midco	Communication	230	
	Napa Central MN	Operating Supplies	53	
	Red's Auto	Fuels & Lubricants	64	
	Bridgestone Golf, Inc.	Merchandise for Resale	900	
Napa Central MN	Repair & Maint. Supplies	88		
Saehr Backhoe & Gravel, Inc.	Professional Services	<u>8,979</u>	58,778	
Solid Waste	MN Dept. of Revenue	Sales Tax	576	
	Pierz Sanitation, Inc.	Trash Removal	3,795	
	Morrison County Auditor/Treas.	Compacting	<u>1,730</u>	6,101
Storm Water	Gopher State One Call	Professional Services	<u>9</u>	9
Fiduciary	RPSWD	Water/Sewer	<u>71,250</u>	<u>71,250</u>
			<u>\$ 313,975</u>	

OTHER REQUIRED REPORT

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

Honorable Mayor and City Council
City of Pierz, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of each major fund and the aggregate remaining fund information of the City of Pierz, Minnesota (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 20, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Pierz failed to comply with the provisions of the contracting-bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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



SCHLENNER WENNER & CO.
St. Cloud, Minnesota
March 20, 2023